

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM S-1**

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**Parsons Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**7373**  
(Primary Standard Industrial  
Classification Code Number)

**95-3232481**  
(I.R.S. Employer  
Identification No.)

**5875 Trinity Parkway #300  
Centreville, Virginia 20120  
(703) 988-8500**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Charles L. Harrington**  
**Chairman, Chief Executive Officer and President**  
**5875 Trinity Parkway #300**  
**Centreville, Virginia 20120**  
**(703) 988-8500**

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**Approximate date of commencement of proposed sale to the public:**  
**As soon as practicable after this registration statement is declared effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, par value \$1.00 per share	\$100,000,000	\$12,120

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase from the registrant.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated April 12, 2019.

Shares  
**PARSONS**  
**Parsons Corporation**  
Common Stock

This is an initial public offering of shares of common stock of Parsons Corporation. All of the \_\_\_\_\_ shares of common stock are being sold by the company.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_. Parsons Corporation has applied to list the common stock on the New York Stock Exchange, or NYSE, under the symbol "PSN".

Upon completion of this offering, the shares beneficially owned by the Parsons Employee Stock Ownership Plan, or the ESOP, will represent \_\_\_\_\_ % of the total voting power of our outstanding capital stock. As a result, we will be a "controlled company" within the meaning of the corporate governance rules of the NYSE. See "Management—Controlled Company Exception."

See "[Risk Factors](#)" on page 21 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial Public Offering Price	\$ _____	\$ _____
Underwriting Discount(1)	\$ _____	\$ _____
Proceeds Before Expenses(1)	\$ _____	\$ _____

(1) See "Underwriting".

To the extent that the underwriters sell more than \_\_\_\_\_ shares of common stock, the underwriters have the option to purchase up to an additional \_\_\_\_\_ shares from us at the initial price to the public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2019.

**Goldman Sachs & Co. LLC**

**BofA Merrill Lynch**

**Morgan Stanley**

**Jefferies**

**Wells Fargo Securities**

**Cowen**

**SunTrust Robinson Humphrey**

**MUFG**

**Scotiabank**

Prospectus dated \_\_\_\_\_, 2019

**PARSONS**

# UNCOMPROMISING AGILITY

Delivering solutions through innovation



**TABLE OF CONTENTS**

<a href="#">PROSPECTUS SUMMARY</a>	1
<a href="#">RISK FACTORS</a>	21
<a href="#">SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</a>	51
<a href="#">USE OF PROCEEDS</a>	53
<a href="#">DIVIDEND POLICY</a>	55
<a href="#">CAPITALIZATION</a>	56
<a href="#">DILUTION</a>	58
<a href="#">SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA</a>	61
<a href="#">MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	65
<a href="#">BUSINESS</a>	93
<a href="#">MANAGEMENT</a>	111
<a href="#">EXECUTIVE COMPENSATION</a>	121
<a href="#">CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</a>	148
<a href="#">PRINCIPAL STOCKHOLDERS</a>	149
<a href="#">DESCRIPTION OF CAPITAL STOCK</a>	151
<a href="#">SHARES ELIGIBLE FOR FUTURE SALE</a>	154
<a href="#">MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK</a>	156
<a href="#">UNDERWRITING</a>	160
<a href="#">LEGAL MATTERS</a>	166
<a href="#">EXPERTS</a>	166
<a href="#">WHERE YOU CAN FIND ADDITIONAL INFORMATION</a>	166
<a href="#">INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</a>	F-1

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our common stock only under circumstances and in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations and prospectus may have changed since that date.

For investors outside the U.S., we have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the U.S. Persons outside the U.S. who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the U.S. See "Underwriting."

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus. You should also consider the matters described under the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case included elsewhere in this prospectus. Unless the context otherwise requires, the terms "Parsons," "the Company," "we," "us" and "our" refer to Parsons Corporation and its consolidated subsidiaries.*

### Overview

We are a leading provider of technology-driven solutions in the defense, intelligence and critical infrastructure markets. We provide technical design and engineering services and software to address our customers' challenges. We have developed significant expertise and differentiated capabilities in key areas of cybersecurity, intelligence, defense, military training, connected communities, physical infrastructure and mobility solutions. By combining our talented team of professionals and advanced technology, we help solve complex technical challenges to enable a safer, smarter and more interconnected world.

Since our founding 75 years ago, we have built our reputation and business on our ability to successfully transform and innovate our services while leveraging cutting-edge technologies in order to expand our offerings. Whether our customers need a first-of-its-kind advanced missile development and testing facility, or an artificial intelligence enabled cloud platform to defend against cybersecurity threats, we deliver for our customers. We seek to grow by offering our clients innovative solutions supported by research and development, as well as acquisitions of emerging technologies. We have developed longstanding relationships with customers such as the U.S. military and intelligence agencies and state and local governments and agencies.

Advances in technology are dramatically shifting the operating landscape across our markets. Governments and companies are grappling with pressing challenges ranging from confronting increasingly sophisticated cybersecurity threats to upgrading aging systems and infrastructure. To address these challenges, our customers are actively seeking technology-enabled solutions to enhance and transform their operations and assets. Our wide-ranging capabilities enable us to provide our services and solutions across the defense, intelligence and critical infrastructure markets. As a leading technology-driven solutions provider with a proven track record, we believe we are well positioned to benefit from these trends and serve our customers' evolving needs. We have capabilities in the following four areas that cut across our segments and business lines:

**Systems Integration:** We provide engineering services and technology for large digital and physical systems with high technical complexity. We lead projects from concept development through design, implementation, testing and verification, ensuring interoperability of these complex, disparate systems.

**Software Development:** We develop software and systems across many domains and mission-specific applications. Our experienced software engineers and developers design, develop, integrate, operate and sustain mission-critical software applications and systems across cyber, intelligence, defense and commercial customers.

**Program Management:** We provide expertise and technology to advance our customers' execution of large, complex projects within their defined time and cost parameters.

**Critical Mission Support:** We provide a diverse set of technical services to help our nation's military on land, sea, air and space. These services include mission training, protecting national airspace, fighting infectious diseases, digitizing the health environment, performing contingency operations and providing operations and maintenance for physical infrastructure.

Our customer relationships, which are based on a long history of successfully delivering complex technical services, are key to our success. We are often involved in the early stages of our customers' planning processes, which allows us to efficiently optimize our service delivery model. These relationships, along with our technical expertise and access to talented human capital, allow us to successfully deliver solutions that meet our customers' demanding technical and execution requirements.

Technology and our people are our most important assets, allowing us to consistently deliver for our customers and help them solve their most pressing challenges. Investment in key technological capabilities is core to our business and helps us to stay at the forefront of the evolving trends across our end markets. To meet the challenges of tomorrow, we are focusing our technology investment on cybersecurity, machine learning, big data analytics and cloud applications. The work of our highly skilled and dedicated employees has enabled our long track record of continued innovation and execution on behalf of our customers. Our team of engineers, scientists, programmers and other specialists include PhDs and certified hackers and a large number of our skilled workforce hold government security clearances, which provides a significant competitive advantage for the highly technical and demanding work we perform.

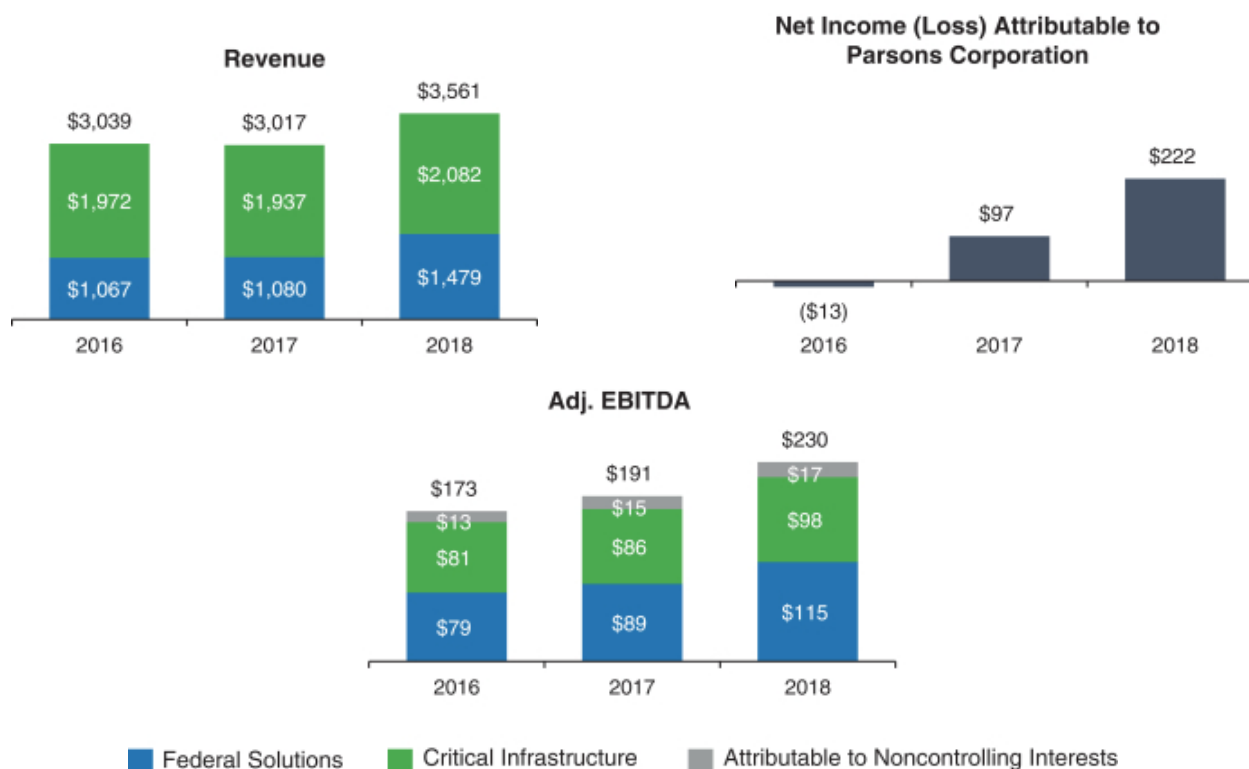
We operate in two reporting segments, Federal Solutions and Critical Infrastructure, with revenue contribution of 41.5% and 58.5%, respectively, and Adjusted EBITDA contribution of 49.9% and 42.6%, respectively, for fiscal 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Results" for further discussion on our segments.

*Federal Solutions:* Our Federal Solutions segment is a high-end services and technology provider to the U.S. government, delivering timely, cost-effective solutions for mission-critical projects. We provide advanced technologies, including cybersecurity, missile defense systems, military training, subsurface munitions detection, military facility modernization, logistics support, chemical weapon remediation and engineering services. The U.S. government and its agencies represent substantially all of the revenue of our Federal Solutions segment. These U.S. government agencies include the Missile Defense Agency, the United States intelligence community, the U.S. military, the Department of Energy and the Federal Aviation Administration.

*Critical Infrastructure:* Our Critical Infrastructure segment provides integrated design and engineering services for complex physical and digital infrastructure around the globe. We are a technology innovator focused on next generation infrastructure. Our capabilities in design and project management allow us to deliver significant value to our customers by employing cutting-edge technologies, improving timelines and reducing costs. We serve a diverse global customer base including federal, state, municipal and industry customers such as Los Angeles World Airports, Canada's Metrolinx, Dubai's Roads and Transport Authority and the Port Authority of New York and New Jersey.

We have successfully grown our business in each segment and on a consolidated basis. In fiscal 2018, we generated revenues of \$3.6 billion, net income attributable to Parsons Corporation of \$222.3 million and Adjusted EBITDA of \$229.8 million. In fiscal 2018, our Federal Solutions segment had 37.0% year-over-year revenue growth, or 15.9% excluding the results of Polaris Alpha, LLC, or Polaris

Alpha, which we acquired in May 2018, and our Critical Infrastructure segment had 7.5% year-over-year revenue growth. The following table shows our growth over the last three years (in millions):



See “Summary Consolidated Financial and Other Data” for a discussion of our definition of Adjusted EBITDA, how we use this metric, why we present this metric and the material limitations on usefulness of this metric. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Segment Results” and “Note 20—Segments Information” in the notes to our consolidated financial statements included elsewhere in this prospectus for further discussion regarding our segment revenue and segment Adjusted EBITDA attributable to Parsons Corporation.

On new contracts and task orders for which we competed, we achieved an overall win rate of 39.9% in fiscal 2016, 34.9% in fiscal 2017 and 42.9% in fiscal 2018. As of December 31, 2018, our total backlog was \$8.0 billion, an increase of 24.1% from December 29, 2017.

### Our Services and Solutions

Within each of our segments, we focus our services and solutions on the needs of customers in each of our business lines. Our capabilities of systems integration, software development, program management and critical mission support apply across our segments and business lines.

**Federal Solutions**

Our Federal Solutions business provides engineering, software and hardware solutions and services. It is focused on five business lines: Cyber & Intelligence, Geospatial, Defense, Mission Solutions, and Engineered Systems.

- **Cyber & Intelligence**—Focuses on two related, but discrete markets: cybersecurity and intelligence. Our customers include the U.S. Army and the United States intelligence community, which consists of 16 separate United States government intelligence agencies. We provide cybersecurity software and engineering services, rapid hardware prototyping and other technical services. An example is ThunderRidge, our tool that assists cyber operational users to develop action plans, assess cyber threats and disseminate situational awareness in real-time.
- **Geospatial**—Focuses on providing geospatial intelligence, big data analytics and threat mitigation technology services to the defense, intelligence, space and command, control, communications, computer, cyber, intelligence, surveillance and reconnaissance, or C5ISR, end markets. An example is our work with the National Geospatial-Intelligence Agency, or NGA, in providing automated capabilities to analyze, collect and expose geospatial intelligence content from the open source environment.
- **Defense**—Focuses on the missile defense, space and C5ISR end markets. Our customer portfolio includes the Missile Defense Agency, or MDA, the U.S. Air Force and the U.S. Army. We provide mission planning for space situational awareness, small satellite systems integration, electronic warfare, directed energy modeling and simulation and command and control systems and support. An example is our role as the prime systems engineering technical assistance, or SETA, contractor for the MDA where we provide weapons and missile defense systems engineering and command and control, battle management and communications (C2BMC) system support.
- **Mission Solutions**—Supports military training and readiness and associated infrastructure. Our services and solutions include converged cyber-physical solutions for critical infrastructure, and global military mission readiness and training. Customers include the Federal Aviation Administration and the U.S. Army. Representative offerings include live, virtual, constructive and gaming training, converged cyber-physical security for industrial control systems and infrastructure upgrades, connected devices and smart meters. Differentiated technologies include our information assurance and compliance qualifications and our Domain6 cybersecurity toolset for industrial control systems protection.
- **Engineered Systems**—Focuses on advanced technology services for advanced energy production systems, healthcare systems, environmental systems and associated infrastructure. Customers include the U.S. Department of Energy, the U.S. Army Corps of Engineers and the U.S. Air Force. Representative offerings include nuclear waste processing and treatment, weapons of mass destruction elimination, program and project management, infectious disease control analytics and data protection. Our expertise includes fluorinated organic chemicals, advanced digital classification and complex program and engineering management.



### **Critical Infrastructure**

Our Critical Infrastructure business provides engineering, program management, systems engineering and software solutions. It is focused on three business lines: Connected Communities, Mobility Solutions and Industrial.

- **Connected Communities**—Provides intelligent transportation system management, advanced train controls integration, smart cities software and critical infrastructure cyber protection. Our customers include the transportation authorities for the cities of Los Angeles, New York and Paris, the states or provinces of Georgia, Ontario and Texas and rail and transit entities including AMTRAK, CSX and the Washington Metropolitan Area Transit Authority, or WMATA. Technology capabilities include positive and communications-based train controls systems integration, intelligent transportation network software, vehicle inspection data analytics software, tolling systems software and autonomous vehicle integration. An example is our role as provider of Advanced Traffic Management Systems, or ATMS, for transportation systems in seven U.S. states through our Intelligent NETWORKS, or iNET, platform. Our deployment for the Georgia Department of Transportation of this platform connects over 8,500 sensors and improves transportation efficiency by reducing commutes through solutions such as the new reversible toll lanes in Atlanta's Northwest Corridor.
- **Mobility Solutions**—Provides engineering services for complex infrastructure including bridges and tunnels, roads and highways, airports and rail and transit. Within our diverse customer base, our customer relationships include the Port Authority of New York and New Jersey and Dubai's Roads and Transport Authority. Our capabilities include technologies in long-span bridges, tunnels, international airports and automated people mover and baggage handling systems. An example is our role as the sole program manager of the recently awarded Diamond Head Extension Program at Honolulu International Airport.
- **Industrial**—Delivers engineering, program management and environmental solutions to private-sector industrial clients and public utilities. Customers are diverse with limited concentration, and include chemical, energy, utility, communications and manufacturing companies and some provincial agencies. Our capabilities include environmental remediation engineering, process engineering, cyber-physical security software and program management of capital projects. Differentiated technology solutions include our Domain6 cybersecurity toolset, advanced environmental analytics and modeling and the application of augmented and virtual reality.

### **Our Market Opportunities**

Technological progress is driving a swift pace of change, resulting in ongoing societal transformation, complicated geopolitical dynamics, a shifting threat landscape and the globalization of commerce. To address this evolving landscape, our customers are actively seeking technology-enabled solutions to upgrade and transform assets and operations. The below trends are key drivers of activity and growth in both our Federal Solutions and Critical Infrastructure segments.

**Defense Spending Remains a Key Focus** of the national agenda due to the reemergence of long-term strategic competition, which has been cited in the National Defense Strategy as the primary concern for U.S. national prosperity and security. This reemergence has resulted in increased global disorder and a security environment defined by rapid technological change, which may be more complex than ever before.

**Cybersecurity is Mission Critical to U.S. National Security** and cybersecurity threats are increasing in volume and sophistication as global connectivity and the rise of social media have led to

an explosion in the amount of available and exploitable data. The proliferation of mobile devices, smart devices and cloud computing has vastly increased the need for enterprise-wide risk-based cybersecurity programs and governments have become increasingly aware of the need for a proactive approach to the risk of cyber-attacks.

**Consistent Need for Actionable Intelligence to Support U.S. Priorities** is driving a shifting threat landscape that necessitates a greater need for collaboration and cooperation between intelligence agencies. There is a new demand for multi-domain command and control systems that are not designed for one particular warfighting domain, but are instead optimized to function cohesively across a spectrum of domains. This in turn drives a need for sophisticated data analytics to parse data into useful formats in real-time.

**Global Infrastructure Needs Significant Replacements and Technology-Driven Upgrades.** Aging physical infrastructure is strained by the swift pace of technological change. Critical infrastructure, specifically transportation infrastructure that is essential to national economic and security concerns including airports, bridges, and rail and transit systems, is particularly vulnerable. We believe aging infrastructure will continue to be replaced and supplanted by newer, smarter infrastructure with an increased focus on connectivity.

**Urbanization Creates Demand for Smart Cities with Connected Populations.** Cities around the globe increasingly demand new capabilities, such as sensor networks and communication strategies to connect streetlights, security cameras and emergency systems, to provide important real-time information and better serve their citizens. Better integrated corridor management solutions, intelligent transportation systems, advanced rail systems and updated telecommunication networks will keep cities around the world functioning as smart cities and serve as engines for economic growth.

**Disruption of Legacy Service Delivery Models from Technology.** Historical capital project management is changing with the introduction of cloud-connected computer-aided design, automation, big data, machine learning and other technologies. The introduction of these new technologies allows industry participants to reimagine existing value chains, address integrated lifecycle objectives, boost productivity and streamline project management. Industry participants that have the capability to embrace these new technologies to enhance their capability and service offering to higher value solutions will be well positioned to assist governments and communities in their transformation.

Amidst this disruption, we believe we are well-positioned to serve a large array of governments and companies. Across a diverse set of industries, we provide smart and agile solutions that address our customers' concerns as they adapt to the rapid changes of a more interconnected and technology-driven world.

### **Our Competitive Strengths**

#### **Proven Track Record**

Our 75 year proven track record is a result of our strong performance, the dedication of our employees and our longstanding customer relationships. We focus on being a company that delivers on its promises, holds integrity at the highest level and successfully assists our clients as they execute their most complex missions. Driven by our integrated people, process and technology approach, we have a reputation for innovation and are trusted with our customers' most important endeavors.

Our differentiated business model has driven high win rates and strong financial performance, characterized by solid top and bottom line growth, high and growing backlog levels and low capital

requirements. We achieved award fees of \$53.2 million and average award fees of 96% in fiscal 2016, award fees of \$10.1 million and average award fees of 86% in fiscal 2017 and award fees of \$8.5 million and average award fees of 89% in fiscal 2018. Award fees are fees earned for achievement of certain performance criteria included in our contracts, such as achievement of target completion dates or target costs, and our award fees average is calculated as the actual award fees achieved as a percentage of award fees expected to be earned in the applicable period. In addition, we achieved a win rate of 39.9% in fiscal 2016, 34.9% in fiscal 2017 and 42.9% in fiscal 2018. In fiscal 2018, our Federal Solutions revenues grew 37.0% and our Critical Infrastructure revenues grew 7.5% year-over-year. As of December 31, 2018, our backlog was \$8.0 billion, up 24.1% from year end fiscal 2017.

### ***Long-Term Customer Relationships***

We maintain long-term relationships with key government and commercial customers, many of which span over 40 years. For example, in the Federal Solutions segment, we have been providing support to the MDA for over 30 years. In the Critical Infrastructure segment, we have supported the WMATA for over 50 years. These longstanding relationships give us the insight and customer intimacy to align our research and development investments based on customer needs and enable high win rates for prime contract positions on the most technically demanding assignments.

### ***Technology Innovation***

We are on the forefront of developing sophisticated engineering and technical services products for our customers, such as our iNET and Domain6 technology offerings. Our technical and management teams have a deep understanding of the products, their ecosystems and deployments, the customer and the processes necessary to create tailored solutions.

Our competencies include delivering advanced technologies in cybersecurity, data and video analytics, cloud applications and migration and artificial intelligence. Our approach of agile development, rapid prototyping, quick reaction capability and low rate initial production delivers customers solutions from concept to full life cycle support. By leveraging people, processes and technologies, we focus on continually delivering innovative solutions to address our customers' immediate and long-term challenges.

### ***Scalable and Agile Business Offerings***

Our scalable and agile offerings enable us to satisfy robust and evolving customer needs. The demanding environments where we operate are characterized by a need for high-confidence solutions, widespread application needs and mission critical outcomes. We pride ourselves on providing agile technologies through inventive and refined processes that provide quality outcomes to our customers.

Our technologies and platforms are designed to be applicable across end user markets and sub markets. This approach allows for scalable solutions that can be quickly and seamlessly integrated into multiple customer applications, regardless of geography or industry, allowing us to deploy a given service or platform across multiple markets.

### ***World Class Talent***

Our most important asset is our team of talented employees, 15,633 as of January 31, 2019, whose technical expertise is sought by our clients for their most sophisticated applications and challenges. Engineers, scientists, programmers and other employees choose us and stay with us for the opportunity to collaborate with our customers, deploy our expansive technical resources, rapidly bring bold ideas to market and work on leading solutions that enable a better world.

Our professionals are highly educated, with a wide range of technical acumen and in-depth domain knowledge and expertise. We have more than 11,710 degreed employees and 3,190 highly credentialed employees as of January 31, 2019. Our management team has significant experience executing strategies for delivering profitable growth and is recognized for operational excellence and leadership integrity. Our executive management team has an average tenure of 17 years with the company and averages over 32 years of industry or functional experience.

***Demonstrated Ability to Identify and Execute Acquisitions to Transform our Business***

Strategic acquisitions that augment our technology offerings and capabilities are a key tenet of our growth strategy. We have completed five strategic acquisitions (four in Federal Solutions and one in Critical Infrastructure) since 2011, which collectively provided us with a wide variety of complementary technology capabilities, with an aggregate purchase price of \$1.4 billion. This highlights our ability to successfully identify and execute on attractive opportunities to augment our leading technical offerings. These acquisitions include:

- ***OGSystems:*** Acquired in 2019, OGSystems, LLC, or OGSystems, is a disruptive geo-intelligence solutions and immersive engineering provider that creates technology solutions for the United States intelligence community and the Department of Defense.
- ***Polaris Alpha:*** Acquired in 2018, Polaris Alpha Holdings, LLC, or Polaris Alpha, is an advanced, technology-focused provider of innovative mission solutions for national security, intelligence, defense and other U.S. federal customers.
- ***Delcan Technologies:*** Acquired in 2014, Delcan Technologies is a multidisciplinary provider of engineering, planning, management and technology services offering a broad range of integrated systems and infrastructure solutions focused on mobility and urban autonomy.

We maintain a robust acquisition pipeline and are continually evaluating potential opportunities for disciplined growth by acquisition to further transform our business.

**Our Strategy for Growth**

Our growth strategy is focused on three pillars: Enhance, Extend and Transform. These include continually enhancing and optimizing our core business processes, extending our core business into high-growth and opportunity-rich adjacent markets and acquiring and integrating companies that possess transformative and disruptive technologies.

***Enhance and Optimize our Core Operations***

We are committed to enhancing and optimizing our core business and improving financial performance, including revenue growth, margin expansion and positive cash flow, using the following strategies:

- Focusing on cross-selling a wide range of applicable services and solutions to our customers, including those added to our portfolio through acquisition.
- Continuing research and development investments in cybersecurity software, iNET, our intelligent transportation system connected city platform, modeling and simulation, data analytics and our software and security-as-a-service platforms.
- Continuously evaluating and shaping our portfolio to divest, exit and de-emphasize lower-performing businesses and markets.
- Rigorously managing our working capital to maximize cash flow.

### ***Extend into Opportunity-Rich Adjacent Markets***

We are extending our core markets through organically penetrating and expanding in market adjacencies requiring our core services and solutions, with key market focuses that include:

- Space—Extend our space situational awareness, small satellite integration, command and control and critical infrastructure solutions to our current and new space customers in the government and commercial space markets.
- Energy—Extend our cyber-physical security, energy efficiency, owner's engineer, and critical infrastructure solutions to regulated utilities, oil and gas energy companies and federal energy customers.
- Health—Extend our data analytics, artificial intelligence and cloud computing solutions to the federal disease research and greater federal healthcare ecosystem.
- Smart Cities—Extend our iNET platform to include enhanced cybersecurity, data analytics, machine learning and cloud computing to expand coverage to additional global cities and regions.
- Critical Infrastructure Protection—Leverage our installed customer base and pursue market segments that are driven by high threat levels and regulatory concerns.

### ***Continued Acquisition and Integration of Transformative, Disruptive Technologies***

We are transforming our business capabilities and business models through the acquisition of companies with additional software and hardware intellectual property in:

- Cybersecurity software leveraging artificial intelligence algorithms across large data sets to further expand our coverage with large infrastructure and mobility systems.
- Intelligence software focused on data capture, processing and configuration to produce actionable intelligence from large data sets.
- Internet of Things, or IoT, sensor systems integration, data capture and processing focused on mobility solutions for connected and smart cities.
- Space and geospatial software to expand our small satellite command and control coverage, large data capture and analysis with embedded artificial intelligence to improve space operations.

Our objective is to continue to transform our business into a highly-scalable defense and infrastructure platform and increase revenue growth rates, margins and cash flows. We seek to expand opportunities for long-term revenue growth, both by developing and acquiring capabilities that will allow us to reach new customers and by expanding our offerings for existing customers. We build on the foundation of our Enhance and Extend strategies and reinforce these strategies with acquisitions of companies with software, hardware and expertise in our target markets, services and solutions.

### **Summary Risk Factors**

Our business is subject to numerous risks and uncertainties, including those in the section entitled "Risk Factors" and elsewhere in this prospectus. These risks include, but are not limited to, the following:

- Government spending and priorities could change in a manner that adversely affects our future revenue and limits our growth prospects.

- The U.S. federal government and its agencies collectively are our largest single customer.
- Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our government contracts, disqualification from bidding on future government contracts and suspension or debarment from government contracting.
- Government entities may adopt new contract rules and regulations or revise their procurement practices in a manner adverse to us at any time.
- A substantial portion of our business is subject to reviews, audits and cost adjustments by government agencies, which, if resolved unfavorably to us, could adversely affect our profitability, cash flows or growth prospects.
- Our government contracts may be terminated by the government counterparty at any time and may contain other provisions permitting the government to discontinue contract performance.
- We face aggressive industry competition that can impact our ability to obtain contracts and may affect our future revenues, profitability and growth prospects.
- Our ability to attract, train, retain and utilize skilled employees and senior management.
- Changes in the mix of our contracts and in our estimates and management of costs, time and resources for our contracts.
- Required compliance with numerous legal and regulatory requirements.
- Our operations through joint venture entities, some of which we do not have management control over, and with which we typically have joint and several liability with our joint venture partners.

### **Recent Developments**

On January 7, 2019, we acquired OGSystems for \$300.3 million. OGSystems provides geospatial intelligence, big data analytics and threat mitigation for defense and intelligence customers. The acquisition was funded by \$40.3 million of cash on hand, \$150.0 million of borrowings under our \$150.0 million unsecured term facility, or Term Loan, pursuant to a term loan agreement between us and certain lenders dated January 4, 2019, as amended, or Term Loan Agreement, and \$110.0 million of borrowings under our \$550.0 million unsecured credit facility, or Revolving Credit Facility, pursuant to a credit agreement between us and certain lenders dated November 15, 2017, as amended, or Credit Agreement. The financial results of OGSystems are not included in our consolidated results of operations for the periods presented in this prospectus.

On April 3, 2019, our board of directors declared a cash dividend to our existing stockholder in the amount of \$2.00 per share, or \$52.1 million in the aggregate. The payment of this dividend, which we refer to as the IPO Dividend, is conditioned upon the closing of this offering, and payable to our existing stockholder on the day immediately following the closing of this offering. Purchasers of our common stock in this offering will not be entitled to receive any portion of the IPO Dividend.

### **Corporate Information**

We are a Delaware corporation and commenced our principal operations in 1944. Our principal executive offices are located at 5875 Trinity Parkway #300, Centreville, Virginia 20120, and our telephone number is (703) 988-8500. Our website address is [www.parsons.com](http://www.parsons.com). The information on or that can be accessed through our website is not incorporated by reference into this prospectus, and you should not consider any such information as part of this prospectus or in deciding whether to purchase our common stock.

### **Parsons Employee Stock Ownership Plan**

In 1984, we became 100% owned by the Parsons Employee Stock Ownership Plan, which we refer to as the ESOP. The ESOP is Parsons' sole stockholder prior to the consummation of this offering. Upon completion of this offering, the shares beneficially owned by the ESOP will represent % of the total voting power of our outstanding capital stock. The ESOP is a retirement plan and trust subject to the requirements of the Internal Revenue Code of 1986, as amended, or the Code, and the Employee Retirement Income Security Act of 1974, as amended, or ERISA. The trustee of the ESOP is Newport Trust Company, which we refer to as the ESOP Trustee. Following consummation of this offering, each ESOP participant (or his or her beneficiaries) will have the right to direct the ESOP Trustee on how to vote the shares of common stock allocated to his or her account under the ESOP. The ESOP Trustee will vote any shares of common stock held in the ESOP, but not allocated to any ESOP participant's account, and any allocated shares for which no voting directions are timely received by the ESOP Trustee. In addition, the ESOP Trustee has fiduciary duties under ERISA to the ESOP and its participants which may cause the ESOP Trustee to override participants' voting directions.

### **S Corporation Status**

Since 1999, we have elected to be taxed for U.S. federal income tax purposes as an "S" Corporation under the provisions of Sections 1361 through 1379 of the Code. As a result, our earnings have not been subject to, and we have not paid, U.S. federal income tax, and no provision or liability for U.S. federal income tax has been included in our consolidated financial statements. Instead, for U.S. federal income tax purposes our taxable income is "passed through" to our sole stockholder, the ESOP. As the ESOP is intended to be exempt from federal income taxes, we have not previously had to make any distributions to the ESOP for taxes. Unless specifically noted otherwise, no amount of our consolidated net income or our earnings per share presented in this prospectus, including in our consolidated financial statements and the accompanying notes appearing in this prospectus, reflects any provision for or accrual of any expense for U.S. federal income tax liability for any period presented. In connection with this offering, our status as an "S" Corporation will terminate. Thereafter, our taxable earnings will be subject to U.S. federal income tax and we will bear the liability for those taxes.

### **Basis of Presentation**

Prior to fiscal 2018, Parsons was on a 52- or 53-week fiscal year ending on the last Friday on or before the end of the calendar year. In 2018, our board of directors approved a change in our fiscal year end from the last Friday on or before the calendar year to December 31st. Accordingly, references to fiscal 2018, fiscal 2017, fiscal 2016, fiscal 2015 and fiscal 2014 represent the financial results of Parsons Corporation and its subsidiaries for the fiscal years ended December 31, 2018, December 29, 2017, December 30, 2016, December 25, 2015 and December 26, 2014, respectively. In a 52-week fiscal year, each quarter contains 13 weeks of operations; in a 53-week fiscal year, three of the quarters include 13 weeks of operations and one of the quarters includes 14 weeks of operations. Fiscal 2017, fiscal 2015 and fiscal 2014 were all 52-week years. Fiscal 2016 was a 53-week year, which may have caused our revenue, expenses and other results of operations to be higher due to an additional week of operations.

### **Trademarks, Trade Names and Service Marks**

Parsons, Polaris Alpha, iNET and Domain6 and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Parsons Corporation. Other trademarks, service marks or trade names appearing in this prospectus are the property of their respective owners. We do not intend our use or display of other companies' trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, any other companies. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this prospectus.

### **Market, Industry and Other Data**

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on reports from various sources. In some cases, we do not expressly refer to the sources from which this data is derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph is derived from the same sources, unless otherwise expressly stated or the context otherwise requires.

Unless otherwise expressly stated, we obtained industry, business, market and other data from the reports, publications and other materials and sources listed below:

- Bloomberg Government, research data, December 24, 2018
- Center for Strategic and International Studies, February 2018
- Fitch Solutions, Inc., research data, January 22, 2018
- United States Department of Defense Fiscal Year 2019 Budget Request, February 2018
- H.Rept. 115-952 – Department of Defense for the Fiscal Year Ending September 30, 2019 and for other purposes
- Public Law No: 115-245
- H.R.6157 – Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019
- H.R.6327 – Intelligence Authorization Act, 2019
- S.245 – Damon Paul Nelson and Matthew Young Pollard Intelligence Authorization Act for Fiscal Years 2018 and 2019

Because this information involves a number of assumptions and limitations, you are cautioned not to give undue weight to such information. We have not independently verified market data and industry forecasts provided by any of these or any other third-party sources referred to in this prospectus.

In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section captioned "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by third parties and by us.



**THE OFFERING**

Common stock offered by Parsons	shares
Common stock outstanding after this offering	shares
Underwriters' option to purchase additional shares of common stock from Parsons	shares
Use of proceeds	<p>We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately \$ million based upon the assumed initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds to us from this offering to repay the outstanding principal balance of approximately \$150.0 million under our Term Loan (plus any accrued interest) and the outstanding principal balance of approximately \$ million under our Revolving Credit Facility (plus any accrued interest), to fund future acquisitions and for working capital and other general corporate purposes. See the section captioned "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering.</p>
Dividend Policy	<p>Other than the IPO Dividend, we currently do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, restrictions under our senior notes issued in a private placement in 2014, or the Senior Notes, Credit Agreement and Term Loan Agreement, and other factors that our board of directors considers relevant. See "Dividend Policy" for further information.</p>
Voting Rights	<p>Shares of common stock are entitled to one vote per share. See the section captioned "Description of Capital Stock". Assuming no exercise of the underwriters' option to purchase additional shares, following this offering, outstanding shares of common stock beneficially held by our executive officers and the ESOP, the only holder of more than 5% of our capital stock, will represent approximately % of the voting</p>

Risk Factors	<p>power of our outstanding capital stock. The ESOP participants (or their beneficiaries) have the right to direct the ESOP Trustee on how to vote the shares of common stock allocated to his or her account under the ESOP. The ESOP Trustee will vote in its independent fiduciary discretion any shares of common stock held in the ESOP, but not allocated to any ESOP participant's account, and any allocated shares for which no voting directions are timely received from participants. In addition, the ESOP Trustee has fiduciary duties under ERISA to the ESOP and its participants which may cause the ESOP Trustee to override participants' voting directions.</p> <p>You should carefully read and consider the information set forth in the section entitled "Risk Factors" beginning on page 20, together with all of the other information set forth in this prospectus, before deciding whether to invest in our common stock.</p>
Conflicts of Interest	<p>Affiliates of Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, Wells Fargo Securities, LLC, MUFG Securities Americas Inc. and Scotia Capital (USA) Inc. are lenders under the Term Loan and Revolving Credit Facility. As described in the section entitled "Use of Proceeds," a portion of the net proceeds from this offering will be used to repay borrowings under the Term Loan and Revolving Credit Facility. Because we expect that more than 5% of the proceeds of this offering will be received by affiliates of Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, Wells Fargo Securities, LLC, MUFG Securities Americas Inc. and Scotia Capital (USA) Inc., each a lender under the Term Loan and Revolving Credit Facility, this offering is being conducted in compliance with Rule 5121, as administered by the Financial Industry Regulatory Authority, or FINRA. Goldman Sachs &amp; Co. LLC has agreed to act as the qualified independent underwriter with respect to this offering and has performed due diligence investigations and participated in the preparation of this registration statement. See the section entitled "Underwriting—Conflicts of Interest."</p>
Proposed trading symbol	"PSN".
The total number of shares of our common stock that will be outstanding after this offering will be _____ shares, and excludes: <ul data-bbox="153 1279 1513 1335" style="list-style-type: none"><li>• 347,223 shares of our common stock that may be issued upon settlement of awards granted in 2019 under our Long Term Growth Plan or Restricted Award Plan, or the 2019 Awards; and</li></ul>	

- 3,900,000 shares of common stock reserved for future grant or issuance under our 2019 Incentive Award Plan or the 2019 Plan (less any shares issued pursuant to the 2019 Awards after the effective date of the 2019 Plan), which will become effective upon the completion of this offering.

Except as otherwise indicated, all information in this prospectus assumes:

- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and
- no exercise by the underwriters of their right to purchase up to an additional                      shares of common stock from us to cover overallocments, if any.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present summary consolidated financial and other data and pro forma information to reflect our conversion from an “S” Corporation to a “C” Corporation for income tax purposes. The consolidated statements of operations data for the fiscal years ended December 30, 2016, December 29, 2017 and December 31, 2018 and the consolidated balance sheet data as of December 29, 2017 and December 31, 2018 are derived from our audited consolidated financial statements included elsewhere in this prospectus.

You should read this data together with our audited consolidated financial statements and related notes, as well as the information under the captions “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included elsewhere in this prospectus. Our historical results are not necessarily indicative of our future results.

(U.S. dollars in thousands, except per share data)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
<b>Consolidated Statements of Operations Data:</b>			
Revenue	\$ 3,039,191	\$ 3,017,011	\$ 3,560,508
Direct costs of contracts	2,431,193	2,400,140	2,795,005
Equity in earnings of unconsolidated joint ventures	35,462	40,086	36,915
Indirect, general and administrative expenses	522,920	506,255	597,410
Impairment of goodwill, intangible and other assets	85,133	—	—
Operating income	<u>35,407</u>	<u>150,702</u>	<u>205,008</u>
Interest income	1,190	2,465	2,710
Interest expense	(16,509)	(15,798)	(20,842)
Other income (expense), net	1,340	5,658	(1,651)
(Interest and other expense) gain associated with claim on long-term contract	(9,422)	(10,026)	74,578
Total other (expense) income	<u>(23,401)</u>	<u>(17,701)</u>	<u>54,795</u>
Income before income tax expense	12,006	133,001	259,803
Income tax expense	(13,992)	(21,464)	(20,367)
Net (loss) income including noncontrolling interests	(1,986)	111,537	239,436
Net income attributable to noncontrolling interests	(11,161)	(14,211)	(17,099)
Net (loss) income attributable to Parsons Corporation	<u>\$ (13,147)</u>	<u>\$ 97,326</u>	<u>\$ 222,337</u>
<b>Net (loss) income attributable to Parsons Corporation per share(1):</b>			
Basic and diluted	<u>\$ (0.45)</u>	<u>\$ 3.49</u>	<u>\$ 8.34</u>
Weighted-average number of shares:			
Basic and diluted	<u>29,499</u>	<u>27,858</u>	<u>26,671</u>
<b>Pro Forma Income Information (2):</b>			
Historical income before income tax expense			\$ 259,803
Pro forma provision for income taxes			(74,755)
Pro forma net income including noncontrolling interests			185,048
Pro forma net income attributable to Parsons Corporation			167,949
Pro forma net income attributable to Parsons Corporation per share, basic and diluted			<u>\$ 6.30</u>
Weighted-average number of shares used in computing pro forma net income (loss) attributable to Parsons Corporation per share:			
Basic and diluted			26,671

(1) See “Note 19—Earnings Per Share” to our audited consolidated financial statements in this prospectus for more information regarding net income (loss) attributable to Parsons Corporation per share, basic and diluted, and pro forma net income attributable to Parsons Corporation per share, basic and diluted.

(2) The unaudited pro forma net income information for 2018 gives effect to an adjusted income tax expense as if we had been a "C" Corporation at an assumed combined federal, state, local and foreign effective income tax rate of 28.77% for the fiscal year ended December 31, 2018.

(U.S. dollars in thousands)	As of December 29, 2017		As of December 31, 2018	
	Actual		Actual	Pro Forma(1)
<b>Consolidated Balance Sheet Data:</b>				
Cash and cash equivalents(2)	\$	376,368	\$ 206,427	\$ 154,307
Total assets		2,272,718	2,612,578	2,631,506
Total debt		249,407	429,164	429,164
Noncontrolling interests		27,494	46,461	46,461
Redeemable common stock held by the ESOP		1,855,305	1,876,309	1,876,309
Total shareholders' deficit		(1,049,916)	(921,076)	(902,533)

- (1) This column gives effect to (a) the termination of our "S" Corporation status in connection with our initial public offering and our election to be treated as a "C" Corporation under the Code, including an increase in net deferred tax assets of \$70.7 million and the reclassification of undistributed retained earnings to additional paid-in capital, assuming our "S" Corporation status terminated on December 31, 2018 and (b) the payment of the IPO Dividend of \$52.1 million. This column does not give effect to the payment of \$40.3 million of cash on hand and \$260.0 million of aggregate borrowings under our Term Loan and Revolving Credit Facility in connection with the consummation of our acquisition of OGSystems in January 2019.
- (2) Cash and cash equivalents as of December 29, 2017 does not include \$68.8 million of cash and cash equivalents of consolidated joint ventures and \$1.0 million of restricted cash and investments. Cash and cash equivalents as of December 31, 2018 does not include \$73.8 million of cash and cash equivalents of consolidated joint ventures and \$1.0 million of restricted cash and investments.

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
<b>Other Information:</b>			
Adjusted EBITDA(1)	\$ 173,152	\$ 190,631	\$ 229,757
Net Income Margin(2)	(0.1)%	3.7%	6.7%
Adjusted EBITDA Margin(3)	5.7%	6.3%	6.5%

(1) A reconciliation of net income (loss) attributable to Parsons Corporation to Adjusted EBITDA is set forth below:

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Net (loss) income attributable to Parsons Corporation	\$ (13,147)	\$ 97,326	\$ 222,337
Interest expense, net	15,319	13,333	18,132
Income tax expense	13,992	21,464	20,367
Depreciation and amortization	42,156	35,198	69,869
Net income attributable to noncontrolling interests	11,161	14,211	17,099
Impairment of goodwill, intangible and other assets	85,133	—	—
Litigation related expenses(a)	9,422	10,026	(129,674)
Amortization of deferred gain resulting from sale-leaseback transactions(b)	(7,283)	(7,283)	(7,253)
Transaction related costs(c)	2,552	1,190	12,942
Restructuring(d)	12,407	—	—
HCM software implementation costs(e)	—	—	5,369
Other(f)	1,440	5,166	569
Adjusted EBITDA	<u>173,152</u>	<u>190,631</u>	<u>229,757</u>

- (a) Fiscal 2016 and fiscal 2017 reflect the post-judgment interest expense recorded in “Interest and other expenses associated with claim on long-term contract” in our results of operations related to the judgment entered against us in 2014 in connection with a lawsuit by the Los Angeles Metropolitan Transportation Authority. For fiscal 2018, due to the judgment being vacated, the Company reversed the accrued liability with an offset of \$55.1 million to revenue and \$74.6 million to other income.
- (b) Reflects amortization of the deferred gain on prior sale-leaseback transactions in fiscal 2011. See “Note 9—Sale-Leasebacks” in the notes to our consolidated financial statements included elsewhere in this prospectus.
- (c) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, including primarily fees paid for professional services and employee retention.
- (d) Reflects costs associated with and related to our corporate restructuring initiatives, including expenses incurred in connection with a restructuring program we began implementing in 2015. See “Note 2—Summary of Significant Accounting Policies—Restructuring” in the notes to our consolidated financial statements included elsewhere in this prospectus.
- (e) Reflects implementation costs incurred in connection with a new human resources and payroll application.
- (f) Fiscal 2016 includes a \$3.5 million loss from the sale of a subsidiary, a \$0.9 million gain on the sale of fixed assets, a \$0.8 million gain related to disposed businesses and a \$0.5 million gain related to settlement proceeds received for an already completed contract. Fiscal 2017 includes non-operating lease termination costs of \$1.8 million, a \$1.8 million loss related to disposed businesses, a \$1.0 million loss from the sale of fixed assets and a \$0.5 million loss related to several individually insignificant items that are non-recurring,

infrequent or unusual in nature. Fiscal 2018 includes a \$0.6 million loss related to several individually insignificant items that are non-recurring, infrequent or unusual in nature.

Adjusted EBITDA is a supplemental measure of our operating performance included in this prospectus because it is used by management and our board of directors to assess our financial performance both on a segment and on a consolidated basis. We discuss Adjusted EBITDA because our management uses this measure for business planning purposes, including to manage the business against internal projected results of operations and measure the performance of the business generally. Adjusted EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

Adjusted EBITDA is not a GAAP measure of our financial performance or liquidity and should not be considered as an alternative to net income (loss) as a measure of financial performance or cash flows from operations as measures of liquidity, or any other performance measure derived in accordance with GAAP. We define Adjusted EBITDA as net income (loss) attributable to Parsons Corporation, adjusted to include net income (loss) attributable to noncontrolling interests and to exclude interest expense (net of interest income), provision for income taxes, depreciation and amortization and certain other items that we do not consider in our evaluation of ongoing operating performance. These other items include, among other things, impairment of goodwill, intangible and other assets, interest and other expenses recognized on litigation matters, amortization of deferred gain resulting from sale-leaseback transactions, expenses incurred in connection with acquisitions and other non-recurring transaction costs and expenses related to our corporate restructuring initiatives. Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not reflect tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future, including, among other things, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

The following table shows Adjusted EBITDA attributable to Parsons Corporation for each of our reportable segments and Adjusted EBITDA attributable to noncontrolling interests:

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	\$ 79,376	\$ 89,269	\$ 114,571
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	81,206	86,471	97,779
Adjusted EBITDA attributable to noncontrolling interests	12,570	14,891	17,407
Total Adjusted EBITDA	<u>\$ 173,152</u>	<u>\$ 190,631</u>	<u>\$ 229,757</u>

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Results," and "Note 20—Segments Information" in the notes to our consolidated financial statements included elsewhere in this prospectus for further discussion regarding our segment Adjusted EBITDA attributable to Parsons Corporation.

- (2) Net Income Margin is calculated as net income (loss) including noncontrolling interests divided by revenue in the applicable period.
- (3) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue in the applicable period.



## RISK FACTORS

You should carefully consider the risks described below and the other information contained in this prospectus, including our consolidated financial statements and the related notes, before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

### Risks Relating to Our Business

#### ***Government spending and priorities could change in a manner that adversely affects our future revenue and limits our growth prospects.***

We derive, and expect to continue to derive, a significant portion of our revenue from contracts with government entities. As a result, our business depends upon continued government expenditures on defense, intelligence, civil and engineering programs for which we provide support, both among foreign governments and at federal, state and local levels domestically. These expenditures have not remained constant over time and have been reduced in some periods. In particular, these expenditures have recently been affected by efforts to improve efficiency and reduce costs affecting government programs generally. Our business, prospects, financial condition or operating results could be materially harmed, among other causes, by the following:

- budgetary constraints, including mandated automatic spending cuts, affecting across-the-board government spending, or specific agencies in particular, and changes in available funding;
- a shift in expenditures away from agencies or programs that we support;
- reduced government outsourcing of functions that we are currently contracted to provide, including as a result of increased insourcing by various U.S. government agencies due to changes in the definition of "inherently governmental" work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- further efforts to improve efficiency and reduce costs affecting government programs;
- changes or delays in government programs that we support or the programs' requirements;
- a continuation of recent efforts by the U.S. government in particular to decrease spending for management support service contracts;
- U.S. government shutdowns due to, among other reasons, a failure by elected officials to fund the government, such as the shutdowns which occurred during government fiscal years 2019 and 2014 and, to a lesser extent, government fiscal year 2018, and other potential delays in the appropriations process;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis in order to reduce expenditures;
- delays in the payment of our invoices by government payment offices;
- an inability by the U.S. government to fund its operations as a result of a failure to increase the federal government's debt ceiling, a credit downgrade of U.S. government obligations or for any other reason; and
- changes in the political climate and general economic conditions, including a slowdown of the economy or unstable economic conditions and responses to conditions, such as emergency spending, that reduce funds available for other government priorities.

## [Table of Contents](#)

Any disruption in the functioning of government agencies, including as a result of government closures and shutdowns, terrorism, war, natural disasters, destruction of government facilities, and other potential calamities could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to deploy our staff to client locations or facilities as a result of such disruptions.

In particular, with regard to our largest single customer, the U.S. federal government, budget deficits, the national debt and the prevailing economic condition, and actions taken to address them, could continue to negatively affect the U.S. government expenditures on defense, intelligence and civil programs for which we provide support. The Department of Defense is one of our significant clients and cost cutting, including through consolidation and elimination of duplicative organizations and insourcing, has become a major initiative for the Department of Defense. In particular, the Budget Control Act of 2011 provides for automatic spending cuts (referred to as sequestration) totaling approximately \$1.2 trillion between 2013 and 2021, including an estimated \$500.0 billion in federal defense spending cuts over this time period. Most recently, the Bipartisan Budget Act of 2018 amended the discretionary spending limits established by the Budget Control Act of 2011 for the government fiscal 2018 and 2019 budgets across the federal government and increased the prior discretionary spending cap in both defense and non-defense. Pursuant to the Consolidated Appropriations Act, 2018, the new Department of Defense spending limit is approximately \$660.0 billion for government fiscal 2018, including an allocation of \$65.0 billion in overseas contingency operations funding. While recent budget actions reflect a more measured and strategic approach to addressing the U.S. government's fiscal challenges, there remains uncertainty as to how exactly budget cuts, including sequestration, will impact us, and we are therefore unable to predict the extent of the impact of such cuts on our business and results of operations. However, a reduction in the amount of or delays or cancellations of funding for, services that we are contracted to provide to the Department of Defense as a result of any of these initiatives, legislation or otherwise could have a material adverse effect on our business, financial condition and results of operations. In addition, in response to an Office of Management and Budget mandate, government agencies have reduced management support services spending in recent years. If federal awards for management support services continue to decline, our revenue and operating profits may materially decline and further efforts by the Office of Management and Budget to decrease federal awards for management support services could have a material and adverse effect on our business, financial condition and results of operations.

In addition, most government contracts are subject to the government's budgetary approval process. Legislatures typically appropriate funds for a given program on a year-by-year basis, even though contract performance may take more than one year. In addition, public-supported financing such as state and local municipal bonds may be only partially raised to support existing infrastructure projects. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each fiscal year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by, among other things, the state of the economy, competing priorities for appropriation, changes in administration or control of legislatures and the timing and amount of tax receipts and the overall level of government expenditures. Similarly, the impact of an economic downturn on state and local governments may make it more difficult for them to fund infrastructure projects. If appropriations are not made in subsequent years on our government contracts, then we will not realize all of our potential revenue and profit from that contract, and we may incur substantial labor costs without reimbursement.

Government funding with respect to our Critical Infrastructure services fluctuates over time and new or changing government policies may affect our Critical Infrastructure business and operations. In March 2018, for example, President Trump signed proclamations to impose tariffs on steel and aluminum imports per the U.S. Trade Expansion Act of 1962 increasing the price for steel and aluminum in the United States which could impact client spending. Government spending for our

Critical Infrastructure services may also depend on factors related to government demand, such as the condition of the existing infrastructure and buildings and the need for new or expanded infrastructure and buildings. Our government clients may face budget cuts or deficits that prohibit them from funding proposed and existing Critical Infrastructure projects.

These or other factors could cause our defense, intelligence, infrastructure or civil clients to decrease the number of new government contracts awarded generally and fail to award us new government contracts, reduce their purchases under our existing government contracts, exercise their right to terminate our government contracts or not exercise options to renew our government contracts, any of which could materially and adversely affect our business, financial condition and results of operations.

***The U.S. federal government and its agencies collectively are our largest single customer and, if our reputation or relationships with the U.S. federal government were harmed, our future revenues and cash flows would be adversely affected.***

The U.S. federal government and its agencies, including the military and intelligence community, collectively are our largest customer. In particular, it represents substantially all of the revenue of our Federal Solutions segment. Approximately 35%, 36% and 42% of consolidated revenues for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively, and approximately 25% and 29% of accounts receivable as of December 29, 2017 and December 31, 2018, respectively, were derived from contracts with the U.S. federal government and its agencies. Our reputation and relationships with various U.S. government entities and agencies, and in particular with the U.S. Department of Defense, including the Missile Defense Agency and the United States Army, the Federal Aviation Administration, the United States intelligence community and the U.S. Department of Energy are key factors in maintaining and growing these revenues and winning new bids for new business. Negative press reports or publicity, regardless of accuracy, could harm our reputation. If our reputation or relationships with government agencies were to be negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, the amount of business with government and other customers would decrease and our financial condition and results of operations could be adversely affected.

***Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our government contracts, disqualification from bidding on future government contracts and suspension or debarment from government contracting.***

We must comply with various laws and regulations relating to the formation, administration and performance of government contracts, which affect how we do business with our customers and may impose added costs on our business.

Many of our U.S. government contracts contain organizational conflict of interest, or OCI, clauses that may limit our ability to compete for or perform contracts or other types of services for particular customers. OCI arises when we engage in activities that may make us unable to render impartial assistance or advice to the U.S. government, impair our objectivity in performing contract work or provide us with an unfair competitive advantage. Existing OCI, and any OCI that may develop, could preclude our competition for or performance on a significant project or contract, which could limit our opportunities.

Some U.S. federal and state statutes and regulations provide for automatic debarment based on our actions, such as violations of the U.S. False Claims Act or the U.S. Foreign Corrupt Practices Act, or FCPA. The suspension or debarment in any particular case may be limited to the facility, contract or

subsidiary involved in the violation or could be applied to our entire enterprise in severe circumstances. Even a narrow scope suspension or debarment could result in negative publicity that could adversely affect our ability to renew contracts and to secure new contracts, both with governments and private customers, which could materially and adversely affect our business, financial condition and results of operations.

***Governments may adopt new contract rules and regulations or revise their procurement practices in a manner adverse to us at any time.***

The government-related industries within which we do business continue to experience significant changes to business practices as a result of an increased focus on affordability, efficiencies and recovery of costs, among other items. Our existing and potential clients are similarly focused on increasing the productivity of their contractual arrangements. Moreover, government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential OCIs, deterrence of fraud, and environmental responsibility or sustainability could have an adverse effect on us. Moreover, shifts in the buying practices of government agencies, such as increased usage of fixed price contracts, multiple award contracts and small business set-aside contracts, could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or contract renewals. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our business, financial condition and results of operations.

***A substantial portion of our business is subject to reviews, audits and cost adjustments by government agencies, which, if resolved unfavorably to us, could adversely affect our profitability, cash flows or growth prospects.***

Government agencies routinely audit and review a contractor's performance on government contracts, indirect cost rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems, which are defined as the contractor's accounting, earned value management, estimating, materials management, property management and purchasing systems. A finding of significant control deficiencies in a contractor's business systems or a finding of noncompliance with U.S. government Cost Accounting Standards, or CAS, can result in decremented billing rates to U.S. government customers until the control deficiencies are corrected and their remediation is accepted by the Defense Contract Management Agency. The agencies conducting these audits and reviews have come under increased scrutiny. As a result, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted which has increased the likelihood of an audit or review resulting in an adverse outcome.

If a review or investigation by a government agency identifies improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions which could include the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines, and suspension or debarment from doing business with governmental agencies. We may suffer harm to our reputation if allegations of impropriety are made against us, which would impair our ability to win new contract awards or receive contract renewals. Penalties and sanctions are not uncommon in our industries. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position and future prospects could be adversely affected.

Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer

refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds, and those refunds would negatively impact our revenue. Receipt of adverse audit findings or the failure to obtain an “approved” determination on our various business systems could significantly and adversely affect our business by, among other things, restricting our ability to bid on new contracts and, for those proposals under evaluation, diminishing our competitive position. A determination of noncompliance could also result in penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny. Increased scrutiny could adversely impact our ability to perform on contracts, affect our ability to invoice for work performed, delay the receipt of timely payment on contracts, and weaken our ability to compete for new contracts with the government.

***Our government contracts may be terminated by the government counterparty at any time and may contain other provisions permitting the government to discontinue contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.***

Government contracts often contain provisions and are subject to laws and regulations that provide government clients with rights and remedies not typically found in commercial contracts. These rights and remedies allow government clients, among other things, to:

- terminate existing contracts, with short notice, for convenience as well as for default;
- reduce orders under or otherwise modify contracts;
- for contracts subject to the Truth in Negotiations Act, reduce the contract price or cost where it was increased because a contractor or subcontractor furnished cost or pricing data during negotiations that was not complete, accurate and current;
- for some contracts, (1) demand a refund, make a forward price adjustment or terminate a contract for default if a contractor provided inaccurate or incomplete data during the contract negotiation process and (2) reduce the contract price under triggering circumstances, including the revision of price lists or other documents upon which the contract award was predicated;
- terminate our facility security clearances and thereby prevent us from receiving classified contracts;
- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- decline to exercise an option to renew a multi-year contract or issue task orders in connection with indefinite delivery/indefinite quantity contracts, or IDIQ contracts;
- claim rights in solutions, systems and technology produced by us, appropriate such work-product for their continued use without continuing to contract for our services and disclose such work-product to third parties, including other government agencies and our competitors, which could harm our competitive position;
- prohibit future procurement awards with a particular agency due to a finding of organizational conflicts of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors, or the existence of conflicting roles that might bias a contractor’s judgment;
- subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction or modification of the awarded contract;

## [Table of Contents](#)

- suspend or debar us from doing business with the applicable government; and
- control or prohibit the export of our services.

Recent and potential future budget cuts, the impact of sequestration and recent efforts by the Office of Management and Budget to decrease federal awards for management support services, may cause agencies with which we currently have contracts to terminate, reduce the number of task orders under or fail to renew such contracts. If a government client were to unexpectedly terminate, cancel, or decline to exercise an option to renew with respect to one or more of our significant contracts, or suspend or debar us from doing business with such government, our revenue and operating results would be materially harmed.

### ***We face aggressive competition that can impact our ability to obtain contracts and may affect our future revenues, profitability and growth prospects.***

We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process. For example, the U.S. government increasingly relies on IDIQ, GSA Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs and a number of risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, or that may be awarded but for which we do not receive meaningful task orders. For contracts awarded to us, we also face the risk of inaccurately estimating the resources and costs that will be required to fulfill any contract we win. Following contract award, we may encounter significant expense, delay, contract modifications or even contract loss as a result of our competitors protesting the award of contracts to us in competitive bidding. Any resulting loss or delay of startup and funding of work under protested contract awards may adversely affect our revenues and/or profitability. In addition, multi-award contracts require that we make sustained post-award efforts to obtain task orders under the contract. As a result, we may not be able to obtain these task orders or recognize revenues under these multi award contracts. Our failure to compete effectively in this procurement environment would adversely affect our business, financial condition and results of operations.

Projects may be awarded based solely upon price, but often take into account other factors, such as technical qualifications, proposed project team, schedule and past performance on similar projects. We compete with larger companies that have greater name recognition, financial resources and larger technical staffs and with smaller, more specialized companies that are able to concentrate their resources on particular areas. Additionally, we may compete with a government's own capabilities. Technology-focused companies may also develop products and services that could disrupt our business or compete with our services. To remain competitive, we must consistently provide superior service, technology and performance on a cost-effective basis to our customers and there is no assurance that we will do so.

### ***Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications we and they need to perform services for our customers.***

A number of government programs require contractors to have certain kinds of government granted eligibility, such as security clearance credentials. Depending on the project, eligibility can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, including local ownership requirements, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract.

***A failure to attract, train and retain skilled employees and our senior management team would adversely affect our ability to execute our strategy and may disrupt our operations.***

Our business relies heavily upon the expertise and services of our employees. Our continued success depends on our ability to recruit and retain highly trained and skilled engineering, technical and professional personnel. Competition for skilled personnel is intense and competitors aggressively recruit key employees. In addition, many U.S. government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain and personnel with security clearances are in great demand. Particularly in highly specialized areas, it has become more difficult to retain employees and meet all of our needs for employees in a timely manner, which may affect our growth in the current and future fiscal years. Although we intend to continue to devote significant resources to recruiting, training and retaining qualified employees, we may not be able to attract, effectively train and retain these employees. Any failure to do so could impair our ability to efficiently perform our contractual obligations, timely meet our customers' needs and ultimately win new business, all of which could adversely affect our business, financial condition and results of operations.

We believe that our success also depends on the continued employment of a highly qualified and experienced senior management team and that team's ability to retain existing business and generate new business. The loss of key personnel in critical functions could lead to lack of business continuity or disruptions in our business until we are able to hire and train replacement personnel.

***Our profitability could suffer if we are not able to timely and effectively utilize our employees or manage our cost structure.***

The cost of providing our services, including the degree to which our employees are utilized, affects our profitability. The degree to which we are able to utilize our employees in a timely manner or at all is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire, assimilate and deploy new employees;
- our ability to forecast demand for our services and to maintain and deploy headcount that is aligned with demand, including employees with the right mix of skills and experience to support our projects;
- our employees' inability to obtain or retain necessary security clearances or required certifications;
- changes to or delays or cancellations of projects, as a result of governmental budgetary processes or otherwise;
- our ability to manage attrition; and
- our need to devote time and resources to training, business development, and other non-chargeable activities.

If our employees are under-utilized, our profit margin and profitability could suffer. Additionally, if our employees are over-utilized, it could have a material adverse effect on employee morale and attrition, which would in turn have a material adverse impact on our business, financial condition or results of operations.

Our profitability is also affected by the extent to which we are able to effectively manage our overall cost structure for operating expenses, such as wages and benefits, real estate expenses, overhead and capital and other investment-related expenditures. If we are unable to effectively manage our costs and expenses and achieve efficiencies, our competitiveness and profitability may be adversely affected.

***Our focus on new growth areas for our business entails risks, including those associated with new relationships, clients, talent needs, capabilities, service offerings and maintaining our collaborative culture and core values.***

We are focused on growing our presence in our addressable markets by enhancing and optimizing our core operations, extending into opportunity-rich adjacent markets and acquiring and integrating transformative, disruptive technologies. These efforts entail inherent risks associated with innovation and competition from other participants in those areas, potential failure to help our clients respond to the challenges they face, our ability to comply with uncertain evolving legal standards applicable to some of our service offerings, including those in the cybersecurity area, and, with respect to potential international growth, risks associated with operating in foreign jurisdictions, such as compliance with applicable foreign and U.S. laws and regulations that may impose different and, occasionally, conflicting or contradictory requirements, and the economic, legal, and political conditions in the foreign jurisdictions in which we operate, as described in additional detail below. As we attempt to develop new relationships, clients, capabilities, and service offerings, these efforts could harm our results of operations due to, among other things, a diversion of our focus and resources and actual costs, opportunity costs of pursuing these opportunities in lieu of others and a failure to reach a profitable return on our investments in new technologies, capabilities, and businesses, including expenses on research and development investments, and these efforts could ultimately be unsuccessful. Additionally, the possibility exists that our competitors might develop new capabilities or service offerings that might cause our existing capabilities and service offerings to become obsolete. If we fail in our new capabilities development efforts or our capabilities or services fail to achieve market acceptance more rapidly than our competitors, our ability to procure new contracts could be negatively impacted, which would negatively impact our results of operations and our financial condition.

In addition, our ability to grow our business by leveraging our operating model to efficiently and effectively deploy our people across our client base is largely dependent on our ability to maintain our collaborative culture. To the extent that we are unable to maintain our culture for any reason, including our effort to focus on new growth areas or acquire new businesses with different corporate cultures, we may be unable to grow our business. Any such failure could have a material adverse effect on our business, financial condition and results of operations.

With the growth of our U.S. and international operations, we are now providing client services and undertaking business development efforts in numerous and disparate geographic locations both domestically and internationally. Our ability to effectively serve our clients is dependent upon our ability to successfully leverage our operating model across all of these and any future locations, maintain effective management controls over all of our locations to ensure, among other things, compliance with applicable laws, rules and regulations, and instill our core values in all of our personnel at each of these and any future locations. Any inability to ensure any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.



***We may make acquisitions, investments, joint ventures and divestitures in the future that involve numerous risks, which if realized, may adversely affect our business and our future results.***

We may make strategic acquisitions, engage in joint ventures or divest existing businesses, which could cause us to incur unforeseen expenses and have disruptive effects on our business and may not yield the benefits we expect. Our Credit Agreement imposes limitations on our ability to make other acquisitions. Subject to those limitations, we may selectively pursue additional strategic acquisitions, investments and joint ventures in the future. Any future acquisitions, investments and joint ventures may pose many risks that could adversely affect our reputation, operations or financial results, including:

- we may not retain key employees (including those with needed security clearances), customers and business partners of an acquired business in the future;
- we may fail to successfully integrate acquired businesses, such as failing to successfully integrate information technology and other control systems relating to the operations of any acquired business;
- acquisitions normally require a significant investment of time and resources, which may disrupt our business and distract our management from other important responsibilities;
- we may not be able to accurately estimate the financial effect of any acquisitions and investments on our business and we may not realize anticipated revenue opportunities, cost savings, or other synergies or benefits, or acquisitions may not result in improved operating performance; and
- we may assume known as well as unknown material liabilities, legal or regulatory risks that were not identified as part of our due diligence or for which we are unable to receive a purchase price adjustment or reimbursement through indemnification.

If any acquisitions, investments or joint ventures fail, perform poorly or their value is otherwise impaired for any reason, including contractions in credit markets and global economic conditions, our business, financial condition and results of operations could be adversely affected.

In addition, we may periodically divest or plan to divest businesses, including businesses that are no longer a part of our ongoing strategic plan. These divestitures similarly require significant investment of time and resources and may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in the divested business, including through indemnification, guarantee or other financial arrangements, for a period of time following the transaction, which could adversely affect our business, financial condition or results of operations. When we determine that we would like to divest a business, we may not be able to divest that business on attractive terms or at all.

***We conduct a portion of our work through joint venture entities, some of which we do not have management control over, and with which we typically have joint and several liability with our joint venture partners.***

12.6% of our revenue during fiscal 2016, 14.8% of our revenue during fiscal 2017 and 15.2% of our revenue during fiscal 2018 was derived from our operations through consolidated joint ventures. In addition, 4.2% of our revenues in fiscal 2016, 3.7% of our revenues in fiscal 2017 and 4.1% of our revenues in fiscal 2018 related to services we provided to our unconsolidated joint ventures, where control resides with unaffiliated third parties, and 100.2% of our operating income during fiscal 2016, 26.6% of our operating income during fiscal 2017 and 18.0% of our operating income during fiscal 2018 was derived from equity in our unconsolidated joint ventures. As with most joint venture

arrangements, differences in views among the joint venture participants may result in delayed decisions or disputes. We also cannot control the actions of our joint venture partners and we typically have joint and several liability with our joint venture partners under the applicable contracts for joint venture projects. These factors could potentially adversely impact the business and operations of a joint venture and, in turn, our business and operations.

Operating through joint ventures in which we are a minority holder results in us having limited control over many decisions made with respect to projects and internal controls relating to projects. We generally do not have control of these unconsolidated joint ventures. These joint ventures may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. As a result, internal control problems may arise with respect to these joint ventures, which could have a material adverse effect on our business, financial condition and results of operations and could also affect our reputation in the industries we serve.

***We participate in joint ventures where we provide guarantees and may be adversely impacted by the failure of such joint venture or its participants to fulfill their obligations.***

We have investments in and commitments to joint ventures with unrelated parties. These joint ventures from time to time may borrow money to help finance their activities and in some circumstances, we may be required to provide guarantees of the obligations of our affiliated entities. At December 31, 2018, we had \$76.8 million of letters of credit and guarantees that relate to joint ventures. If these entities are not able to honor their obligations under the guarantees, we may be required to expend additional resources or suffer losses, which could be significant.

***The Polaris Acquisition and OGSystems Acquisition may not achieve their full intended benefits or may disrupt our plans and operations.***

We cannot assure you that we will be able to successfully integrate Polaris Alpha and OGSystems with our business or otherwise realize the expected benefits of our acquisition of Polaris Alpha on May 31, 2018, which we refer to as the Polaris Acquisition, and our acquisition of OGSystems, on January 7, 2019, which we refer to as the OGSystems Acquisition. Our ability to realize the anticipated benefits of the Polaris Acquisition and OGSystems Acquisition will depend, to a large extent, on our ability to integrate Polaris Alpha and OGSystems with our business. The combination of multiple independent businesses will be a complex, costly, and time-consuming process. Our business may be negatively impacted following the Polaris Acquisition and OGSystems Acquisition if we are unable to effectively manage our expanded operations. The integration process will require significant time and focus from our management team and may divert attention from the day-to-day operations of the combined business. Additionally, consummation of the Polaris Acquisition and OGSystems Acquisition could disrupt our current plans and operations, which could delay the achievement of our strategic objectives.

The expected synergies and operating efficiencies of each of the Polaris Acquisition and OGSystems Acquisition may not be fully realized, which could result in increased costs and have a material adverse effect on our business, financial condition and results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships and diversion of management's attention, among other potential adverse consequences. The risks of combining our operations of the businesses include, among others:

- we may have underestimated the costs to integrate Polaris Alpha's and OGSystems' information systems with ours;
- we may face difficulties in integrating Polaris Alpha's and OGSystems' employees, integrating different corporate cultures and in attracting and retaining key personnel; and

- we may face challenges in keeping existing Polaris Alpha and OGSystems contracts and customers.

Many of these risks will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenue, and diversion of our management's time and energy, which could have a material adverse effect on our business, financial condition and results of operations. In addition, even if our operations are integrated successfully with Polaris Alpha's and OGSystems', we may not realize the full benefits of the Polaris Acquisition and OGSystems Acquisition, including the synergies, operating efficiencies, or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame or at all.

***Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate and manage costs, time and resources.***

We generate revenue under various types of contracts, which include time-and-materials, cost-plus and fixed-price contracts. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or solutions provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined. Cost-plus and time-and-materials contracts generally have lower profitability than fixed-price contracts. To varying degrees, each of our contract types involves some risk that we could underestimate the costs and resources necessary to fulfill the contract. Our profitability is adversely affected when we incur costs on cost-plus and time-and-materials contracts that we cannot bill to our customers. While fixed-price contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns.

Revenue derived from fixed-price contracts represented 33% of our total revenue during fiscal 2016, 35% of our total revenue during fiscal 2017 and 32% of our total revenue during fiscal 2018. When making proposals on fixed-price contracts, we rely heavily on our estimates of costs, scope and timing for completing the associated projects, as well as assumptions regarding technical issues. In particular, contracts in our Critical Infrastructure segment are often won in a hard bid process, in which clients primarily select the lowest qualified bidder with the understanding that they will not pay above the bid amount, even if we perform work beyond the initial scope of our contract. In each case, our failure to accurately estimate costs, scope or the resources and technology needed to perform our contracts or to effectively manage and control our costs during the performance of work could result, and in some instances has resulted, in reduced profits or in losses. More generally, any increased or unexpected costs or unanticipated delays in connection with the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control, such as performance failures of our subcontractors, natural disasters or other force majeure events, could make our contracts less profitable than expected or unprofitable.

***We use estimates in recognizing revenues and, if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.***

A significant portion of our contract revenues are recognized using the cost-to-cost measure of progress method. This method requires estimates of total costs at completion or measurement of progress towards completion. Particularly due to the technical nature of the services being performed and the length of the contracts, this estimation process is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized immediately. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that

may adversely affect our financial results of operations. For example, we recognized net operating income decreases related to changes in estimates at contract completion of \$22.4 million in fiscal 2016, \$23.8 million in fiscal 2017 and \$2.3 million in fiscal 2018.

***We have submitted claims to clients for work we performed beyond the initial scope of some of our contracts. If these clients do not approve these claims, our results of operations could be adversely impacted.***

We typically have pending claims submitted under some of our contracts for payment of work performed beyond the initial contractual requirements for which we have already recorded revenue. In general, we cannot guarantee that such claims will be approved in whole, in part, or at all. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. If these claims are not approved, our revenue may be reduced in future periods. As of December 31, 2018, we had recorded \$45.7 million of unresolved pending claims on our balance sheet.

***Systems that we develop, integrate, maintain, or otherwise support could experience security breaches which may damage our reputation with our clients and hinder future contract win rates.***

We develop, integrate, maintain, or otherwise support systems and provide services that include managing and protecting information involved in intelligence, national security and other sensitive or classified government functions. Our systems also store and process sensitive information for commercial clients. The cyber and security threats that our clients face have grown more frequent and sophisticated. A security breach in one of these systems could cause serious harm to our business, damage our reputation, and prevent us from being eligible for further work on sensitive systems for government or commercial clients. Work for non-government and commercial clients involving the protection of information systems or that store clients' information could also be harmed due to associated security breaches. Damage to our reputation or limitations on our eligibility for additional work or any liability resulting from a security breach in one of the systems we develop, install, maintain, or otherwise support could have a material adverse effect on our business, financial condition and results of operations.

***Services we provide and technologies we develop are designed to detect and monitor threats to our clients, the failure of which may lead to reputational harm or liability against us by our clients or third parties and may subject our staff to potential threats, risk of loss or harm.***

We help our clients detect, monitor and mitigate threats to their people, information and facilities. These threats may originate from nation states, terrorist or criminal actors, activist hackers or others who seek to harm our clients. There are many factors, some of which are beyond our control, which could result in the failure of our products to detect, monitor or mitigate these threats. Successful attacks on our clients may cause physical or reputational harm to us and our clients, as well as lead to liability claims against us by our clients or third parties, particularly if such attacks are a result of a failure or perceived failure of our services or technologies. In addition, as a result of our involvement with some clients or projects, our staff, information and facilities may be targeted by these or other threat actors and may be at risk for loss, or physical or reputational harm.

***Internal system or service failures affecting us or our vendors, including as a result of cyber or other security threats, could disrupt our business and impair our ability to effectively provide our services to our clients, which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.***

We create, implement, and maintain information technology and engineering systems and also use vendors to provide services that are often critical to our clients' operations, some of which involve sensitive information and may be conducted in war zones or other hazardous environments, or include information whose confidentiality is protected by law. As a result, we may be subject to systems or service failures, not only resulting from our own failures or the failures of third-party service providers, natural disasters, power shortages, or terrorist attacks, but also from continuous exposure to cyber and other security threats, including computer viruses and malware, attacks by computer hackers or physical break-ins. There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as a cybersecurity services contractor, we hold classified, controlled unclassified and other sensitive information. As a result, we and our vendors face a heightened risk of a security breach or disruption resulting from an attack by computer hackers, foreign governments, and cyber terrorists. While we put in place policies, controls and technologies to help detect and protect against such attacks, we cannot guarantee that future incidents will not occur, and if an incident does occur, we may not be able to successfully mitigate the impact. We have been the target of these types of attacks in the past and future attacks are likely to occur. If successful, these types of attacks on our network or other systems or service failures could have a material adverse effect on our business, financial condition and results of operations, due to, among other things, the loss of client or proprietary data, interruptions or delays in our clients' businesses and damage to our reputation. In addition, the failure or disruption of our systems, communications, vendors, or utilities could cause us to interrupt or suspend our operations, which could have a material adverse effect on our business, financial condition and results of operations. In addition, if our employees inadvertently do not adhere to appropriate information security protocols, our protocols are inadequate, or our employees intentionally avoid these protocols, our or our clients' sensitive information may be released thereby causing significant negative impacts to our reputation and exposing us or our clients to liability.

If our or our vendors' systems, services or other applications have significant defects or errors, are successfully attacked by cyber and other security threats, suffer delivery delays or otherwise fail to meet our clients' expectations, we may:

- lose revenue due to adverse client reaction;
- be required to provide additional services to a client at no charge;
- incur additional costs related to remediation, monitoring and increasing our cybersecurity;
- lose revenue due to the deployment of internal staff for remediation efforts instead of client assignments;
- receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain clients;
- be unable to successfully market services that are reliant on the creation and maintaining of secure information technology systems to government and commercial clients;
- suffer claims by clients or impacted third parties for substantial damages, particularly as a result of any successful network or systems breach and exfiltration of client and/or third party information; or

## [Table of Contents](#)

- incur significant costs, including fines from government regulators related to complying with applicable federal or state law, including laws pertaining to the security and protection of personal information.

In addition to any costs resulting from contract performance or required corrective action, these failures may result in increased costs or loss of revenue if they result in clients postponing subsequently scheduled work or canceling or failing to renew contracts.

The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. Additionally, some cyber technologies and techniques that we utilize or develop may raise potential liabilities related to legal compliance, intellectual property and civil liberties, including privacy concerns, which may not be fully insured or indemnified. We may not be able to obtain and maintain insurance coverage on reasonable terms or in sufficient amounts to cover one or more large claims, or the insurer may disclaim coverage as to some types of future claims. The successful assertion of any large claim against us could seriously harm our business. Even if not successful, these claims could result in significant legal and other costs, may be a distraction to our management, and may harm our client relationships. In some new business areas, we may not be able to obtain sufficient insurance and may decide not to accept or solicit business in these areas.

As a contractor supporting defense and national security clients, we are also subject to regulatory compliance requirements under the Defense Federal Acquisition Regulation Supplement and other federal regulations requiring that our networks and information technology systems comply with the security and privacy controls in National Institute of Standards and Technology Special Publications. To the extent that we do not comply with the applicable security and control requirements, whether imposed by regulation or contract, unauthorized access or disclosure of sensitive information could potentially result in a contract termination that has a material adverse effect on our business, financial condition and results of operations and reputational harm.

### ***Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.***

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

### ***Adverse judgments or settlements in legal disputes could result in materially adverse monetary damages or injunctive relief and damage our reputation.***

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. For example, our performance under U.S. government contracts and compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review, and investigation by the U.S. government which may include such investigative techniques as subpoenas or civil investigative demands.

The results of litigation and other legal proceedings, including the claims described under “Business—Legal Proceedings”, are inherently uncertain and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages or injunctive relief against us. For example, in fiscal 2014, we recorded a loss of approximately \$100.0 million when

a California state court entered judgment against us in connection with a claim by the Los Angeles Metropolitan Transportation Authority, or the MTA Lawsuit, against a joint venture in which we were the managing partner, which we refer to as the MTA Judgment. We successfully appealed this judgment and, in 2018, the judgment was vacated. Additionally, our insurance policies may not protect us against potential liability due to various exclusions in the policies and self-insured retention amounts. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future.

***Our business is subject to numerous legal and regulatory requirements and any violation of these requirements or any misconduct by our employees, subcontractors, agents or business partners could harm our business and reputation.***

In addition to government contract procurement laws and regulations, we are subject to numerous other federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anti-corruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for work and allegations by our customers that we have not performed our contractual obligations.

Misconduct by our employees, subcontractors, agents or business partners could subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which could adversely affect our business, financial condition and results of operations. Such misconduct could include fraud or other improper activities such as falsifying time or other records, failure to comply with our policies and procedures or violations of applicable laws and regulations.

***Goodwill and intangible assets represent a significant amount of our total assets and any impairment of these assets would negatively impact our results of operations.***

As of December 31, 2018, we had goodwill and intangible assets of \$916.5 million. In fiscal 2016, we recorded an impairment charge of \$84.7 million associated with goodwill and intangible assets in connection with our restructuring activities in 2015 and 2016.

Goodwill is tested for impairment annually, or more often if indicators of potential impairment exist, and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Examples of events or changes in circumstances indicating that the carrying value of goodwill may not be recoverable could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key contracts, customer relationships, or personnel that affect current and future operating cash flows of the reporting unit. Any future impairment of goodwill or other intangible assets would have a negative impact on our profitability and financial results.

***We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.***

We rely on teaming relationships with other prime contractors and subcontractors in order to submit bids for large procurements or other opportunities where we believe the combination of services, products and solutions provided by us and our teammates will help us to win and perform the contract. Our future revenues and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us, or if our government clients terminate or reduce these other contractors' programs, do not award them new contracts or refuse to pay under a contract. Companies that do not have access to government contracts or experience with our customers may perform services as our subcontractor that we cannot otherwise provide ourselves, and that exposure could enhance such companies' prospect of securing a future position as a prime government contractor which could increase competition for future contracts and impair our ability to win these contracts.

Whenever our subcontractors fail to timely meet their contractual obligations, have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. Subcontractor performance deficiencies under subcontracts with us as the prime contractor could lead to significant losses in future periods and could result in our termination for default as the prime contractor even though it was the subcontractor that failed to perform and not our personnel.

***Our failure to meet contractual schedule requirements, meet a required performance standard, meet our internal contractual performance projections or otherwise perform adequately on a project could adversely affect our business, financial condition or results of operations.***

Under some of our contracts, we can incur liquidated or other damages if we do not achieve project completion by a scheduled date. In addition, our costs generally increase from schedule delays and/or could exceed our projections for a particular project. Project performance can be affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. Any defects or errors, or failures to meet our clients' expectations, in our projects or services could result in claims for damages against us and could adversely affect our reputation. Material performance problems for existing and future contracts could cause actual results of operations to differ from those anticipated by us and also could cause us to suffer damage to our reputation within our industries and client base.

***Many of our contracts require innovative design capabilities, are technologically complex or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our business, financial condition or results of operations.***

We design and develop technologically advanced and innovative products and services applied by our customers in a variety of environments. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions or materials and components could prevent us from achieving contractual requirements. Our offerings cannot be tested and proven in all situations and are otherwise subject to unforeseen problems that could negatively affect revenue and profitability such as problems with governmental inaction, quality and workmanship, delivery of subcontractor components or services, unplanned degradation of product performance, unavailability of vendor materials and changes in the project



scope requested by our clients. Among the factors that may adversely affect our business, financial condition or results of operations could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, damage to our reputation and repayment to the customer of contract cost and fee payments we previously received.

***Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.***

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

***Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business, financial condition and operation results.***

In recent years, there has been significant litigation involving intellectual property rights in technology industries. We may face from time to time, allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark, and other intellectual property rights. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business, financial condition or results of operations may be adversely affected.

Any infringement, misappropriation or related claims, whether or not meritorious, are time consuming, divert technical and management personnel, and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease utilizing products or services, or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us.

***Our operations outside the United States expose us to legal, political and economic risks in different countries as well as currency exchange rate fluctuations that could harm our business and financial results.***

Revenue attributable to our services provided outside of the United States as a percentage of our total revenue was 29.7% in fiscal 2016, 30.0% in fiscal 2017 and 29.8% in fiscal 2018. There are risks inherent in doing business internationally, including:

- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability, such as in the Middle East;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- greater physical security risks;

## [Table of Contents](#)

- changes in U.S. and other national government trade policies affecting the markets for our services;
- changes in regulatory practices, tariffs and taxes;
- potential non-compliance with a wide variety of laws and regulations, including anti-corruption, U.S. export controls and economic and trade sanctions, and anti-boycott laws and similar non-U.S. laws and regulations;
- changes in labor conditions;
- logistical and communication challenges; and
- currency exchange rate fluctuations, devaluations and other conversion restrictions.

Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

### ***We have operations in the Middle East and neighboring regions, and these regions may experience turmoil that may impact our current projects, future business and financial stability.***

We currently have operations in the Middle East, including in Oman, Qatar, Saudi Arabia and the United Arab Emirates. These countries experience frequent political turmoil such as the tensions among Qatar and several of its neighbors, including Saudi Arabia and the United Arab Emirates. This uncertainty may affect our ability to continue our projects in these regions due to lack of resources, local support, and safety for our workers. If we are unable to finish these projects, it is likely that our finances will be impacted. Furthermore, we may experience liability regarding our employees and their safety and security in these locations. We also may incur material costs to maintain the safety of our personnel. Despite these precautions, the safety of our personnel in these locations may continue to be at risk. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of key employees, contractors or assets.

### ***We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws.***

The FCPA and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws, including the requirements to maintain accurate information and internal controls which may fall within the purview of the FCPA, its books and records provisions or its anti-bribery provisions. We operate in many parts of the world that have experienced governmental corruption to some degree; and, in some circumstances, strict compliance with anticorruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. In addition, from time to time, government investigations of corruption in industries we operate in may affect us and our peers. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business, financial condition or results of operations.

### ***We may not realize the full value of our backlog, which may result in lower than expected revenue.***

As of December 31, 2018, our total backlog was \$8.0 billion, of which \$5.3 billion was funded. We historically have not realized all of the revenue included in our total backlog, and we may not realize all

of the revenue included in our total backlog in the future. There is a somewhat higher degree of risk in this regard with respect to unfunded backlog and backlog related to unexercised options years and IDIQ contracts for which delivery orders have not yet been issued. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. This is because the actual receipt, timing and amount of revenue under contracts included in backlog are subject to various contingencies, including congressional appropriations, many of which are beyond our control. In particular, delays in the completion of the U.S. government's budgeting process and the use of continuing resolutions could adversely affect our ability to timely recognize revenue under our contracts included in backlog. Furthermore, the actual receipt of revenue from contracts included in backlog may never occur or may be delayed because: a program schedule could change or the program could be canceled; a contract's funding or scope could be reduced, modified, delayed or terminated early, including as a result of a lack of appropriated funds or as a result of cost cutting initiatives and other efforts to reduce government spending; in the case of funded backlog, the period of performance for the contract has expired; in the case of unfunded backlog, funding may not be available; in the case of backlog related to unexercised option years, the contract option is not yet exercised or may ever be exercised; and, in the case of backlog related to IDIQ contracts where delivery orders have not been issued, no further delivery orders may be issued. In addition, headcount growth is the primary means by which we are able to achieve revenue growth. Any inability to hire additional appropriately qualified personnel or failure to timely and effectively deploy such additional personnel against funded backlog could negatively affect our ability to grow our revenue. We may also not recognize revenue on funded backlog due to, among other reasons, the tardy submissions of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the U.S. government's fiscal year. The amount of our funded backlog is also subject to change, due to, among other factors: changes in appropriations that reflect changes in government policies or priorities resulting from various military, political, economic or international developments; changes in the use of government contracting vehicles, and the provisions therein used to procure our services; and adjustments to the scope of services under, or cancellation of contracts, by the applicable government at any time. Furthermore, even if our backlog results in revenue, the contracts may not be profitable.

***If we cannot collect our receivables or if payment is delayed, our business may be adversely affected by our inability to generate cash flow, provide working capital or continue our business operations.***

As of December 31, 2018, our accounts receivable, net was \$623.3 million. We depend on the timely collection of our receivables to generate cash flow, provide working capital and continue our business operations. If our customers fail to pay or delay the payment of invoices for any reason, our business and financial condition may be materially and adversely affected. Our customers have in the past and may in the future delay or fail to pay invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget or as a result of audit findings by government regulatory agencies. We cannot assure you that we will collect all our accounts receivable in excess of our allowance for doubtful accounts in a timely manner.

***The agreements governing our debt contain a number of restrictive covenants which may limit our ability to finance future operations, acquisitions or capital needs or engage in other business activities that may be in our interest.***

As of December 31, 2018, our total indebtedness was \$429.2 million, which does not include \$260.0 million of aggregate borrowings under our Term Loan and Revolving Credit Facility in connection with the consummation of our acquisition of OGSys in January 2019. Our Credit Agreement and the agreements governing our Senior Notes contain a number of covenants that impose operating and other restrictions on us and our subsidiaries. Such restrictions affect or will

affect, and in many respects limit or prohibit our ability and the ability of our subsidiaries to, among other things:

- incur additional indebtedness;
- create liens;
- pay dividends and make other distributions in respect of our equity securities;
- redeem our equity securities;
- distribute excess cash flow from foreign to domestic subsidiaries;
- make loans, advances, investments or other restricted payments;
- sell assets or receivables;
- engage in certain business activities;
- amend our ESOP's plan documents;
- enter into transactions with affiliates; and
- effect mergers or consolidations.

In addition, our Credit Agreement also requires us to comply with certain financial ratio covenants, including a debt leverage ratio and a fixed charge coverage ratio. Our ability to comply with these ratios may be affected by events beyond our control.

These restrictions could limit our ability to plan for or react to market or economic conditions or meet capital needs or otherwise restrict our activities or business plans, and could adversely affect our ability to finance our operations, acquisitions, investments or strategic alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these covenants or our inability to comply with the required financial ratios could result in a default under our debt instruments. If an event of default occurs, our creditors could elect to:

- declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable;
- require us to apply all of our available cash to repay the borrowings; or
- prevent us from making debt service payments on some of our borrowings.

If we were unable to repay or otherwise refinance these borrowings when due, the lenders under our Credit Agreement could sell the collateral securing the borrowings under our Credit Agreement, which constitutes substantially all of our domestic and foreign, wholly owned subsidiaries' assets.

***We may lose one or more members of our senior management team or fail to develop new leaders, which could cause a disruption in the management of our business.***

We believe that the future success of our business and our ability to operate profitably depends on the continued contributions of the members of our senior management and the continued development of new members of senior management. We rely on our senior management to generate business and execute programs successfully. In addition, the relationships and reputation that many members of our senior management team have established and maintain with our clients are important to our business and our ability to identify new business opportunities. We do not have any employment agreements providing for a specific term of employment with any members of our senior management.

The loss of any member of our senior management or our failure to continue to develop new members could impair our ability to identify and secure new contracts, to maintain good client relations, and to otherwise manage our business, and could have a material adverse effect on our business, financial condition and results of operations.

***Our services and operations sometimes involve handling or disposing of hazardous substances or dangerous materials, and we are subject to environmental requirements and risks which could result in significant costs, liabilities and obligations.***

Our operations are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment, the health and safety aspects of our operations, or otherwise relating to environmental protection. Some of our services and operations involve the handling or disposal of hazardous substances or dangerous materials, including explosive, chemical, biological, radiological or nuclear materials. These activities generally subject us to extensive foreign, federal, state and local environmental protection and health and safety laws and regulations, which, among other things, require us to incur costs to comply with these regulations and could impose liability on us for handling or disposing of hazardous substances or dangerous materials. Numerous governmental authorities, such as the U.S. Environmental Protection Agency, or the EPA, and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them. Such enforcement actions often involve difficult and costly compliance measures or corrective actions. Furthermore, failure to comply with these environmental protection and health and safety laws and regulations could result in civil, criminal, regulatory, administrative or contractual sanctions, including fines, penalties or suspension or debarment from contracting with the U.S. government, and could also result in investigations, the imposition of corrective action or remedial obligations, and the issuance of orders limiting or prohibiting some or all of our operations. In certain instances, citizen groups also have the ability to bring legal proceedings against us if we are not in compliance with environmental laws. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations. We, like other businesses, can never completely eliminate the risk of contamination or injury from certain materials that we use in our business. If we have any violations of, or incur liabilities pursuant to, these laws or regulations, it may result in a material adverse effect on our business, financial condition or results of operations.

Certain environmental laws impose strict liability (i.e., no showing of "fault" is required) as well as joint and several liability for costs required to remediate and restore sites where hazardous substances, hydrocarbons or solid wastes have been stored or released. We may be required to remediate contaminated properties currently or formerly owned or operated by us or facilities of third parties that received waste generated by our operations, regardless of whether such contamination resulted from the conduct of others or from the consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken.

We have limited, and potentially insufficient, insurance coverage for expenses and losses that may arise in connection with environmental contamination. Finally, in connection with certain acquisitions, we could acquire, or be required to provide indemnification against, environmental liabilities that could expose us to material losses.

***Many of our field project sites and facilities are inherently dangerous workplaces. Failure to manage our field project sites and facilities safely could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or clients and possible exposure to litigation.***

Our field project sites and facilities, particularly in our Critical Infrastructure business, often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical

and manufacturing processes, and highly regulated materials. On some field project sites and in some of our facilities, we may be responsible for safety and, accordingly, we have an obligation to implement effective safety procedures. If these procedures are not appropriately implemented or are ineffective, our employees could be injured or killed, and we could be exposed to possible litigation. As a result, our failure to maintain adequate safety standards and equipment could result in reduced profitability or the loss of projects or clients, and could have a material adverse impact on our business, financial condition, and results of operations.

***Prior to this offering, we were treated as an S Corporation, and claims of taxing authorities related to our prior status as an S Corporation could adversely affect us.***

Upon consummation of this offering, our status as an “S” Corporation will terminate and we will be treated as a “C” Corporation under the provisions of Sections 301 through 385 of the Code, which treat the corporation as an entity that is subject to U.S. federal income tax. If the unaudited, open tax years in which we were an “S” Corporation are audited by the Internal Revenue Service, or IRS, and we are determined not to have qualified for, or to have violated any requirement for maintaining, our “S” Corporation status, we will be obligated to pay back taxes, interest and penalties. The amounts that we would be obligated to pay could include taxes on all our taxable income while we were an “S” Corporation. Any such claims could result in additional costs to us and could have a material adverse effect on our business, financial condition or results of operations.

***Prior to this offering we are 100% owned by the ESOP, which is a retirement plan that is intended to be qualified under the Code. If the ESOP failed to meet the requirements of a tax qualified retirement plan we could be subject to substantial penalties.***

The ESOP is a defined contribution retirement plan subject to the requirements of the Code and ERISA. The ESOP has received a determination letter, dated January 31, 2012, from the Internal Revenue Service (IRS) that it meets the requirements of a tax qualified retirement plan in form and we endeavor to maintain and administer the ESOP in compliance with all requirements of the Code and ERISA. However, the rules regarding tax qualified plans, and especially ESOPs, are complex and change frequently. Accordingly, it is possible that the ESOP may not have been administered in full compliance with all applicable rules under the Code or ERISA at all times.

If the ESOP were determined not to be in material compliance with the Code or ERISA, then the ESOP could lose its tax qualified status and we could be subject to substantial penalties under the Code and ERISA which could have a material adverse effect on our business, financial condition or results of operations. Additionally, loss of the ESOP’s tax-qualified status would adversely impact our prior treatment as an S Corporation.

***Negotiations with labor unions and possible work actions could divert management attention and disrupt operations. In addition, new collective bargaining agreements or amendments to existing agreements could increase our labor costs and operating expenses.***

We have entered into collective bargaining agreements for approximately 330 of our more than 15,600 employees as of January 31, 2019. The outcome of any future negotiations relating to union representation or collective bargaining agreements for these or other employees in the future may not be favorable to us. We may reach agreements in collective bargaining that increase our operating expenses and lower our net income as a result of higher wages or benefit expenses. In addition, negotiations with unions could divert management attention and disrupt operations, which may adversely affect our results of operations. If we are unable to negotiate acceptable collective bargaining agreements, we may have to address the threat of union-initiated work actions, including strikes. Depending on the nature of the threat or the type and duration of any work action, these actions could disrupt our operations and adversely affect our operating results.

***Foreign exchange rate risks may affect our ability to realize a profit from certain projects and negatively impact our backlog and our results of operations.***

Our financial condition and results of operations are exposed to foreign currency exchange rate risks resulting from our operations outside of the U.S. While we generally attempt to denominate our contracts in the currencies of our expenditures, or otherwise include contractual clauses to provide protection from currency fluctuations, we do enter into contracts that expose us to currency risk, particularly to the extent contract revenue is denominated in a currency different than the contract costs. In addition, fluctuations in currency exchange rates may impact the U.S. dollar value of our backlog. We may also be exposed to limitations on our ability to reinvest earnings from operations in one country to fund the financing requirements of our operations in other countries. We also reflect the transaction gains or losses on movements in foreign currency rates, which were a \$6,000 gain in fiscal 2016, \$5.1 million gain in fiscal 2017 and \$5.2 million loss in fiscal 2018.

**Risks Related to Our Common Stock and This Offering**

***Our costs will increase significantly as a result of operating as a public company, and our management will be required to devote substantial time to complying with public company regulations.***

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC, have imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to comply with these rules and regulations. Moreover, these rules and regulations relating to public companies will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these new rules and regulations to make it more difficult and more expensive for us to obtain and maintain director and officer liability insurance. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to satisfy the ongoing requirements of Section 404 and provide internal audit services. If our finance and accounting organization is unable for any reason to respond adequately to the increased demands that will result from being a public company, the quality and timeliness of our financial reporting may suffer and we could experience internal control weaknesses. Any consequences resulting from inaccuracies or delays in our reported financial statements could have an adverse effect on the trading price of our common stock as well as an adverse effect on our business, operating results and financial condition.

***If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. In addition, beginning with our second annual

## [Table of Contents](#)

report on Form 10-K, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting, pursuant to Section 404 of the Sarbanes-Oxley Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating.

The process of designing, implementing and testing the internal control over financial reporting required to comply with this obligation is time-consuming, costly and complicated. If we identify material weaknesses in our internal control over financial reporting, or if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be negatively affected, and we could become subject to investigations by our stock exchange, the SEC or other regulatory authorities, which could require additional financial and management resources.

***There is no existing market for our common stock, and you cannot be certain that an active trading market or a specific share price will be established.***

Prior to this offering, there was no public market for shares of our common stock. We have applied to list our common stock on the NYSE. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market on such exchange or otherwise or how liquid that market might become. The initial public offering price for the shares of our common stock will be determined by negotiations between us and the underwriters, and may not be indicative of the price that will prevail in the trading market following this offering. The market price for our common stock may decline below the initial public offering price, and our stock price is likely to be volatile.

***If our stock price fluctuates after this offering, you could lose a significant part of your investment.***

The market price of our stock may be influenced by many factors, some of which are beyond our control, including the following:

- the opinions and estimates of any securities analysts who publish research about us after this offering;
- announcements by us or our competitors of significant contracts, acquisitions or capital commitments;
- variations in quarterly operating results;
- changes in general economic or market conditions or trends in our industry or the economy as a whole;
- future sales of our common stock; and
- investor perception of us and the industries we operate in.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial offering price. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. In the past,



stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

***Our operating results and share price may be volatile, and the market price of our common stock after this offering may drop below the price you pay.***

Our quarterly operating results are likely to fluctuate in the future as a publicly traded company. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. We and the underwriters will negotiate to determine the initial public offering price. You may not be able to resell your shares at or above the initial public offering price or at all. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;
- changes in our awards, backlog and book-to-bill ratios in a given period;
- issuance of new or changed securities analysts' reports or recommendations;
- results of operations that vary from expectations of securities analysis and investors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors or our acquisition targets;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory, legal or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- seasonality associated with U.S. federal, state, regional and local government funding and spending;
- changing economic conditions;
- changes in accounting principles;
- default under agreements governing our indebtedness;
- exchange rate fluctuations; and
- other events or factors, including those from natural disasters, war, acts of terrorism or responses to these events.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that

operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

***Sales of outstanding shares of our common stock into the market in the future could cause the market price of our common stock to drop significantly, even if our business is doing well.***

Immediately after this offering, we will have outstanding \_\_\_\_\_ shares of our common stock. Of these shares, the \_\_\_\_\_ shares sold in this offering will be freely tradable except for any shares purchased by our “affiliates” as that term is used in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. At various times after the date of this prospectus, the remaining \_\_\_\_\_ shares will become available for resale in the public market, in compliance with the requirements of the federal securities laws and in accordance with lock-up agreements that the holders of these shares have with the underwriters. However, the underwriters can waive these restrictions and allow these stockholders to sell their shares at any time without prior notice.

If the \_\_\_\_\_ remaining shares not sold in this offering described above are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could drop significantly.

***Following the consummation of this offering, qualifying ESOP participants will have the right to receive distributions of shares of our common stock from the ESOP and to sell such shares in the market.***

Approximately \_\_\_\_\_ shares of common stock will be held by the ESOP following consummation of this offering. We intend to register the shares held by the ESOP on a Form S-8 in connection with this offering. Participants are generally entitled to distributions from the ESOP only following termination of employment or upon death and in order to diversify their accounts upon attaining a specified age and completing a specified number of years of service as described in more detail under the heading “Executive Compensation—Employee Stock Ownership Plan (ESOP)”.

During the 180-day lock-up period following the date of this prospectus, ESOP distributions will be made in the form of cash. Beginning on the 181<sup>st</sup> day following the date of this prospectus, ESOP distributions will be made in the form of shares of our common stock (other than distributions in respect of fractional shares, which will be made in cash). Upon receiving a distribution of our common stock from the ESOP, a participant will be able to sell such shares in the market, subject to any requirements of the federal securities laws and any further lock-up agreement restrictions that the participant may have with the underwriters.

As of \_\_\_\_\_, there were \_\_\_\_\_ shares eligible for distribution and \_\_\_\_\_ shares were eligible for diversification elections. We cannot predict if participants will make diversification elections or elect to take distributions from the ESOP. As a result, we cannot predict the effect, if any, that these distributions and the corresponding sales of shares by the participants following expiration of the 180-day lock-up period may have on the market price of our common stock. Distribution of substantial amounts of our common stock to participants may cause the market price of our common stock to decline.

***The issuance of additional stock, not reserved for issuance under our equity incentive plans or otherwise, will dilute all other stockholdings.***

After this offering, we will have an aggregate of \_\_\_\_\_ shares of common stock authorized but unissued and not reserved for issuance under our 2019 Plan, under the 2019 Awards or otherwise. We may issue all of these shares without any action or approval by our stockholders. The issuance of additional shares could be dilutive to existing holders. We historically have made annual contributions of our common stock to the ESOP. We made contributions of 656,027 shares in fiscal 2016, 596,832 shares in fiscal 2017 and 627,241 shares in fiscal 2018 of our common stock to the ESOP, and intend to continue to make annual contributions to the ESOP after we are a public company.

***Investors in this offering will suffer immediate and substantial dilution.***

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our outstanding common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of \$ \_\_\_\_\_ in net tangible book value per share from the price you paid.

***Your ability to influence corporate matters may be limited because the ESOP beneficially owns a substantial amount of our stock and the ESOP, as a majority stockholder, is expected to have substantial control over us after the offering.***

Our common stock, which is the stock we are selling in this offering, has one vote per share. Upon completion of this offering, the ESOP will beneficially own approximately \_\_\_\_\_ % of our outstanding common stock. Under the terms of the ESOP, each participant has the ability to direct the ESOP Trustee on the voting of the shares allocated to his or her account under the ESOP. However, the ESOP Trustee will vote any shares that a participant does not direct the voting, or any shares that are held by the ESOP which are not allocated to participants' accounts. As such, the ESOP Trustee may be able to exercise a greater influence than otherwise over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions.

The purpose of the ESOP is to provide retirement income to employees and their beneficiaries. Accordingly, the interests of the ESOP and the ESOP participants may be contrary to yours as an outside investor.

ERISA sets forth certain fiduciary requirements that require an ERISA fiduciary, like the ESOP Trustee, to act solely in the interests of plan participants and their beneficiaries for the purpose of providing retirement benefits. The Department of Labor, which is the agency with the authority to interpret and enforce the fiduciary sections of ERISA, has indicated in its interpretative guidance that voting is an ERISA fiduciary act. The ESOP Trustee's fiduciary duties under ERISA to the ESOP and its participants may cause the ESOP Trustee to override participants' voting directions to the extent that following such directions would violate ERISA. In such case, the ESOP Trustee will be able to exercise voting control over all of the ESOP's shares. Further, following completion of this offering, the interests of the minority stockholders may not be aligned with those of the ESOP as the majority stockholder, because the ESOP Trustee is required under ERISA to act in the best interest of the ESOP participants and beneficiaries, this may present a conflict.

As a result, the concentration of ownership in our company by the ESOP could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our common stock.

***We are a “controlled company” within the meaning of the NYSE listing standards and, as a result, will qualify for exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such requirements.***

Following the closing of this offering, the ESOP will hold common stock representing approximately % of the voting power of our common stock. As a result, we will be considered a “controlled company” for the purposes of NYSE rules and corporate governance standards. As a controlled company, we will be exempt from certain NYSE corporate governance requirements, including those that would otherwise require our board of directors to have a majority of independent directors and require that we either establish compensation and nominating and corporate governance board committees, each comprised entirely of independent directors, or otherwise ensure that the compensation of our executive officers and nominees for directors are determined or recommended to the board of directors by the independent members of the board of directors. While we intend to have a majority of independent directors, and our compensation and nominating and corporate governance committees to consist entirely of independent directors, we may decide at a later time to rely on one of the “controlled company” exemptions. Accordingly, our common stock may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

***Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.***

Our management will have broad discretion to use our net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management may not apply our net proceeds from this offering in ways that increase the value of your investment. We intend to use the net proceeds from this offering to repay the outstanding balances under our Term Loan and Revolving Credit Facility, to fund future acquisitions and for working capital and other general corporate purposes. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our decisions on how to use our net proceeds from this offering.

***Our ability to raise capital in the future may be limited, which could limit our business plan or adversely affect your investment.***

Our business and strategic plans may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. However, any decline in the market price of our common stock could impair our ability to raise capital. Separately, additional financing may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our operations or new investments. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

***Anti-takeover provisions in our organizational documents could delay a change in management and limit our share price.***

Upon the consummation of this offering, provisions of our certificate of incorporation and bylaws that will become effective prior to the completion of this offering could make it more difficult for a third

party to acquire control of us even if such a change in control would increase the value of our common stock and prevent attempts by our stockholders to replace or remove our current board of directors or management.

We have a number of anti-takeover devices that will be in place prior to the completion of this offering that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. Our anti-takeover provisions:

- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- provide that our board of directors will be classified into three classes with staggered, three year terms and that directors may only be removed for cause;
- include blank-check preferred stock, the preference, rights and other terms of which may be set by the board of directors and could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise benefit our stockholders;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- specify that special meetings of our stockholders can be called only by our board of directors or a board committee authorized with the power to call such meetings;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- prohibit cumulative voting in the election of directors; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholders' meetings.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law, or the DGCL. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a period of time.

***Our certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our certificate of incorporation which will become effective prior to the closing of this offering will provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following civil actions:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty by any of our directors, officers, employees or agents or our stockholders;
- any action asserting a claim arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; or
- any action asserting a claim governed by the internal affairs doctrine.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that the stockholder finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

***After the completion of this offering, we do not expect to declare any dividends in the foreseeable future.***

After the completion of this offering, other than the IPO Dividend, we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, any contractual restrictions, our indebtedness, restrictions imposed by applicable law and other factors our board of directors deems relevant. Consequently, investors may need to sell all or part of their holdings of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock will depend, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not currently have, and may never obtain, research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our common stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who cover us downgrades our common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may”, “will”, “should”, “expects”, “plans”, “anticipates”, “could”, “intends”, “target”, “projects”, “contemplates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the following:

- any issue that compromises our relationships with the U.S. federal government or its agencies or other state, local or foreign governments or agencies;
- any issues that damage our professional reputation;
- changes in governmental priorities that shift expenditures away from agencies or programs that we support;
- our dependence on long-term government contracts, which are subject to the government’s budgetary approval process;
- the size of our addressable markets and the amount of government spending on private contractors;
- failure by us or our employees to obtain and maintain necessary security clearances or certifications;
- failure to comply with numerous laws and regulations;
- changes in government procurement, contract or other practices or the adoption by governments of new laws, rules, regulations and programs in a manner adverse to us;
- the termination or nonrenewal of our government contracts, particularly our contracts with the U.S. federal government;
- our ability to compete effectively in the competitive bidding process and delays, contract terminations or cancellations caused by competitors’ protests of major contract awards received by us;
- our ability to generate revenue under certain of our contracts;
- any inability to attract, train or retain employees with the requisite skills, experience and security clearances;
- the loss of members of senior management or failure to develop new leaders;
- misconduct or other improper activities from our employees or subcontractors;
- our ability to realize the full value of our backlog and the timing of our receipt of revenue under contracts included in backlog;
- changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time and resources for our contracts;
- changes in estimates used in recognizing revenue;
- internal system or service failures and security breaches;

## [Table of Contents](#)

- inherent uncertainties and potential adverse developments in legal proceedings, including litigation, audits, reviews and investigations, which may result in materially adverse judgments, settlements or other unfavorable outcomes; and
- other risks and factors listed under “Risk Factors” and elsewhere in this prospectus.

We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions and other factors described in the section captioned “Risk Factors” and elsewhere in this prospectus. These risks are not exhaustive. Other sections of this prospectus include additional factors that could adversely impact our business and financial performance. Furthermore, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement of which this prospectus forms a part with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this prospectus or to conform such statements to actual results or revised expectations, except as required by law.



## USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately \$ \_\_\_\_\_ million, based upon the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional shares in full, we estimate that the net proceeds to be received by us will be approximately \$ \_\_\_\_\_ million, after deducting underwriting discounts, commissions and estimated offering expenses payable by us.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase (decrease) the net proceeds that we receive from this offering by approximately \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million in the number of shares offered by us would increase (decrease) the net proceeds that we receive from this offering by approximately \$ \_\_\_\_\_ million, assuming that the assumed initial public offering price remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock and thereby enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds to us from this offering to repay the outstanding principal balance of approximately \$150.0 million under our Term Loan (plus any accrued interest) and the outstanding principal balance of approximately \$ \_\_\_\_\_ million under our Revolving Credit Facility (plus any accrued interest), to fund future acquisitions and for working capital and other general corporate purposes.

As of December 31, 2018, the outstanding indebtedness under our Revolving Credit Facility was \$180.0 million, which does not include \$110.0 million we borrowed under our Revolving Credit Facility in January 2019 to partially finance the OGSystems Acquisition. In May 2018, we borrowed \$260.0 million under our Revolving Credit Facility to partially finance the acquisition of Polaris Alpha. Under the terms of our Credit Agreement, borrowings under our Revolving Credit Facility bear interest, at our option, at either the Base Rate (as defined in the Credit Agreement), plus an applicable margin, or LIBOR plus an applicable margin. The applicable margin for Base Rate loans is a range of 0.125% to 1.00% and the applicable margin for LIBOR loans is a range of 1.125% to 2.00%, both based on our leverage ratio at the end of each fiscal quarter. The Credit Agreement has a maturity date of November 15, 2022. We intend to use \$ \_\_\_\_\_ million of our net proceeds from this offering to repay the outstanding balance under our Revolving Credit Facility upon the consummation of this offering.

In January 2019, we borrowed \$150.0 million under our Term Loan Agreement to partially finance the OGSystems Acquisition. Our Term Loan is comprised of Offshore Rate Loans and Base Rate Loans (each as defined in the Term Loan Agreement), with an initial aggregate principal amount of \$150.0 million. The Offshore Rate Loans bear interest at a rate per annum of LIBOR, divided by 1.00 minus the Eurodollar Reserve Percentage, plus 1.25%. The Base Rate Loans bear interest at a rate per annum of the sum of (a) the highest of (1) the administrative agent's reference rate; (2) the rate equal to 1.50% per annum above the Offshore Rate; and (3) the rate equal to 0.50% per annum above the latest federal funds rate, plus (b) 0.25%. The Term Loan has a maturity date of January 3, 2020. We intend to use \$ \_\_\_\_\_ million of our net proceeds from this offering to repay the outstanding balance under our Term Loan upon the consummation of this offering.

## [Table of Contents](#)

We will have broad discretion over the uses of the net proceeds from this offering and investors will be relying on the judgment of our management regarding the application of the net proceeds from this offering. Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds that we receive in this offering in short-term and long-term interest-bearing obligations, including government- and investment-grade debt securities and money market funds.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, MUFG Securities Americas Inc. and Scotia Capital (USA) Inc. are each a lender under the Term Loan and Revolving Credit Facility. A portion of the net proceeds from this offering will be used to repay borrowings under the Term Loan and Revolving Credit Facility. As a result, we expect more than 5% of the net proceeds from this offering will be paid to affiliates of each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, MUFG Securities Americas Inc. and Scotia Capital (USA) Inc. Therefore, this offering is being made in compliance with FINRA Rule 5121. As a result of this conflict of interest, Goldman Sachs & Co. LLC has agreed to act as the qualified independent underwriter with respect to this offering. See the section entitled “Underwriting—Conflicts of Interest.”

## DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings for use in the operation of our business and, other than the IPO Dividend, do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, restrictions under our Senior Notes, Credit Agreement and Term Loan Agreement, general business conditions, and other factors that our board of directors considers relevant. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of us or our subsidiaries. See “Risk Factors—Risks Related to Our Common Stock and This Offering—After the completion of this offering, we do not expect to declare any dividends in the foreseeable future.”

## CAPITALIZATION

The following table sets forth cash and cash equivalents, as well as our capitalization, as of December 31, 2018:

- on an actual basis;
- on a pro forma basis to give effect to (i) the termination of our “S” Corporation status in connection with this offering and our election to be treated as a “C” Corporation under the Code, assuming our “S” Corporation status terminated on December 31, 2018, which includes the net effect of recording deferred tax assets and liabilities at an assumed statutory income tax rate of 28.8%, totaling \$70.7 million, and the reclassification of undistributed retained earnings to additional paid-in capital and (ii) the payment of the IPO Dividend of \$52.1 million; and
- on a pro forma as adjusted basis to give further effect to the issuance and sale by us of \_\_\_\_\_ shares of common stock in our initial public offering, the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of common stock of \$ \_\_\_\_\_ per share, the midpoint of the price range on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and repayment of \$ \_\_\_\_\_ million outstanding indebtedness under our Term Loan and \$ \_\_\_\_\_ million of outstanding indebtedness under our Revolving Credit Facility.

	As of December 31, 2018		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(U.S. dollars in thousands, except share and per share data)		
Cash and cash equivalents(2)	\$ 206,427	\$ 154,307	\$ _____
Debt(3)	\$ 429,164	\$ 429,164	\$ _____
Redeemable common stock held by the ESOP(4)	\$1,876,309	\$1,876,309	\$ _____
Shareholders' equity:			
Common stock: \$1.00 par value, 50,000,000 shares authorized, 41,699,228 shares issued and 26,057,603 shares outstanding, actual and pro forma; \$ _____ par value, _____ shares authorized, _____ shares issued and _____ shares outstanding, pro forma as adjusted	—	—	
Treasury stock	(957,025)	(957,025)	
Additional paid-in capital	—	30,988	
Retained earnings	12,445	—	
Accumulated other comprehensive loss	(22,957)	(22,957)	
Total Parsons Corporation redeemable common stock and shareholders' deficit	908,772	927,315	
Noncontrolling interests	46,461	46,461	
Total capitalization	<u>\$1,384,397</u>	<u>\$1,402,940</u>	<u>\$ _____</u>

(1) A \$1.00 increase (decrease) in the assumed initial public offering price of our common stock of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of cash and cash equivalents, additional paid-in capital, total shareholders' equity and total capitalization by approximately \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We

## [Table of Contents](#)

may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million in the number of shares offered by us would increase (decrease) the pro forma as adjusted amount of cash and cash equivalents, common stock and additional paid-in capital, total shareholders' equity and total capitalization by \$ \_\_\_\_\_ million, assuming that the assumed initial public offering price remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

- (2) Does not include \$73.8 million of cash of consolidated joint ventures and \$1.0 million of restricted cash and investments as of December 31, 2018. In addition, in January 2019, the Company used \$40.3 million of cash on hand to pay for a portion of the OGSystems Acquisition.
- (3) As of December 31, 2018, we had (i) \$250.0 million of borrowings outstanding under the Senior Notes and (ii) \$180.0 million outstanding under the Revolving Credit Facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt". In January 2019, the Company borrowed \$150.0 million under our Term Loan and \$110.0 million under the Revolving Credit Facility in connection with the consummation of the OGSystems Acquisition.
- (4) While this offering will create a public market for our common stock, to the extent the IPO Dividend is not sufficient to satisfy all qualifying distribution elections to be paid to ESOP participants during the 180-day lock-up period, we may be required to settle ESOP redemptions in cash during the 180-day lock up period. As all ESOP shares are potentially redeemable (e.g. upon death of an employee) for cash during the 180-day lock up period, the table does not reflect a reclassification of redeemable common stock held by the ESOP from temporary equity to permanent equity, as such reclassification is not expected until the 180-day lock-up period lapses and the interests redeemed by ESOP participants become settleable in shares of the public company.

The table above does not include:

- 347,223 shares of our common stock that may be issued settlement of the 2019 Awards; and
- 3,900,000 shares of common stock reserved for future grant or issuance under our 2019 Plan (less any shares issued pursuant to the 2019 Awards after the effective date of the 2019 Plan), which will become effective upon the completion of this offering.

The table above assumes no exercise by the underwriters of their option to purchase additional shares of our common stock.

## DILUTION

Dilution is the amount by which the offering price paid by the purchasers of our common stock in this offering exceeds the pro forma net tangible book value per share of our common stock after this offering. Our net tangible book value as of December 31, 2018 was \$38.8 million. Net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of our common stock deemed to be outstanding at that date.

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma net tangible book value per share of our common stock after this offering.

Our pro forma net tangible book value as of December 31, 2018 would have been \$57.3 million, or \$2.20 per share of common stock. Pro forma net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of our common stock, after giving effect to (i) the termination of our "S" Corporation status in connection with our initial public offering and our election to be treated as a "C" Corporation under the Code, including an increase in net deferred tax assets of \$70.7 million, assuming our "S" Corporation status terminated on December 31, 2018, and (ii) the payment of the IPO Dividend of \$52.1 million.

Our pro forma as adjusted net tangible book value as of December 31, 2018 would have been \$ million, or \$ per share of common stock, after giving effect to (i) the sale of shares of our common stock in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (ii) repayment of \$ million of outstanding indebtedness under our Term Loan and Revolving Credit Facility in connection with the consummation of this offering. This represents an immediate dilution in pro forma net tangible book value of \$ per share to investors purchasing our common stock in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the amount of cash that a new investor paid for a share of our common stock.

The following table illustrates this dilution:

Assumed initial public offering price per share		\$
Net tangible book value per share as of December 31, 2018	\$1.49	
Increase in net tangible book value per share of common stock attributable to our conversion from an "S" Corporation to a "C" Corporation and payment of the IPO Dividend	0.71	
Pro forma net tangible book value per share as of December 31, 2018 before this offering	2.20	
Increase in pro forma net tangible book value per share attributable to this offering		
Pro forma as adjusted net tangible book value per share after this offering		\$
Dilution per share to investors in this offering		\$

A \$1.00 increase (decrease) in the assumed initial public offering price of common stock of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease), our pro forma net tangible book value per share after this offering by \$ , and would increase (decrease) dilution per share to new investors in this offering by \$ , assuming that the number of shares offered by us, as set forth on the cover page of this

## [Table of Contents](#)

prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) our pro forma net tangible book value per share after this offering by \$ \_\_\_\_\_ per share and decrease (increase) the dilution to new investors by \$ \_\_\_\_\_ per share, assuming that the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters fully exercise their option to purchase additional shares and all such shares are sold by the Company, pro forma net tangible book value after this offering would increase to approximately \$ \_\_\_\_\_ per share, and there would be an immediate dilution of approximately \$ \_\_\_\_\_ per share to investors in this offering.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. Furthermore, we may choose to issue common stock as part or all of the consideration in acquisitions of other companies and as part of our planned growth and acquisition strategy. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

The following table shows, as of December 31, 2018, after giving effect to the pro forma adjustments described above, including this offering, the number of shares of common stock purchased from us, the total consideration paid to us and the average price paid per share by existing stockholders and by new investors purchasing common stock in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, before deducting underwriting discounts and commissions and estimated offering expenses payable by us (in thousands, except per share amounts and percentages):

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	26,057,603	%	\$662,165	%	\$ 25.41
New investors					\$
Total		100%	\$	100%	

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The above table and discussion excludes:

- 347,223 shares of our common stock that may be issued upon settlement of the 2019 Awards; and
- 3,900,000 shares of common stock reserved for future grant or issuance under our 2019 Plan (less any shares issued pursuant to the 2019 Awards after the effective date of the 2019 Plan), which will become effective upon the completion of this offering.

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[Table of Contents](#)

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock from us. If the underwriters' option to purchase additional shares of our common stock were exercised in full, our existing stockholders would own % and the investors purchasing shares of our common stock in this offering would own % of the total number of shares of our common stock outstanding immediately after completion of this offering.



## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present consolidated financial and other data and pro forma information to reflect our conversion from an “S” Corporation to a “C” Corporation for income tax purposes. The consolidated statements of operations data for the fiscal years ended December 30, 2016, December 29, 2017 and December 31, 2018 and the consolidated balance sheet data as of December 29, 2017 and December 31, 2018 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the fiscal years ended December 26, 2014 and December 25, 2015 and the consolidated balance sheet data as of December 26, 2014, December 25, 2015 and December 30, 2016 is derived from audited consolidated financial statements that are not included in this prospectus.

You should read this data together with our audited consolidated financial statements and related notes, as well as the information under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Our historical results are not necessarily indicative of our future results.

(U.S. dollars in thousands, except per share data)	Fiscal Year Ended				
	December 26, 2014	December 25, 2015	December 30, 2016	December 29, 2017	December 31, 2018
<b>Consolidated Statements of Operations Data:</b>					
Revenue	\$ 3,097,615	\$ 3,218,616	\$ 3,039,191	\$ 3,017,011	\$ 3,560,508
Direct costs of contracts	2,441,935	2,535,504	2,431,193	2,400,140	2,795,005
Equity in earnings of unconsolidated joint ventures	20,665	19,450	35,462	40,086	36,915
Indirect, general and administrative expenses	501,996	542,066	522,920	506,255	597,410
Impairment of goodwill, intangible and other assets	—	—	85,133	—	—
Operating income	<u>174,349</u>	<u>160,496</u>	<u>35,407</u>	<u>150,702</u>	<u>205,008</u>
Interest income	441	520	1,190	2,465	2,710
Interest expense	(9,710)	(16,165)	(16,509)	(15,798)	(20,842)
Other (expense) income, net	(8,681)	(2,673)	1,340	5,658	(1,651)
Loss on extinguishment of long-term debt	(1,286)	—	—	—	—
(Interest and other expense) gain associated with claim on long-term contract	(10,697)	(14,034)	(9,422)	(10,026)	74,578
Total other expense	<u>(29,933)</u>	<u>(32,352)</u>	<u>(23,401)</u>	<u>(17,701)</u>	<u>54,795</u>
Income before income tax expense	144,416	128,144	12,006	133,001	259,803
Income tax expense	(10,833)	(13,790)	(13,992)	(21,464)	(20,367)
Net income (loss) including noncontrolling interests	133,583	114,354	(1,986)	111,537	239,436
Net income attributable to noncontrolling interests	(37,293)	(26,098)	(11,161)	(14,211)	(17,099)
Net income (loss) attributable to Parsons Corporation	<u>\$ 96,290</u>	<u>\$ 88,256</u>	<u>\$ (13,147)</u>	<u>\$ 97,326</u>	<u>\$ 222,337</u>
<b>Net income (loss) attributable to Parsons Corporation per share(1):</b>					
Basic and diluted	<u>\$ 2.89</u>	<u>\$ 2.80</u>	<u>\$ (0.45)</u>	<u>\$ 3.49</u>	<u>\$ 8.34</u>
Weighted-average number of shares:					
Basic and diluted	<u>33,300</u>	<u>31,517</u>	<u>29,499</u>	<u>27,858</u>	<u>26,671</u>
<b>Pro Forma Income Information (unaudited)(2):</b>					
Historical income before income tax expense					\$ 259,803
Pro forma provision for income taxes					(74,755)
Pro forma net income including noncontrolling interests					\$ 185,048
Pro forma net income attributable to Parsons Corporation					167,949
Pro forma net income attributable to Parsons Corporation per share, basic and diluted					\$ 6.30
Weighted-average number of shares used in computing pro forma net income attributable to Parsons Corporation per share:					
Basic and diluted					26,671

## Table of Contents

- (1) See "Note 19—Earnings Per Share" to our audited consolidated financial statements in this prospectus for more information regarding net income (loss) attributable to Parsons Corporation per share, basic and diluted, and pro forma net income attributable to Parsons Corporation per share, basic and diluted.
- (2) The unaudited pro forma net income information for 2018 gives effect to an adjusted income tax expense as if we had been a "C" Corporation at an assumed combined federal, state, local and foreign effective income tax rate of 28.77% for the fiscal year ended December 31, 2018.

	As of				
	December 26, 2014	December 25, 2015	December 30, 2016	December 29, 2017	December 31, 2018
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents(1)	\$ 397,908	\$ 349,033	\$ 332,368	\$ 376,368	\$ 206,427
Total assets	2,356,391	2,403,074	2,153,494	2,272,718	2,612,578
Total debt	250,000	250,000	249,301	249,407	429,164
Noncontrolling interests	63,430	82,476	57,169	27,494	46,461
Redeemable common stock held by the ESOP	1,876,182	1,818,576	1,739,431	1,855,305	1,876,309
Total shareholders' deficit	(904,404)	(869,409)	(935,542)	(1,049,916)	(921,076)

- (1) Does not include cash of consolidated joint ventures and restricted cash and investments.

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
<b>Other Information:</b>			
Adjusted EBITDA(1)	\$ 173,152	\$ 190,631	\$ 229,757
Net Income Margin(2)	(0.1)%	3.7%	6.7%
Adjusted EBITDA Margin(3)	5.7%	6.3%	6.5%

- (1) A reconciliation of net income (loss) attributable to Parsons Corporation to Adjusted EBITDA is set forth below.

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Net (loss) income attributable to Parsons Corporation	\$ (13,147)	\$ 97,326	\$ 222,337
Interest expense, net	15,319	13,333	18,132
Income tax expense	13,992	21,464	20,367
Depreciation and amortization	42,156	35,198	69,869
Net income attributable to noncontrolling interests	11,161	14,211	17,099
Impairment of goodwill, intangible and other assets	85,133	—	—
Litigation related expenses(a)	9,422	10,026	(129,674)
Amortization of deferred gain resulting from sale-leaseback transactions(b)	(7,283)	(7,283)	(7,253)
Transaction related costs(c)	2,552	1,190	12,942
Restructuring(d)	12,407	—	—
HCM software implementation costs(e)	—	—	5,369
Other(f)	1,440	5,166	569
Adjusted EBITDA	<u>173,152</u>	<u>190,631</u>	<u>229,757</u>

- (a) Fiscal 2016 and fiscal 2017 reflect the post-judgment interest expense recorded in “Interest and other expenses associated with claim on long-term contract” in our results of operations related to the judgment entered against us in 2014 in connection with a lawsuit by the Los Angeles Metropolitan Transportation Authority. For fiscal 2018, due to the judgment being vacated, the Company reversed the accrued liability of \$55.1 million to revenue and \$74.6 million to other income.
- (b) Reflects amortization of the deferred gain on prior sale-leaseback transactions in fiscal 2011. See “Note 9—Sale-Leasebacks” in the notes to our consolidated financial statements included elsewhere in this prospectus.
- (c) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, including primarily fees paid for professional services and employee retention.
- (d) Reflects costs associated with and related to our corporate restructuring initiatives, including expenses incurred in connection with a restructuring program we began implementing in 2015. See “Note 2—Summary of Significant Accounting Policies—Restructuring” in the notes to our consolidated financial statements included elsewhere in this prospectus.
- (e) Reflects implementation costs incurred in connection with a new human resources and payroll application.
- (f) Fiscal 2016 includes a \$3.5 million loss from the sale of a subsidiary, a \$0.9 million gain on the sale of fixed assets, a \$0.8 million gain related to disposed businesses and a \$0.5 million gain related to settlement proceeds received for an already completed contract. Fiscal 2017 includes non-operating lease termination costs of \$1.8 million, a \$1.8 million loss related to disposed businesses, a \$1.0 million loss from the sale of fixed assets and a \$0.5 million loss related to several individually insignificant items that are non-recurring, infrequent or unusual in nature. Fiscal 2018 includes a \$0.6 million loss related to several individually insignificant items that are non-recurring, infrequent or unusual in nature.

Adjusted EBITDA is a supplemental measure of our operating performance included in this prospectus because it is used by management and our board of directors to assess our financial performance both on a segment and on a consolidated basis. We discuss Adjusted EBITDA because our management uses this measure for business planning purposes, including to manage the business against internal projected results of operations and measure the performance of the business generally. Adjusted EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

Adjusted EBITDA is not a GAAP measure of our financial performance or liquidity and should not be considered as an alternative to net income (loss) as a measure of financial performance or cash flows from operations as measures of liquidity, or any other performance measure derived in accordance with GAAP. We define Adjusted EBITDA as net income (loss) attributable to Parsons Corporation, adjusted to include net income (loss) attributable to noncontrolling interests and to exclude interest expense (net of interest income), provision for income taxes, depreciation and amortization and certain other items that we do not consider in our evaluation of ongoing operating performance. These other items include, among other things, impairment of goodwill, intangible and other assets, interest and other expenses recognized on litigation matters, amortization of deferred gain resulting from sale-leaseback transactions, expenses incurred in connection with acquisitions and other non-recurring transaction costs and expenses related to our corporate restructuring initiatives. Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management’s discretionary use, as it does not reflect tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future, including, among other things, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. Management compensates for these limitations by relying on our

## [Table of Contents](#)

GAAP results in addition to using Adjusted EBITDA supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

The following table shows Adjusted EBITDA attributable to Parsons Corporation for each of our reportable segments and Adjusted EBITDA attributable to noncontrolling interests:

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	\$ 79,376	\$ 89,269	\$ 114,571
Critical Infrastructure Adjusted EBITDA Attributable to Parsons Corporation	81,206	86,471	97,779
Adjusted EBITDA attributable to noncontrolling interests	12,570	14,891	17,407
Total Adjusted EBITDA	<u>\$ 173,152</u>	<u>\$ 190,631</u>	<u>\$ 229,757</u>

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Results," and "Note 20—Segments Information" in the notes to our consolidated financial statements included elsewhere in this prospectus for further discussion regarding our segment Adjusted EBITDA attributable to Parsons Corporation.

- (2) Net Income Margin is calculated as net income (loss) including noncontrolling interest divided by revenue in the applicable period.
- (3) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue in the applicable period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to help prospective investors understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion together with our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements." Actual results may differ materially from those contained in any forward-looking statements.

### Overview

We are a leading provider of technology-driven solutions in the defense, intelligence and critical infrastructure markets. We provide technical design and engineering services and software to address our customers' challenges. We have developed significant expertise and differentiated capabilities in key areas of cybersecurity, intelligence, defense, military training and development, connected communities, physical infrastructure and mobility solutions. By combining our talented team of professionals and advanced technology, we help solve complex technical challenges to enable a safer, smarter and more interconnected world.

We operate in two reporting segments, Federal Solutions and Critical Infrastructure. Our Federal Solutions business is a high-end services and technology provider to the U.S. government. Our Critical Infrastructure business provides integrated design and engineering services for complex physical and digital infrastructure to state and local governments and large companies.

Our employees provide services pursuant to contracts that we are awarded by the customer and specific task orders relating to such contracts. These contracts are often multi-year, which provides us backlog and visibility on our revenues for future periods. Many of our contracts and task orders are subject to renewal and rebidding at the end of their term, and some are subject to the exercise of contract options and issuance of delivery or task orders by the applicable government entity. In addition to focusing on increasing our revenues through increased contract awards and backlog, we focus our financial performance on margin expansion and cash flow.

### Key Metrics

We manage and assess the performance of our business by evaluating a variety of metrics. The following table sets forth selected key metrics:

(U.S. dollars in millions, except Book-to-Bill)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Awards	\$ 3,767.7	\$ 3,404.7	\$ 4,484.5
Backlog(1)	\$ 6,287.3	\$ 6,422.6	\$ 7,971.0
Book-to-Bill	1.24	1.13	1.26

(1) Difference between our backlog of \$8.0 billion and our remaining unsatisfied performance obligations, or RUPO, of \$5.3 billion, each as of December 31, 2018, is due to (i) unissued

## [Table of Contents](#)

delivery orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

### **Awards**

Awards generally represent the amount of revenue expected to be earned in the future from funded and unfunded contract awards received during the period. Contract awards include both new and re-compete contracts and task orders. Given that new contract awards generate growth, we closely track our new awards each year.

The following table summarizes the total value of new awards for the periods presented below:

(U.S. dollars in millions)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Federal Solutions	\$ 1,600.6	\$ 1,278.5	\$ 1,806.5
Critical Infrastructure	2,167.1	2,126.2	2,678.0
<b>Total Awards</b>	<b>\$ 3,767.7</b>	<b>\$ 3,404.7</b>	<b>\$ 4,484.5</b>

The change in new awards from year to year is primarily due to ordinary course fluctuations in our business. The volume of contract awards can fluctuate in any given period due to win rate and the timing and size of the awards issued by our customers.

### **Backlog**

We define backlog to include the following two components:

- **Funded**—Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- **Unfunded**—Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized less revenue previously recognized on these contracts.

Backlog includes (i) unissued delivery orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

## [Table of Contents](#)

The following table summarizes the value of our backlog at the respective dates presented:

(U.S. dollars in millions)	As of		
	December 30, 2016	December 29, 2017	December 31, 2018
Backlog:			
Federal Solutions			
Funded	\$ 1,672.4	\$ 1,313.8	\$ 1,858.4
Unfunded	1,407.5	1,948.8	2,629.6
Total Federal Solutions Backlog	<u>3,079.9</u>	<u>3,262.6</u>	<u>4,488.0</u>
Critical Infrastructure			
Funded	3,207.3	3,160.0	3,483.0
Unfunded	—	—	—
Total Critical Infrastructure Backlog	<u>3,207.3</u>	<u>3,160.0</u>	<u>3,483.0</u>
Total Backlog(1)	<u>\$ 6,287.3</u>	<u>\$ 6,422.6</u>	<u>\$ 7,971.0</u>

- (1) Difference between our backlog of \$8.0 billion and our RUPO of \$5.3 billion, each as of December 31, 2018, is due to (i) unissued delivery orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

Our backlog includes orders under contracts that in some cases extend for several years. For example, the U.S. Congress generally appropriates funds for our U.S. federal government customers on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, our federal contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We expect to recognize \$2.6 billion of our funded backlog at December 31, 2018 as revenues in the following twelve months. However, our government customers may cancel their contracts with us at any time through a termination for convenience or may elect to not exercise option periods under such contracts. In the case of a termination for convenience, we would not receive anticipated future revenues, but would generally be permitted to recover all or a portion of our incurred costs and fees for work performed. See "Risk Factors—Risks Relating to Our Business—We may not realize the full value of our backlog, which may result in lower than expected revenue."

The changes in backlog from year to year were primarily due to ordinary course fluctuations in our business. Our backlog will fluctuate in any given period based on the volume of awards issued in comparison to the revenue generated from our existing contracts.

### **Book-to-Bill**

Book-to-bill is the ratio of total awards to total revenue recorded in the same period. Our management believes our book-to-bill ratio is a useful indicator of our potential future revenue growth in that it measures the rate at which we are generating new awards compared to our current revenue. To drive future revenue growth, our goal is for the level of awards in a given period to exceed the revenue booked. A book-to-bill ratio is greater than 1.0 indicates that awards generated in a given period exceeded the revenue recognized in the same period, while a book-to-bill ratio of less than 1.0

## [Table of Contents](#)

indicates that awards generated in such period were less than the revenue recognized in such period. The following table sets forth the book-to-bill ratio for the periods presented below:

	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Federal Solutions	1.50	1.18	1.22
Critical Infrastructure	1.10	1.10	1.29
Overall	1.24	1.13	1.26

### **Factors and Trends Affecting Our Results of Operations**

We believe that the financial performance of our business and our future success are dependent upon many factors, including those highlighted in this section. Our operating performance will depend upon many variables, including the success of our growth strategies and the timing and size of investments and expenditures that we choose to undertake, as well as market growth and other factors that are not within our control.

#### ***Government Spending***

Changes in the relative mix of government spending and areas of spending growth, with shifts in priorities on homeland security, intelligence, defense-related programs, infrastructure and urbanization, and continued increased spending on technology and innovation, including cybersecurity, artificial intelligence, connected communities and physical infrastructure, could impact our business and results of operations. Cost-cutting and efficiency initiatives, current and future budget restrictions, spending cuts and other efforts to reduce government spending could cause our government customers to reduce or delay funding or invest appropriated funds on a less consistent basis or not at all, and demand for our solutions or services could diminish. Furthermore, any disruption in the functioning of government agencies, including as a result of government closures and shutdowns, could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to deploy our staff to customer locations or facilities as a result of such disruptions.

#### ***Federal Budget Uncertainty***

There is uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to address budgetary constraints, caps on the discretionary budget for defense and non-defense departments and agencies, and the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps. Additionally, budget deficits and the growing U.S. national debt increase pressure on the U.S. government to reduce federal spending across all federal agencies, with uncertainty about the size and timing of those reductions. Furthermore, delays in the completion of future U.S. government budgets could in the future delay procurement of the federal government services we provide. A reduction in the amount of, or reductions, delays, or cancellations of funding for, services that we are contracted to provide to the U.S. government as a result of any of these impacts or related initiatives, legislation or otherwise could have a material adverse effect on our business and results of operations.

#### ***Regulations***

Increased audit, review, investigation and general scrutiny by government agencies of performance under government contracts and compliance with the terms of those contracts and



applicable laws could affect our operating results. Negative publicity and increased scrutiny of government contractors in general, including us, relating to government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information as well as the increasingly complex requirements of the U.S. Department of Defense and the United States intelligence community, including those related to cybersecurity, could impact our ability to perform in the markets we serve.

### **Competitive Markets**

The industries we operate in consist of a large number of enterprises ranging from small, niche-oriented companies to multi-billion dollar corporations that serve many government and commercial customers. We compete on the basis of our technical expertise, technological innovation, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationships with our customers, qualified and/or security-clearance personnel, and pricing. We believe that we are uniquely positioned to take advantage of the markets in which we operate because of our proven track record, long-term customer relationships, technology innovation, scalable and agile business offerings and world class talent. Our ability to effectively deliver on project engagements and successfully assist our customers affects our ability to win new contracts and drives our financial performance.

### **Acquired Operations**

#### *Polaris Alpha*

On May 31, 2018, we acquired Polaris Alpha for \$489.1 million. Polaris Alpha is an advanced, technology-focused provider of innovative mission solutions for national security, intelligence and other U.S. federal customers. The acquisition was funded by cash on hand and borrowings under our Revolving Credit Facility. The financial results of Polaris Alpha have been included in our consolidated results of operations from June 1, 2018 onward.

#### *OGSystems*

On January 7, 2019, we acquired OGSystems for \$300.3 million. OGSystems provides geospatial intelligence, big data analytics and threat mitigation for defense and intelligence customers. The acquisition was funded by cash on hand and borrowings under our Term Loan and Revolving Credit Facility. The financial results of OGSystems is not included in our consolidated results of operations for the periods presented in this prospectus.

### **Seasonality**

Our results may be affected by variances as a result of seasonality we experience across our businesses. This pattern is typically driven by the U.S. federal government fiscal year-end, September 30. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of the U.S. federal government fiscal year in order to avoid the loss of unexpended fiscal year funds. In addition, we have also historically experienced higher bid and proposal costs in the months leading up to the U.S. federal government fiscal year-end as we pursue new contract opportunities expected to be awarded early in the following U.S. federal government fiscal year as a result of funding appropriated for that U.S. federal government fiscal year. Furthermore, many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. We may continue to experience this seasonality in future periods, and our results of operations may be affected by it.

### **Post-Offering Expenses**

As a public company, we will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

### **Taxes**

Historically, we have elected to be taxed under the provisions of Subchapter "S" of the Code for federal tax purposes. As a result, our income has not been subject to U.S. federal income taxes or state income taxes in those states where the "S" Corporation status is recognized. No provision or liability for federal or state income tax has been provided in our financial statements except for those states where the "S" Corporation status is not recognized and for the 1.5% California franchise tax to which we are also subject as a California "S" Corporation. The provision for income tax in the historical periods prior to our initial public offering consists of these taxes.

In connection with our initial public offering, our "S" Corporation status will terminate and we will be treated as a "C" Corporation under Subchapter C of the Code. The revocation of our "S" Corporation election will have a material impact on our results of operations, financial condition and cash flows. Our effective income tax rate will increase and our net income will decrease since we will be subject to both federal and state taxes on our earnings.

### **Results of Operations**

In October 2018, our board of directors approved a change in our fiscal year end from the last Friday on or before the calendar year to December 31st. Accordingly, the fiscal year end for fiscal 2018 is December 31, 2018, the fiscal year end for fiscal 2017 is December 29, 2017 and the fiscal year end for fiscal 2016 is December 30, 2016.

### **Revenue**

Our revenue consists of both services provided by our employees and pass-through fees from subcontractors and other direct costs. Our Federal Solutions segment derives revenue primarily from the U.S. federal government and our Critical Infrastructure segment derives revenue primarily from government and commercial customers.

We recognize revenue for work performed under cost-plus, time-and-materials and fixed-price contracts, as follows:

Under cost-plus contracts, we are reimbursed for allowable or otherwise defined costs incurred, plus a fee. The contracts may also include incentives for various performance criteria, including quality, timeliness, safety and cost-effectiveness. In addition, costs are generally subject to review by clients and regulatory audit agencies, and such reviews could result in costs being disputed as nonreimbursable under the terms of the contract. Revenue for cost-plus contracts are generally recognized using the cost-to-cost measure of progress method. Accounting for the sales and profits on performance obligations for which progress is measured using the cost-to-cost method involves the preparation of estimates of: (1) transaction price and (2) total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract's statement of work.

Under time-and-materials contracts, hourly billing rates are negotiated and charged to clients based on the actual time spent on a project. In addition, clients reimburse actual out-of-pocket costs for other direct costs and expenses that are incurred in connection with the performance under the contract. Revenue on time-and-materials contracts are recognized as services are performed and are contractually billable.

## [Table of Contents](#)

Under firm fixed price, or FFP contracts, clients pay an agreed fixed-amount negotiated in advance for a specified scope of work. Revenue on FFP contracts is generally recognized using the cost-to-cost measure of progress method.

Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” and “Note 2—Summary of Significant Accounting Polices” in the notes to our consolidated financial statements included elsewhere in this prospectus for a further description of our policies on revenue recognition.

The table below presents the percentage of total revenue for each type of contract.

	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Cost-plus	38%	36%	41%
Time-and-materials	29%	29%	27%
Fixed-price	33%	35%	32%

The amount of risk and potential reward varies under each type of contract. Under cost-plus contracts, there is limited financial risk, because we are reimbursed for all allowable costs up to a ceiling. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts. Under time-and-materials contracts, we are reimbursed for the hours worked using the predetermined hourly rates for each labor category. In addition, we are typically reimbursed for other direct contract costs and expenses at cost. We assume financial risk on time-and-materials contracts because our labor costs may exceed the negotiated billing rates. Profit margins on well-managed time-and-materials contracts tend to be higher than profit margins on cost-plus contracts as long as we are able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, we are required to deliver the objectives under the contract for a pre-determined price. Compared to time-and-materials and cost-plus contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings, but they also generally involve greater financial risk because we bear the risk of any cost overruns. In the aggregate, the contract type mix in our revenue for any given period will affect that period’s profitability. Over time, we have experienced a relatively stable contract mix.

Our recognition of profit on long-term contracts requires the use of assumptions related to transaction price and total cost of completion. Estimates are continually evaluated as work progresses and are revised when necessary. When a change in estimate is determined to have an impact on contract profit we record a positive or negative adjustment to revenue and/or direct cost of contracts. We recognized a net operating income decrease related to changes in estimates at contract completion of \$22.4 million in fiscal 2016, \$23.8 million in fiscal 2017 and \$2.3 million in fiscal 2018.

### **Joint Ventures**

We conduct a portion of our business through joint ventures or similar partnership arrangements. For the joint ventures we control, we consolidate all the revenues and expenses in our income statement (including revenues and expenses attributable to noncontrolling interests). For the joint ventures we do not control, we recognize equity in earnings (loss) of unconsolidated joint ventures. Our revenues included \$127.7 million in fiscal 2016, \$112.1 million in fiscal 2017 and \$144.7 million in fiscal 2018 related to services we provided to our unconsolidated joint ventures.

### **Operating costs and expenses**

Operating costs and expenses primarily include direct costs of contracts and indirect, general and administrative expenses. Costs associated with compensation related expenses for our people and

## [Table of Contents](#)

facilities, which includes ESOP contribution expenses, are the most significant component of our operating expenses. Total ESOP contribution expense was \$41.8 million for fiscal 2016, \$40.6 million for fiscal 2017 and \$47.0 million for fiscal 2018, and is recorded in "Direct cost of contracts" and "Indirect, general and administrative expenses." We expect operating expenses to increase due to our anticipated growth and the incremental costs associated with being a public company. However, on a forward-looking basis, we generally expect these costs to decline as a percentage of our total revenue as we realize the benefits of scale.

Direct costs of contracts consist of direct labor and associated fringe benefits, indirect overhead, subcontractor costs, travel expenses and other expenses incurred to perform on contracts.

Indirect, general and administrative expenses include salaries and wages and fringe benefits of our employees not performing work directly for customers, facility costs and other costs related to these indirect functions.

### ***Other income and expenses***

Other income and expenses primarily consists of interest income, interest expense, other income, net and interest and other expense associated with claim on long-term contract.

Interest income primarily consists of interest earned on U.S. government money market funds.

Interest expense consists of interest expense incurred under our Senior Notes and Credit Agreement.

Other income, net primarily consists of gain or loss on sale of assets, sublease income and transaction gain or loss related to movements in foreign currency exchange rates.

With regard to the MTA Lawsuit, during the second half of fiscal 2013, a California state court issued a number of preliminary judgments with the final judgment being rendered in early fiscal 2014 in favor of the plaintiff in a lawsuit against a joint venture in which we were the managing partner and the only other partner was bankrupt. We recorded a loss of \$98.8 million for fiscal 2013 as a result of these judgments, which included the reversal of \$55.1 million in previously recognized revenue. For each of fiscal 2016 and fiscal 2017, we recorded post-judgment interest of \$9.3 million in "(Interest and other expense) gain associated with claim on long-term contract" in our consolidated statements of income (loss). In addition, for fiscal 2016 and fiscal 2017, we recorded other expenses of \$0.1 million and \$0.7 million, respectively, in "Interest and other expense associated with claim on long-term contract". \$129.9 million was accrued for this matter in "Provision for contract losses" on our consolidated balance sheet as of fiscal 2017 year-end. Post judgment interest was accrued through May 2018 when a total of \$133.1 million was accrued in "Provision for contract losses of consolidated joint ventures" on our consolidated balance sheet. On February 28, 2018, the California Court of Appeals vacated the judgement, and in doing so, the appellate court remanded the case to the trial court for the sole purpose of entering a new and final judgement in our favor. On April 9, 2018, the appellate court ruling was appealed by the counterparty to the California Supreme Court. On June 13, 2018, the California Supreme Court denied the counterparty's appeal. As a result, in the second quarter of 2018 we reversed \$133.1 million accrued in "Provision for contract losses on consolidated joint ventures" on our consolidated balance sheet, resulting in a net gain of \$129.7 million on our consolidated statements of income, of which \$55.1 million was recorded as an increase in revenue with the remainder recorded as other income.

[Table of Contents](#)

**Year ended December 29, 2017 compared to year ended December 31, 2018**

The following table sets forth our results of operations for fiscal 2017 and fiscal 2018 as a percentage of revenue.

	Fiscal Year Ended	
	December 29, 2017	December 31, 2018
Revenue	100.0%	100.0%
Direct costs of contracts	79.6	78.5
Equity in earnings of unconsolidated joint ventures	1.3	1.0
Indirect, general and administrative expenses	16.8	16.8
Operating income	5.0	5.8
Interest income	0.1	0.1
Interest expense	(0.5)	(0.6)
Other income (expense), net	0.2	0.05
(Interest and other expense) gain associated with claim on long-term contract	(0.3)	2.1
Total other (expense) income	(0.6)	1.5
Income before income tax expense	4.4	7.3
Income tax expense	(0.7)	(0.6)
Net income (loss) including noncontrolling interests	3.7	6.7
Net income attributable to noncontrolling interests	(0.5)	(0.5)
Net income (loss) attributable to Parsons Corporation	3.2%	6.2%

*Revenue*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29, 2017	December 31, 2018	Dollar	Percent
Revenue	\$ 3,017,011	\$ 3,560,508	\$543,497	18.0%

Revenue increased in fiscal 2018 primarily due to an increase in revenue in our Federal Solutions segment of \$399.1 million and from our Critical Infrastructure segment of \$144.4 million. See “—Segment Results” below for further discussion.

*Direct costs of contracts*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29, 2017	December 31, 2018	Dollar	Percent
Direct costs of contracts	\$ 2,400,140	\$ 2,795,005	\$394,865	16.5%

Direct cost of contracts increased in fiscal 2018 primarily due to an increase of \$327.3 million in our Federal Solutions segment. This increase was in part due to the acquisitions of Polaris Alpha, which added \$174.0 million, and Williams Electric, which was acquired October 6, 2017 and added a net increase of \$20.5 million. The remaining increase in our direct costs of contracts in Federal Solutions was due to the ramp up of certain projects in our Defense business line, as well as growth on existing contracts in our Defense, Engineered Systems and Mission Solutions business lines. Direct cost of contracts in our Critical Infrastructure segment increased \$67.6 million primarily due to a proportionate increase in Critical Infrastructure revenue.

[Table of Contents](#)

*Equity in earnings of unconsolidated joint ventures*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29,	December 31,	Dollar	Percent
	2017	2018		
Equity in earnings of unconsolidated joint ventures	\$ 40,086	\$ 36,915	\$(3,171)	(7.9)%

Equity in earnings of unconsolidated joint ventures decreased in fiscal 2018 primarily due to the timing of the completion of joint ventures and the starting of new joint ventures as part of ordinary course timing fluctuations in our business.

*Indirect, general and administrative expenses*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29,	December 31,	Dollar	Percent
	2017	2018		
Indirect, general and administrative expenses	\$ 506,255	\$ 597,410	\$91,155	18.0%

Indirect, general and administrative expenses increased in fiscal 2018 primarily due to our Federal Solutions segment, most of which is related to additional expenses of \$35.0 million from Polaris Alpha, \$32.3 million from the amortization of intangible assets related to the Polaris Alpha and Williams Electric acquisitions and \$6.2 million in acquisition-related expenses. In our Critical Infrastructure segment, expenses in fiscal 2018 were substantially unchanged from fiscal 2017.

*Total other expense*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29,	December 31,	Dollar	Percent
	2017	2018		
Interest (income)	\$ (2,465)	\$ (2,710)	\$ (245)	9.9%
Interest expense	15,798	20,842	5,044	31.9
Other expense (income), net	(5,658)	1,651	7,309	129.2
Interest and other expense (income) associated with claim on long-term contract	10,026	—	(10,026)	100
Gain associated with claim on long term contract	—	(74,578)	(74,578)	n/a
Total other expense (income)	\$ 17,701	\$ (54,795)	\$(72,496)	409.6%

Interest income increased in fiscal 2018 primarily due to higher interest rates earned on our outstanding cash balances. Interest expense increased in fiscal 2018 primarily due to the increase in debt in fiscal 2018 compared to fiscal 2017. This increase in debt was primarily related to the Polaris Alpha acquisition. The amounts in other income (expense), net, are primarily related to \$5.2 million in net transaction losses on movements in foreign currency rates offset in part by \$4.1 million in sublease income. See "Results of Operations—Other income and expenses" above for an explanation of the \$74.6 million recorded in "Gain associated with claim on long term contract" in fiscal 2018 related to the MTA Lawsuit.

*Income tax expense*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29,	December 31,	Dollar	Percent
	2017	2018		
Income tax expense	\$ 21,464	\$ 20,367	\$(1,097)	5.1%

[Table of Contents](#)

Income tax expense decreased in fiscal 2018 primarily due to the impact of our change in jurisdictional earnings mix from higher to lower tax jurisdictions, partially offset by the impact of the increase in overall pre-tax earnings subject to taxation.

Historically, we have recognized income taxes as an "S" Corporation for federal and state income tax purposes and, therefore, with the exception of a limited number of state and local jurisdictions, our income has not been subject to income taxes. In connection with this offering, we will convert to a "C" Corporation. On a pro forma basis, if we had been taxed as a "C" Corporation at an assumed combined federal, state, local and foreign effective income tax rate of 28.77%, our income tax expense in fiscal 2018 would have been \$70.2 million.

**Year ended December 30, 2016 compared to year ended December 29, 2017**

The following table sets forth our results of operations for fiscal 2016 and fiscal 2017 as a percentage of revenue.

	Fiscal Year Ended	
	December 30, 2016	December 29, 2017
Revenue	100.0%	100.0%
Direct costs of contracts	80.0	79.6
Equity in earnings of unconsolidated joint ventures	1.2	1.3
Indirect, general and administrative expenses	17.2	16.8
Impairment of goodwill, intangible and other assets	2.8	0.0
Operating income	1.2	5.0
Interest income	0.0	0.1
Interest expense	(0.5)	(0.5)
Other income, net	0.0	0.2
Interest and other expense associated with claim on long-term contract	(0.3)	(0.3)
Total other expense	(0.8)	(0.6)
Income before income tax expense	0.4	4.4
Income tax expense	(0.5)	(0.7)
Net (loss) income including noncontrolling interests	(0.1)	3.7
Net income attributable to noncontrolling interests	(0.4)	(0.5)
Net (loss) income attributable to Parsons Corporation	(0.4)%	3.2%

*Revenue*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Revenue	\$ 3,039,191	\$ 3,017,011	\$(22,180)	(0.7)%

Revenue decreased in fiscal 2017 primarily due to a decrease in revenue in our Critical Infrastructure segment of \$35.3 million, partially offset by an increase in revenue in our Federal Solutions segment of \$13.2 million. See "—Segment Results" below for further discussion.

## [Table of Contents](#)

### *Direct costs of contracts*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Direct costs of contracts	\$ 2,431,193	\$ 2,400,140	\$(31,053)	(1.3)%

Direct costs of contracts decreased in fiscal 2017 primarily due to a decrease of \$27.3 million in our Critical Infrastructure segment attributable to a \$35.3 million decrease in Critical Infrastructure revenue in fiscal 2017. In our Federal Solutions segment, direct cost of contracts decreased \$3.7 million primarily due to changes in the amount of work performed in various business lines and the finalization of Engineered Systems work on a U.S. Department of Energy project, which resulted in a \$8.7 million decrease in pass-through material costs. See “—Segment Results” below for further discussion.

### *Equity in earnings of unconsolidated joint ventures*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Equity in earnings of unconsolidated joint ventures	\$ 35,462	\$ 40,086	\$4,624	13.0%

Equity in earnings of unconsolidated joint ventures increased in fiscal 2017 primarily due to an \$8.1 million increase in our proportionate share of the net earnings from a joint venture rail project in fiscal 2017 compared to fiscal 2016.

### *Indirect, general and administrative expenses*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Indirect, general and administrative expenses	\$ 522,920	\$ 506,255	\$(16,665)	(3.2)%

Indirect, general and administrative expenses decreased in fiscal 2017 primarily due to \$12.4 million of restructuring expenses recognized in fiscal 2016 and no restructuring expenses recognized in fiscal 2017. Our restructuring actions included involuntary terminations and exiting operations in certain geographical regions. Indirect, general and administrative expenses also decreased in fiscal 2017 due to reduced administrative expenses obtained from our 2016 restructuring program to improve operational efficiency and reduce costs, which was fully implemented by the end of fiscal 2016.

### *Impairment of goodwill, intangible and other assets*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Impairment of goodwill, intangible and other assets	\$ 85,133	\$ —	\$(85,133)	n/a

In fiscal 2016, we recorded an impairment charge of \$85.1 million associated with goodwill, intangible and other assets related to a Critical Infrastructure reporting unit. We did not record any asset impairment losses in fiscal 2017.



## [Table of Contents](#)

### *Total other expense*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Interest income	\$ (1,190)	\$ (2,465)	\$(1,275)	(107.1)%
Interest expense	16,509	15,798	(711)	(4.3)
Other income, net	(1,340)	(5,658)	(4,318)	(322.2)
Interest and other expense associated with claim on long-term contract	9,422	10,026	604	6.4
Total other expense	<u>\$ 23,401</u>	<u>\$ 17,701</u>	<u>\$(5,700)</u>	<u>(24.4)</u>

Interest income increased in fiscal 2017 primarily due to larger average cash balances and higher interest rates in fiscal 2017 compared to fiscal 2016. Interest expense decreased because fiscal 2017 had one less week of operation compared to fiscal 2016 and there was a one-time interest expense charge of \$0.3 million in fiscal 2016 that did not recur in fiscal 2017. The amounts in other income, net are primarily related to transaction gains or losses on movements in foreign currency rates. Interest and other expense associated with a claim on a long-term contract increased primarily due to payment of a performance bond related to the MTA Judgment, which was later vacated in fiscal 2018.

### *Income tax expense*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Income tax expense	\$ 13,992	\$ 21,464	\$7,472	53.4%

Income tax expense increased in fiscal 2017 primarily due to increased pre-tax net income in foreign jurisdictions in which we operate. Pre-tax net income in the foreign jurisdictions in which we operate increased \$14.4 million from fiscal 2016 to fiscal 2017.

Historically, we have recognized income taxes as an "S" Corporation for federal and state income tax purposes and therefore, with the exception of a limited number of state and local jurisdictions, we have not been subject to income taxes. In connection with the consummation of this initial public offering, we will convert to a "C" Corporation.

## **Segment Results**

We evaluate segment operating performance using segment revenue and segment Adjusted EBITDA attributable to Parsons Corporation. Adjusted EBITDA attributable to Parsons Corporation is Adjusted EBITDA excluding Adjusted EBITDA attributable to noncontrolling interests. See "Selected Consolidated Financial and Other Data" for a discussion of our definition of Adjusted EBITDA, how we use this metric, why we present this metric and the material limitations on usefulness of this metric. See "Note 20—Segments Information" in the notes to our consolidated financial statements included elsewhere in this prospectus for further discussion regarding our segment Adjusted EBITDA attributable to Parsons Corporation.

## [Table of Contents](#)

The following table shows Adjusted EBITDA attributable to Parsons Corporation for each of our reportable segments and Adjusted EBITDA attributable to noncontrolling interests:

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 31, 2018
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	\$ 79,376	\$ 89,269	\$ 114,571
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	81,206	86,471	97,779
Adjusted EBITDA attributable to noncontrolling interests	12,570	14,891	17,407
Total Adjusted EBITDA	<u>\$ 173,152</u>	<u>\$ 190,631</u>	<u>\$ 229,757</u>

### **Year ended December 29, 2017 compared to year ended December 31, 2018**

#### *Federal Solutions*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29, 2017	December 31, 2018	Dollar	Percent
Revenue	\$ 1,079,906	\$ 1,479,007	\$399,101	37.0%
Adjusted EBITDA attributable to Parsons Corporation	89,269	114,571	25,302	28.3%

The increase in Federal Solutions revenue was primarily due to the acquisition of Polaris Alpha, which added \$227.4 million of revenue since its acquisition date of May 31, 2018, and a \$27.5 million net increase from Williams Electric business, which we acquired in October 2017. Federal Solutions legacy revenue increased \$144.2 million primarily due to an increase of \$119.7 million, or 38.4%, in our Engineered Systems business line, a \$12.7 million, or 4.4%, increase in our Defense business line and a \$7.5 million increase, or 2.7%, in our Mission Solutions business line.

Federal Solutions Adjusted EBITDA attributable to Parsons Corporation increased primarily due to the acquisitions of Polaris Alpha, which contributed \$18.4 million, and Williams Electric, which contributed \$6.2 million.

#### *Critical Infrastructure*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 29, 2017	December 31, 2018	Dollar	Percent
Revenue	\$ 1,937,105	\$ 2,081,501	\$144,396	7.5%
Adjusted EBITDA attributable to Parsons Corporation	86,471	97,779	11,308	13.1%

The increase in Critical Infrastructure revenue was primarily related to the Mobility Solutions business line with an overall increase of \$81.1 million (inclusive of \$55.1 million related to the favorable resolution of the MTA Lawsuit), or 7.4%, with an increase of \$38.3 million in the Middle East and a decrease of \$12.3 million in North America, excluding the MTA Lawsuit. The Connected Communities business line increased \$53.5 million, or 8.9%, from fiscal 2017, nearly all of which was a result of growth in the Middle East. The Industrial business line showed more modest growth overall with a \$9.7 million, or 4.2%, increase from fiscal 2017.

## [Table of Contents](#)

The increase in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation was primarily related to an increase in revenue of \$89.3 million, offset in part by \$67.6 million in direct cost of contracts, a change in other income and expense of \$8.0 million, primarily related to foreign currency transaction gains and losses, and a \$2.3 million increase in net income attributable to noncontrolling interests.

### **Year ended December 30, 2016 compared to year ended December 29, 2017**

#### *Federal Solutions*

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Revenue	\$ 1,066,740	\$ 1,079,906	\$13,166	1.2%
Adjusted EBITDA attributable to Parsons Corporation	79,376	89,269	9,893	12.5%

The increase in Federal Solutions revenue in fiscal 2017 was primarily due to an increase in revenues in our Cyber & Intelligence business line of \$42.7 million, or 30.0%, and our Mission Solutions business line of \$7.5 million, or 2.6%, driven by new awards, an increase in the scope of existing contracts and new IDIQ task awards, which was partially offset by a decrease in revenue of \$28.0 million, or 8.2%, in our Engineered Systems business line and \$9.0 million, or 3.0%, in our Defense business line due to delays in awards in fiscal 2017.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation in fiscal 2017 was primarily due to the increase in revenue of \$13.2 million and a decrease in our direct cost of contracts of \$3.7 million, primarily due to the finalization of a large program in our Engineered Systems business line, offset by a \$6.0 million increase in our indirect, general and administrative expenses primarily due to an increase in corporate costs allocated to Federal Solutions as a result of an increase in Federal Solutions' corporate allocation base.

#### *Critical Infrastructure*

(in thousands)	Fiscal Year Ended		Variance	
	December 30, 2016	December 29, 2017	Dollar	Percent
Revenue	\$ 1,972,451	\$ 1,937,105	\$(35,346)	(1.8)%
Adjusted EBITDA attributable to Parsons Corporation	81,206	86,471	5,265	6.5%

The decrease in Critical Infrastructure revenue in fiscal 2017 was primarily due to a decrease in revenue in our Industrial business line of \$96.4 million, or 29.4%, which was primarily driven by a decrease in business volume due to lower oil prices in fiscal 2017, which in turn delayed investment by our customers and negatively impacted demand for our services in both North America and the Middle East. Revenue in our Mobility Solutions business line decreased \$4.4 million, or 0.4% million primarily from a combination of a reduction of revenue in the Middle East of \$24.1 million as a result of the factors described above for our Industrial business line, offset by growth in the North America market of \$19.7 million primarily due to an increase in design-build programs. Revenue in our Connected Communities business line increased by \$65.4 million, or 12.2%, primarily driven by positive train control projects and other rail systems programs in the United States and built environment programs in the Middle East.

## [Table of Contents](#)

The increase in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation in fiscal 2017 was primarily due to a decrease in direct costs of contracts of \$27.4 million, an increase in equity in earnings of unconsolidated joint ventures of \$4.7 million, reduced indirect, general and administrative expenses of \$5.7 million obtained from our 2016 restructuring, and an increase in other income of \$5.1 million, offset by a decrease in revenue of \$35.3 million and net income attributable to noncontrolling interests of \$2.2 million.

### Quarterly Results of Operations

The following table sets forth selected unaudited quarterly results of operations data for each of the eight quarters in the period ended December 31, 2018. The information for each of these quarters has been prepared on the same basis as our audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, includes all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods in accordance with GAAP. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

(U.S. dollars in thousand)	Fiscal Quarter Ended							
	March 31, 2017	June 30, 2017	September 29, 2017	December 29, 2017	March 30, 2018	June 29, 2018(1)(2)	September 28, 2018(2)	December 31, 2018(2)
Federal Solutions revenue	\$ 253,264	\$266,234	\$ 268,472	\$ 291,936	\$ 291,335	\$ 341,065	\$ 443,725	\$ 402,882
Critical Infrastructure revenue	480,335	471,745	460,446	524,579	463,344	559,667	532,432	526,058
Total revenue	\$ 733,599	\$737,979	\$ 728,918	\$ 816,515	\$ 754,679	\$ 900,732	\$ 976,157	\$ 928,940
Operating income	\$ 30,794	\$ 33,781	\$ 46,683	\$ 39,444	\$ 38,891	\$ 86,912	\$ 55,113	\$ 24,092
Net income (loss) attributable to Parsons Corporation	\$ 18,847	\$ 21,631	\$ 30,246	\$ 26,602	\$ 25,287	\$ 148,381	\$ 41,222	\$ 7,447
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	\$ 20,256	\$ 19,462	\$ 19,948	\$ 29,603	\$ 20,154	\$ 31,677	\$ 43,285	\$ 19,455
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	17,049	21,563	30,375	17,484	23,656	14,150	35,228	24,745
Adjusted EBITDA attributable to noncontrolling interests	3,333	3,554	4,917	3,087	3,920	1,759	5,002	6,726
Total Adjusted EBITDA(3)	\$ 40,638	\$ 44,579	\$ 55,240	\$ 50,174	\$ 47,730	\$ 47,586	\$ 83,515	\$ 50,926

- (1) Includes a \$55.1 million increase in revenue and \$74.6 million increase in other income for our Critical Infrastructure segment as a result of the favorable resolution of the MTA Lawsuit. Please see "Results of Operations—Other income and expenses" above for further discussion regarding the MTA Lawsuit.
- (2) Includes the results of operations from Polaris Alpha from its date of acquisition on May 31, 2018.
- (3) The following table presents a reconciliation of net income (loss) attributable to Parsons Corporation to Adjusted EBITDA. For more information on our use of Adjusted EBITDA, how we use this metric, why we present this metric and the material

## Table of Contents

limitations on usefulness of this metric, see footnote 1 in the “Other Information” table located in “Selected Consolidated Financial Data”.

(U.S. dollars in thousand)	Fiscal Quarter Ended							
	March 31, 2017	June 30, 2017	September 29, 2017	December 29, 2017	March 30, 2018	June 29, 2018	September 28, 2018	December 31, 2018
Net income attributable to Parsons Corporation	\$ 18,847	\$ 21,631	\$ 30,246	\$ 26,602	\$ 25,287	\$ 148,381	\$ 41,222	\$ 7,447
Interest expense, net	3,619	3,282	3,390	3,042	3,258	3,270	5,589	6,015
Income tax expense	4,071	4,731	6,650	6,012	5,353	9,019	4,154	1,841
Depreciation and amortization	8,333	8,573	9,007	9,285	9,009	14,048	23,599	23,213
Net income attributable to noncontrolling interests	3,136	3,398	4,712	2,965	3,815	1,657	4,844	6,783
Litigation related expenses (income)(a)	2,330	2,331	3,035	2,330	2,330	(132,004)	—	—
Amortization of deferred gain resulting from sale-leaseback transactions(b)	(1,821)	(1,821)	(1,820)	(1,821)	(1,813)	(1,829)	(1,798)	(1,813)
Transaction related costs(c)	385	(3)	4	804	125	4,930	2,456	5,431
HCM software implementation costs(d)	—	—	—	—	—	337	3,032	2,000
Other(e)	1,738	2,457	16	955	366	(223)	417	9
<b>Total Adjusted EBITDA</b>	<b>\$ 40,638</b>	<b>\$ 44,579</b>	<b>\$ 55,240</b>	<b>\$ 50,174</b>	<b>\$ 47,730</b>	<b>\$ 47,586</b>	<b>\$ 83,515</b>	<b>\$ 50,926</b>

- (a) Fiscal 2017 reflect the post-judgment interest expense recorded in “Interest and other expenses associated with claim on long-term contract” in our results of operations related to the judgment entered against us in 2014 in connection with the MTA Lawsuit. For fiscal 2018, due to the judgment being vacated in the second quarter of fiscal 2018, the Company reversed the accrued liability with an offset of \$55.1 million to revenue and \$74.6 million to other income.
- (b) Reflects amortization of the deferred gain on prior sale-leaseback transactions in fiscal 2011. See “Note 9—Sale-Leasebacks” in the notes to our consolidated financial statements included elsewhere in this prospectus.
- (c) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, including primarily fees paid for professional services and employee retention.
- (d) Reflects implementation costs incurred in connection with a new human resources and payroll application.
- (e) Fiscal 2017 includes non-operating lease termination costs of \$1.8 million, a \$1.8 million loss related to disposed businesses, a \$1.0 million loss from the sale of fixed assets and a \$0.5 million loss related to several individually insignificant items that are non-recurring, infrequent or unusual in nature. Fiscal 2018 includes a \$0.6 million loss related to several individually insignificant items that are non-recurring, infrequent or unusual in nature.

## Liquidity and Capital Resources

Historically, we have financed our operations and capital expenditures and satisfied redemptions of ESOP interests through a combination of internally generated cash from operations, our Senior Notes and from borrowings under our Revolving Credit Facility.

Generally, cash provided by operating activities has been adequate to fund our operations. Due to fluctuations in our cash flows and growth in our operations, it may be necessary from time to time in the future to borrow under our Credit Agreement to meet cash demands. Our management regularly monitors certain liquidity measures to monitor performance. We calculate our available liquidity as a sum of cash and cash equivalents from our consolidated balance sheet plus the amount available and unutilized on our Credit Agreement.

We believe we have adequate liquidity and capital resources to fund our operations, pay the IPO Dividend, support our debt service and support our ongoing acquisition strategy for the next twelve months based on the liquidity from cash provided by our operating activities, cash and cash equivalents on hand and our borrowing capacity under our Revolving Credit Facility.

## [Table of Contents](#)

By selling shares of our common stock to the public in this offering, we will be able to expand ownership in our stock, gain access to the public capital markets, use shares of our common stock to satisfy redemptions of ESOP interests and repay a portion of our outstanding indebtedness. From time to time we will evaluate alternative uses for excess cash resources, including funding acquisitions or repurchasing outstanding shares of common stock.

### **Debt**

#### *Senior Notes*

On July 1, 2014, we completed a private placement of senior notes, or Senior Notes, in the aggregate amount of \$250,000,000 with the following principal terms:

<b>Tranche</b>	<b>Principal Debt Amount</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
Senior Note, Series A	\$ 50,000,000	July 15, 2021	4.44%
Senior Note, Series B	100,000,000	July 15, 2024	4.98
Senior Note, Series C	60,000,000	July 15, 2026	5.13
Senior Note, Series D	40,000,000	July 15, 2029	5.38

We made interest payments of \$12.4 million during fiscal 2018, fiscal 2017 and fiscal 2016 with respect to our Senior Notes.

Each of the Senior Notes may be redeemed in full or in part at our option at a redemption premium equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the amount of the Senior Note that is being prepaid over the amount of such Senior Note that is being prepaid.

The Senior Notes contain certain covenants that limit our ability to, among other things, engage in transactions with affiliates, merge or consolidate with another person, sell assets, or incur liens. We were in compliance with these covenants as of December 31, 2018.

#### *Revolving Credit Facility*

In November 2013, we entered into the Credit Agreement with respect to our Revolving Credit Facility, which was amended and restated in November 2017. The Credit Agreement consists of (i) a revolving credit facility, allowing for borrowings of up to \$550.0 million, and (ii) commercial and financial letters of credit available for issuance of up to \$100.0 million. The maturity date for borrowings under the Credit Agreement is November 15, 2022. Borrowings under the Credit Agreement bear interest, at our option, at either the Base Rate (as defined in the Credit Agreement), plus an applicable margin, or LIBOR plus an applicable margin. The applicable margin for Base Rate loans is a range of 0.125% to 1.00% and the applicable margin for LIBOR loans is a range of 1.125% to 2.00%, both based on our leverage ratio at the end of each fiscal quarter. As of December 31, 2018, the applicable interest rate under the Credit Agreement was 4.253%. Borrowings under the Credit Agreement are guaranteed by certain of our operating subsidiaries. As of December 31, 2018, we had \$180.0 million of borrowings under the Revolving Credit Facility and \$49.8 million of letters of credit outstanding, and in January 2019, we borrowed an additional \$110.0 million under our Revolving Credit Facility to partially finance the OGSystems Acquisition. The Credit Agreement includes various covenants, including restrictions on indebtedness, liens, acquisitions, investments or dispositions, payment of dividends and maintenance of certain financial ratios and conditions. We were in compliance with these covenants as of December 31, 2018. We intend to use \$                    million of our net proceeds from this offering to

repay the outstanding balance under our Revolving Credit Facility upon the consummation of this offering.

#### *Term Loan*

In January 2019, we borrowed \$150.0 million under our Term Loan Agreement to partially finance the OGSystems Acquisition. Our Term Loan is comprised of Offshore Rate Loans and Base Rate Loans (each as defined in the Term Loan Agreement), with an initial aggregate principal amount of \$150.0 million. The Offshore Rate Loans bear interest at a rate per annum of LIBOR, divided by 1.00 minus the Eurodollar Reserve Percentage, plus 1.25%. The Base Rate Loans bear interest at a rate per annum of the sum of (a) the highest of (1) the administrative agent's reference rate; (2) the rate equal to 1.50% per annum above the Offshore Rate; and (3) the rate equal to 0.50% per annum above the latest federal funds rate, plus (b) 0.25%. The Term Loan has a maturity date of January 3, 2020. We intend to use \$ million of our net proceeds from this offering to repay the outstanding balance under our Term Loan upon the consummation of this offering and cancel the Term Loan Agreement.

#### *Letters of Credit*

We also have in place several secondary bank credit lines for issuing letters of credit, principally for foreign contracts, to support performance and completion guarantees. Letters of credit commitments outstanding under these bank lines aggregated \$223.0 million as of December 31, 2018, including \$49.8 million of letters of credit outstanding under the Credit Agreement.

#### *Cash Flows*

Cash received from customers, either from the payment of invoices for work performed or for advances in excess of revenue recognized, is our primary source of cash. We generally do not begin work on contracts until funding is appropriated by the customers. Billing timetables and payment terms on our contracts vary based on a number of factors, including whether the contract type is cost-plus, time-and-materials, or fixed-price contracts. We generally bill and collect cash more frequently under cost-plus and time-and-materials contracts, as we are authorized to bill as the costs are incurred or work is performed. In contrast, we may be limited to bill certain fixed-price contracts only when specified milestones, including deliveries, are achieved. A number of our contracts may provide for performance-based payments, which allow us to bill and collect cash prior to completing the work.

Accounts receivable is the principal component of our working capital and is generally driven by revenue growth. Accounts receivable reflects amounts billed to our clients as of each balance sheet date and receivable amounts that are currently due but unbilled. The total amount of our accounts receivable can vary significantly over time, but is generally sensitive to revenue levels. Net days sales outstanding, which we refer to as net DSO, is calculated by dividing (i) accounts receivable (net of project accruals, billings in excess of revenue and accounts payable) by (ii) average revenue per day (calculated by dividing trailing twelve months revenue by the number of days in that period). In the last few years we have focused on collecting outstanding receivables to reduce Net DSO and working capital. Net DSO was 74 days at December 30, 2016, 68 days at December 29, 2017 and 52 days at December 31, 2018. Our working capital (current assets less current liabilities) was \$570.4 at December 30, 2016, \$554.2 at December 29, 2017 and \$482.6 at December 31, 2018.

Our cash, cash equivalents and restricted cash decreased by \$164.9 million to \$281.2 million at December 31, 2018 from \$446.1 million at December 29, 2017. This compares to an increase in cash, cash equivalents and restricted cash of \$53.1 million from \$393.0 million at December 30, 2016 to \$446.1 million at December 29, 2017.

## [Table of Contents](#)

The following table summarizes our sources and uses of cash over the periods indicated:

(in thousands)	Fiscal Year Ended		
	December 30, 2016	December 29, 2017	December 28, 2018
Net cash provided by (used in) operating activities	\$ 198,559	\$ 265,029	\$ 284,634
Net cash (used in) provided by investing activities	(29,302)	(52,961)	(503,295)
Net cash (used in) provided by financing activities	(185,217)	(160,171)	55,411
Effect of exchange rate changes	(1,200)	1,235	(1,699)
Net increase (decrease) in cash and cash equivalents	<u>\$ (17,160)</u>	<u>\$ 53,132</u>	<u>\$ (164,949)</u>

### *Operating Activities*

Net cash provided by (used in) operating activities consist primarily of net income (loss) adjusted for noncash items, such as: equity in earnings (loss) of unconsolidated joint ventures, contributions of treasury stock, depreciation and amortization of property and equipment and intangible assets, provisions for doubtful accounts, amortization of deferred gains, and impairment charges. The timing between the conversion of our billed and unbilled receivables into cash from our customers and disbursements to our employees and vendors is the primary driver of changes in our working capital. Our operating cash flows are primarily affected by our ability to invoice and collect from our clients in a timely manner, our ability to manage our vendor payments and the overall profitability of our contracts.

Net cash provided by operating activities increased \$19.6 million to \$284.6 million during fiscal 2018 compared to \$265.0 million during fiscal 2017. The increase in net cash provided by operating activities is primarily due to a change in other long-term liabilities of \$12.8 million, primarily related to our insurance reserves, and a \$38.5 million increase in net income after adjusting for non-cash items. These positive changes in operating cash flows were offset, in part, by a \$33.1 million change in the use of cash related to our working capital accounts. Notwithstanding the decrease in cash flows from our working capital accounts, net DSOs decreased from 68 days to 52 days primarily driven by the increase in our business volume.

Net cash provided by operating activities increased \$66.5 million to \$265.0 million during fiscal 2017 compared to \$198.6 million during fiscal 2016. The increase in net cash provided by operating activities is primarily due to a \$32.2 million improvement in cash flows from our working capital accounts driven by a decrease in net DSOs from 74 days to 68 days, a change in other long-term liabilities of \$10.8 million, primarily related to our long-term incentive plans, a change in income taxes of \$5.3 million, and a \$18.2 million increase in net income after adjusting for non-cash items.

### *Investing Activities*

Net cash provided by (used in) investing activities consists primarily of cash flows associated with capital expenditures and business acquisitions.

Net cash used in investing activities increased \$450.3 million from fiscal 2017 to fiscal 2018, primarily due to the use of \$481.2 million, net of cash acquired, for the acquisition of Polaris Alpha in fiscal 2018 compared to \$25.7 million, net of cash acquired, in fiscal 2017 for the acquisition of Williams Electric Company.

Net cash used in investing activities increased \$23.7 million from fiscal 2016 to fiscal 2017, primarily due to the use of \$25.7 million, net of cash acquired, in fiscal 2017 for the acquisition of Williams Electric Company. We had no significant business acquisitions in fiscal 2016.



## [Table of Contents](#)

### *Financing Activities*

Net cash provided by (used in) financing activities is primarily associated with proceeds from debt, the repayment thereof, distributions to noncontrolling interests and payments to the ESOP in connection with the redemption of ESOP participants' interests. We spent \$148.7 million in fiscal 2016, \$111.4 million in fiscal 2017 and \$125.8 million in fiscal 2018 in connection with the redemption of ESOP participants' interests. With a public market for the Company's common stock, cash will no longer be required for ESOP redemptions following the 180-day lock-up period.

Net cash provided by financing activities increased \$215.6 million from fiscal 2017 to fiscal 2018, primarily due to an increase in borrowings under our Credit Agreement of \$180.0 million, net of \$80.0 million of repayments, and a decrease in distributions to noncontrolling interest of \$45.7 million. These cash flows provided by financing activities were offset, in part, by an increase of \$14.4 million in the purchases of our common stock, related to redemptions of ESOP interests in fiscal 2018 compared to redemptions in fiscal 2017.

Net cash used in financing activities decreased \$25.0 million from fiscal 2016 to fiscal 2017, primarily due to a \$37.3 million reduction in the purchases of our common stock, related to redemptions of ESOP interests in fiscal 2017 compared to redemptions in fiscal 2016.

### **Contractual Obligations**

The following table summarizes our contractual obligations that require us to make future cash payments as of December 31, 2018. For contractual obligations, we included payments that we have an unconditional obligation to make.

In the normal course of business, we enter into agreements with subcontractors and vendors to provide products and services that we consume in our operations or that are delivered to our clients. These products and services are not considered unconditional obligations until the products and services are actually delivered, at which time we record a liability for our obligation.

(in thousands)	<u>Total(1)</u>	<u>2019</u>	<u>2020-2021(1)</u>	<u>2022-2023</u>	<u>Thereafter</u>
Senior Notes(2)	\$334,836	\$12,430	\$ 74,860	\$ 20,420	\$227,126
Credit Agreement(3)	210,875	7,833	15,755	187,226	—
Operating lease obligations(4)	276,665	67,879	93,468	65,293	50,025
Capital lease obligations	1,621	680	840	101	—
<b>Total minimum payments</b>	<b><u>\$823,997</u></b>	<b><u>\$88,872</u></b>	<b><u>\$ 184,934</u></b>	<b><u>\$273,040</u></b>	<b><u>\$277,151</u></b>

- (1) Does not include \$150.0 million of borrowings under our Term Loan in January 2019. The maturity date of our Term Loan is January 3, 2020.
- (2) Consists of our obligations under our Senior Notes. See "Note 11—Debt and Credit Facilities" in the notes to our consolidated financial statements included elsewhere in this prospectus for additional information regarding our debt and related matters.
- (3) Consists of our obligations under our Credit Agreement. The amounts do not include an additional \$110.0 million of borrowings under our Revolving Credit Facility in January 2019. See "Note 11—Debt and Credit Facilities" in the notes to our consolidated financial statements included elsewhere in this prospectus for additional information regarding our debt and related matters.
- (4) See "Note 9—Sale-Leasebacks" and "Note 14—Commitments and Contingencies" in the notes to our consolidated financial statements included elsewhere in this prospectus for additional information regarding our commitments and contingencies.

## Critical Accounting Policies and Estimates

Our significant accounting policies are described in “Note 2—Summary of Significant Accounting Policies” in the notes to our consolidated financial statements included elsewhere in this prospectus. Management makes estimates and judgments in preparing our consolidated financial statements. These estimates and judgments affect the reported amounts of certain assets and liabilities and the revenues and expenses reported for the periods presented in the consolidated financial statements. Although such estimates and assumptions are based on information available through the date of the issuance of our consolidated financial statements, actual results could differ significantly from those estimates and assumptions. Our estimates, judgments and assumptions are evaluated periodically and adjusted accordingly.

We believe that the following items are the most critical accounting policies and estimates that involved significant judgment as we prepared our financial statements. We consider an accounting policy or estimate to be critical if the policy or estimate requires assumptions to be made that were uncertain at the time they were made and if changes in these assumptions could have a material impact on our financial condition or results of operations.

### **Revenue Recognition and Cost Estimation**

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, (“ASC 606”), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance, including Accounting Standards Codification 605-35, or ASC 605-35. The new standard requires companies to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. The new model requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time for each of these obligations. The new standard also significantly expands disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On December 30, 2017, the Company adopted ASC 606, using the modified retrospective method, which provides for a cumulative effect adjustment to retained earnings beginning in fiscal 2018 for those uncompleted contracts impacted by the adoption of the new standard. The difference between the recognition criteria under ASC-606 and our previous recognition practices under ASC 605-35 was recognized through a cumulative adjustment of \$4.7 million that was made to the opening balance sheet of accumulated deficit as of December 30, 2017. The cumulative effect of adopting ASC 606 was primarily due to combining certain deliverables that were previously considered separate deliverables into a single performance obligation and the transition of certain cost-type contracts into the cost-to-cost measure of progress method. Consistent with the modified retrospective transition approach, the comparative fiscal 2016 and 2017 periods were not adjusted to conform to the current period presentation. The following are the significant policies and practices as applied to our business.

In our industry, recognition of revenue and profit on long-term contracts requires the use of assumptions and estimates related to total contract revenue, total cost at completion, and the measurement of progress towards completion. Estimates are continually evaluated as work progresses and are revised when necessary. When a change in estimate is determined to have an impact on contract revenue or profit, we record a positive or negative adjustment to the statement of income (loss).

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. The transaction price of a contract is allocated to each

distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To the extent a contract is deemed to have multiple performance obligations, we allocate the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. We determine the relative standalone selling price utilizing observable prices for the sale of the underlying goods or services. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts or is not distinct in the context of the contract, which is mainly because we provide a significant service of integrating a complex set of tasks and components into a single project or capability. Engineering and construction contracts are generally accounted for as a single performance obligation, while our engineering and construction supervision contracts are accounted for as two separate performance obligations. Customers are generally billed as we satisfy our performance obligations and payment terms typically range from 30 to 120 days from the invoice date. Billings under certain fixed-price contracts may be based upon the achievement of specified milestones, while some arrangements may require advance customer payment. Our contracts generally do not include a significant financing component.

The transaction price for our contracts may include variable consideration, which includes increases to the transaction price for approved and unpriced change orders, claims and incentives and reductions to transaction price for liquidated damages. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the quarter it is identified.

Claims revenue is related to amounts in excess of agreed contract price that we seek to collect from clients or others for customer-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute or are unapproved as to both price and scope, or other causes of unanticipated additional contract costs, including factors outside of our control, where we therefore believe we are entitled to additional compensation. Claims revenue, when recorded, is only recorded to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. We include certain unapproved claims in the transaction price when the claims are legally enforceable, we consider collection to be probable and believe we can reliably estimate the ultimate value. We continue to engage in negotiations with our customers on our outstanding claims. However, these claims may be resolved at amounts that differ from our current estimates, which could result in increases or decreases in future estimated contract profits or losses. Costs related to claims are recognized when they are incurred.

Change orders, which are a normal and recurring part of our business are generally not distinct and are accounted for as part of the existing contract. The effect of a change order that is not distinct on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized on a cumulative catch-up basis. To the extent change orders included in the transaction price are not resolved in our favor, there could be reductions in, or reversals of previously reported amounts of, revenues and profits, and charges against current earnings. Costs relating to change orders are recognized when they are incurred.

We recognize revenue for most of our contracts over time as performance obligations are satisfied, as we are continuously transferring control to the customer. Typically, revenue is recognized over time using an input measure (i.e. costs incurred to date relative to total estimated costs at completion) to measure progress.

We often enter into contracts in which the amount billed to the customer corresponds directly with the amount of work performed. These contract types qualify for the "right to invoice" practical expedient

method of measuring progress, in which the right to consideration corresponds directly with the value to the customer of our performance to date. For these contracts, revenue is recognized in the amount that we have the right to invoice.

Provisions for anticipated losses on contracts, including those arising from disputes and other contingencies, are recorded in the period such loss becomes known; provisions not ultimately required are released as disputes or contingencies are resolved.

Contract costs include labor and materials, amounts payable to subcontractors, direct overhead costs and equipment expense (primarily depreciation, fuel, maintenance and repairs). All contract costs are recorded as incurred. Changes to estimated contract costs, either due to unexpected events or revisions to management's initial estimates, for a given project are recognized in the period in which they are determined as estimated at the contract level.

See "*—Components of Results of Operations—Revenue*" above for additional information.

### **Business Combinations**

The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of tangible and intangible assets acquired and obligations assumed is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings. Transaction costs associated with business combinations are expensed as incurred.

### **Goodwill and Intangible Assets**

Goodwill is not amortized but is subject to an annual impairment test. Interim testing for impairment is performed if indicators of potential impairment exist. For purposes of impairment testing, goodwill is allocated to the applicable reporting units based on the current reporting structure. When evaluating goodwill for impairment, we may decide to first perform a qualitative assessment, or "step zero" impairment test, to determine whether it is more likely than not that impairment has occurred. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of our reporting units exceeds their carrying amounts, we perform a quantitative assessment and calculate the estimated fair value of the respective reporting unit. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to measure the amount of potential impairment. In the second step, we compare the implied fair value of reporting unit goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of a reporting units goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized.

Our decision to perform a qualitative impairment assessment in a given year is influenced by a number of factors, including the significance of the excess of our estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments, and the date of the applicable acquisitions, if any.

We perform a goodwill impairment test on an annual basis as of the end of November for each reporting unit that requires certain assumptions and estimates be made regarding industry economic factors and future profitability. In fiscal 2016, the Company recorded an impairment charge of \$84.7 million in fiscal 2016 associated with goodwill and intangible assets related to a Critical Infrastructure reporting unit. For the years ended December 29, 2017 and December 31, 2018, we performed a quantitative analysis for all of our reporting units. It was determined that the fair value of each of our reporting units substantially exceeded their carrying values. As a result, no goodwill impairments were identified for those periods.

The goodwill impairment test involves determination of the fair value of our reporting units. This process requires significant judgments and estimates, including assumptions about our strategic plans for operations as well as the interpretation of current economic indicators. Development of the present value of future cash flow projections includes assumptions and estimates derived from a review of our expected revenue growth rates, profit margins, business plans, cost of capital and tax rates. We also make certain assumptions about future market conditions, market prices, interest rates and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit. This could eliminate the excess of fair value over carrying value of a reporting unit entirely and, in some cases, result in impairment. Such changes in assumptions could be caused by a loss of one or more significant contracts, reductions in government or commercial client spending, or a decline in the demand for our services due to changing economic conditions. In the event that we determine that our goodwill is impaired, we would be required to record a non-cash charge that could result in a material adverse effect on our results of operations or financial position.

We use the Income Approach to determine the fair value of reporting units. The Income Approach utilizes the discounted cash flow method, which focuses on the expected cash flow of the reporting unit. In applying this approach, the cash flow is calculated for a finite period of years. Beyond the finite period, a terminal value is developed using a sustainable long-term annual growth rate estimate. Then the finite period cash flows and the terminal value are discounted to present value to arrive at an indication of fair value. We utilized internal financial projections through fiscal 2021.

Intangible assets with finite lives arise from business acquisitions and are amortized based on the period over which the contractual or economic benefit of the intangible assets are expected to be realized or on a straight-line basis over the useful lives of the underlying assets, ranging from one to ten years. These primarily consist of customer relationships, backlog, and covenants not to compete. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

#### ***Consolidation of Joint Ventures and Variable Interest Entities***

We participate in joint ventures, which include partnerships and partially-owned limited liability corporations, to bid, negotiate and complete specific projects. We are required to consolidate these joint ventures if we hold the majority voting interest or if we meet the criteria under the consolidation model as described below.

A variable interest entity, or "VIE", is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (b) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation to absorb expected losses or the right to receive expected residual returns; or (c) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor with disproportionately low voting rights. Our VIEs may be funded through contributions, loans and/or advances from the joint venture partners or by advances and/or letters of credit provided by clients. Certain VIEs are directly governed, managed, operated and administered by the joint venture partners. Others have no employees and, although these entities own and hold the contracts with the clients, the services required by the contracts are typically performed by the joint venture partners or by other subcontractors.

We are required to perform an analysis to determine whether we are the primary beneficiary of our VIEs. We are deemed to be the primary beneficiary of a VIE if we have (i) the power to direct the

activities of the VIE that most significantly impact the VIE's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Many of the joint ventures we enter into are deemed to be VIEs because they lack sufficient equity to finance the activities of the joint venture. We use a qualitative approach to determine if we are the primary beneficiary of the VIE, which considers factors that indicate a party has the power to direct the activities that most significantly impact the joint venture's economic performance. In determining whether we are the primary beneficiary of the VIE, significant assumptions and judgments include the following: (1) identifying the significant activities and the parties that have the power to direct them; (2) reviewing the governing board composition and participation ratio; (3) determining the equity, profit and loss ratio; (4) determining the management-sharing ratio; (5) reviewing employment terms, including which joint venture partner provides the project manager; and (6) reviewing the funding and operating agreements. We analyze each joint venture initially to determine if it should be consolidated or unconsolidated into our financial statements:

- A joint venture is consolidated into our financial statements if we are the primary beneficiary of a VIE, or hold the majority of voting interests of a non-VIE (and no significant participative rights are available to the other partners).
- A joint venture is not consolidated into our financial statements if we are not the primary beneficiary of a VIE, or do not hold the majority of voting interest of a non-VIE.

We account for our unconsolidated joint ventures using the equity method of accounting. Under this method, we recognize our proportionate share of the net earnings of these joint ventures as "Equity in earnings (loss) of unconsolidated joint ventures". Our maximum exposure to loss as a result of its investments in unconsolidated variable interest entities is typically limited to the aggregate of the carrying value of the investment and future funding commitments in these entities.

### **ESOP**

We contribute shares of our own stock to the ESOP each year. Shares held by the ESOP or committed to be contributed to the ESOP are presented as temporary equity as they include a cash redemption feature that is not solely within our control. Throughout the year, as employee services are rendered, we record compensation expense based on salaries of eligible employees. Contributions of our common stock to the ESOP are made annually in amounts determined by our board of directors and are held in trust for the sole benefit of the participants. Shares allocated to a participant's account are fully vested after six years of credited service, or in the event(s) of reaching age 65, death or disability while an active employee.

Upon certain events, including retirement, death, termination due to permanent disability, a severe financial hardship following termination of employment, certain conflicts of interest following termination of employment, or the exercise of diversification rights, participants' interests in their ESOP accounts are redeemable at the current price per share of the stock. Prior to the completion of this offering, such per share prices were established by the ESOP Trustee, taking into account, among other things, the advice of a third party valuation consultant for the ESOP Trustee as well as the ESOP Trustee's knowledge of the Company, as of the end of the plan year preceding distribution. Prior to the completion of this offering, under the terms of the ESOP, we are obligated to redeem eligible participants' interests in their ESOP accounts for cash upon an eligible participant's election. We present all shares held by the ESOP as temporary equity on the consolidated balance sheet at their redemption value based on the share price as of the end of the preceding plan year. Beginning on the 181<sup>st</sup> day following the date of this prospectus, distributions from the ESOP will be made in our common stock (other than distributions in respect of fractional shares, which will be made in cash,

based on the then-current market value of our common stock). Upon receiving a distribution of our common stock from the ESOP, a participant will be able to sell such shares of common stock in the market, subject to any requirements of the federal securities laws. During the 180-day lock-up period, any qualifying distribution elections made by participants will be paid in cash using proceeds from the IPO Dividend. If the IPO Dividend is not sufficient to satisfy all qualifying distribution elections owed to participants during the 180-day lock-up period, the ESOP Trustee will have the right to cause us to purchase shares in order to allow the ESOP Trustee to pay participants in cash. To the extent there are proceeds from the IPO Dividend that were not used to satisfy distributions during the 180-day lock-up period, such remaining proceeds will be reinvested in our common stock on or before December 31, 2019.

#### **Valuation of Common Stock**

Prior to this offering, our share price was determined using a combination of income and market based methods that utilize unobservable Level 3 inputs, including significant assumptions such as forecasted revenue and operating margins, working capital requirements and weighted average cost of capital. Given the absence of a public trading market for our common stock, for all purposes related to the fair market value of our common stock, we have historically used the per share price of our common stock as established by the ESOP Trustee, taking into account, among other things, the advice of a third party valuation consultant for the ESOP Trustee as well as the ESOP Trustee's knowledge of the Company, as of December 31 for each calendar year.

#### **Self-Insurance**

We are self-insured for a portion of our losses and liabilities primarily associated with workers' compensation, general, professional, automobile, employee matters, certain medical plans, and project specific liability claims. Losses are accrued based upon our estimates of the aggregate liability for claims incurred using historical experience and certain actuarial assumptions, as provided by an independent actuary. The estimate of self-insurance liability includes an estimate of incurred but not reported claims, based on data compiled from historical experience.

#### **Recent Accounting Pronouncements**

See the information set forth in "Note 2—Summary of Significant Accounting Policies—Recently Adopted Accounting Pronouncements" in the notes to our consolidated financial statements included elsewhere in this prospectus.

#### **Off-Balance Sheet Arrangements**

As of December 31, 2018, we have no off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

#### **Qualitative and Quantitative Disclosure About Market Risk**

##### **Interest Rate Risk**

We are exposed to interest rate risks related to both the Revolving Credit Facility and our Term Loan Agreement. Borrowings under the Revolving Credit Facility bear interest, at our option, at either (i) the Base Rate (as defined in the Revolving Credit Facility) plus an applicable margin or (ii) LIBOR

plus an applicable margin. As of December 31, 2018, we had outstanding borrowings under the Revolving Credit Facility of \$180.0 million. Based on the \$180.0 million outstanding under the Credit Agreement, an increase or decrease of 100 basis points in the Base Rate and/or LIBOR rates would result in an increase or decrease in annual interest expense of approximately \$1.8 million. Borrowing under our Term Loan is comprised of Offshore Rate Loans and Base Rate Loans (each as defined in the Term Loan Agreement), with an initial aggregate principal amount of \$150.0 million. The Offshore Rate Loans bear interest at a rate per annum of LIBOR, divided by 1.00 minus the Eurodollar Reserve Percentage, plus 1.25%. The Base Rate Loans bear interest at a rate per annum of the sum of (a) the highest of (1) the administrative agent's reference rate; (2) the rate equal to 1.50% per annum above the Offshore Rate; and (3) the rate equal to 0.50% per annum above the latest federal funds rate, plus (b) 0.25%. Based on the \$150.0 million outstanding principal balance under the Term Loan, an increase or decrease of 100 basis points in the Term Loan's applicable interest rate would result in an increase or decrease in annual interest expense of approximately \$1.5 million. The Term Loan has a maturity date of January 3, 2020 and we intend to use proceeds from this offering to pay off the full outstanding balance under the Term Loan.

### ***Foreign Currency Exchange Risk***

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S. We limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, we generally do not need to hedge foreign currency cash flows for contract work performed.

### **Commitments and Contingencies**

We are subject to certain claims and assessments that arise in the ordinary course of business. Additionally, Parsons has been named as a defendant in lawsuits alleging personal injuries as a result of contact with asbestos products at various project sites. We believe that any significant costs relating to these claims will be reimbursed by applicable insurance and do not expect any of these claims to have a material adverse effect on our financial condition or results of operations. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Management judgment is required to determine the outcome and the estimated amount of a loss related to such matters. Management believes that there are no claims or assessments outstanding which would materially affect our consolidated results of operations or our financial position.



## BUSINESS

### Overview

We are a leading provider of technology-driven solutions in the defense, intelligence and critical infrastructure markets. We provide technical design and engineering services and software to address our customers' challenges. We have developed significant expertise and differentiated capabilities in key areas of cybersecurity, intelligence, defense, military training, connected communities, physical infrastructure and mobility solutions. By combining our talented team of professionals and advanced technology, we help solve complex technical challenges to enable a safer, smarter and more interconnected world.

Since our founding 75 years ago, we have built our reputation and business on our ability to successfully transform and innovate our services while leveraging cutting-edge technologies in order to expand our offerings. Whether our customers need a first-of-its-kind advanced missile development and testing facility, or an artificial intelligence enabled cloud platform to defend against cybersecurity threats, we deliver for our customers. We seek to grow by offering our clients innovative solutions supported by research and development, as well as acquisitions of emerging technologies. We have developed longstanding relationships with customers such as the U.S. military and intelligence agencies and state and local governments and agencies.

Advances in technology are dramatically shifting the operating landscape across our markets. Governments and companies are grappling with pressing challenges ranging from confronting increasingly sophisticated cybersecurity threats to upgrading aging systems and infrastructure. To address these challenges, our customers are actively seeking technology-enabled solutions to enhance and transform their operations and assets. Our wide-ranging capabilities enable us to provide our services and solutions across the defense, intelligence and critical infrastructure markets. As a leading technology-driven solutions provider with a proven track record, we believe we are well positioned to benefit from these trends and serve our customers' evolving needs. We have capabilities in the following four areas that cut across our segments and business lines:

**Systems Integration:** We provide engineering services and technology for large digital and physical systems with high technical complexity. We lead projects from concept development through design, implementation, testing and verification, ensuring interoperability of these complex, disparate systems.

**Software Development:** We develop software and systems across many domains and mission-specific applications. Our experienced software engineers and developers design, develop, integrate, operate and sustain mission-critical software applications and systems across cyber, intelligence, defense and commercial customers.

**Program Management:** We provide expertise and technology to advance our customers' execution of large, complex projects within their defined time and cost parameters.

**Critical Mission Support:** We provide a diverse set of technical services to help our nation's military on land, sea, air and space. These services include mission training, protecting national airspace, fighting infectious diseases, digitizing the health environment, performing contingency operations and providing operations and maintenance for physical infrastructure.

Our customer relationships, which are based on a long history of successfully delivering complex technical services, are key to our success. We are often involved in the early stages of our customers' planning processes, which allows us to efficiently optimize our service delivery model. These relationships, along with our technical expertise and access to talented human capital, allow us to successfully deliver solutions that meet our customers' demanding technical and execution requirements.

Technology and our people are our most important assets, allowing us to consistently deliver for our customers and help them solve their most pressing challenges. Investment in key technological capabilities is core to our business and helps us to stay at the forefront of the evolving trends across our end markets. To meet the challenges of tomorrow, we are focusing our technology investment on cybersecurity, machine learning, big data analytics and cloud applications. The work of our highly skilled and dedicated employees has enabled our long track record of continued innovation and execution on behalf of our customers. Our team of engineers, scientists, programmers and other specialists include PhDs and certified hackers and a large number of our skilled workforce hold government security clearances, which provides a significant competitive advantage for the highly technical and demanding work we perform.

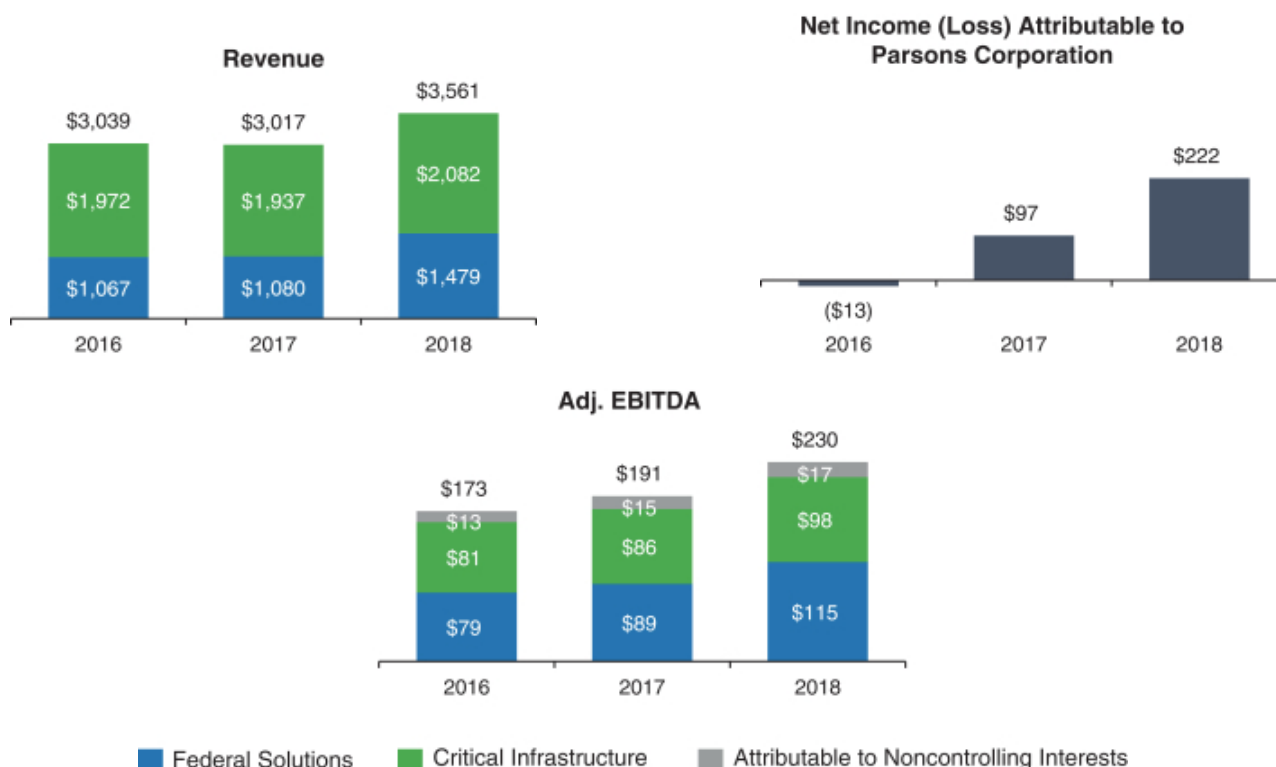
We operate in two reporting segments, Federal Solutions and Critical Infrastructure, with revenue contribution of 41.5% and 58.5%, respectively, and Adjusted EBITDA contribution of 49.9% and 42.6%, respectively, for fiscal 2018. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Segment Results” for further discussion on our segments.

*Federal Solutions:* Our Federal Solutions segment is a high-end services and technology provider to the U.S. government, delivering timely, cost-effective solutions for mission-critical projects. With evolving threats, the U.S. government relies on us to innovate and enhance our technology-driven solutions, which help keep people safe. We provide advanced technologies, including cybersecurity, missile defense systems, military training, subsurface munitions detection, military facility modernization, logistics support, chemical weapon remediation and engineering services. The U.S. government and its agencies represent substantially all of the revenue of our Federal Solutions segment. These U.S. government agencies include the Missile Defense Agency, the United States intelligence community, the U.S. military, the Department of Energy and the Federal Aviation Administration.

*Critical Infrastructure:* Our Critical Infrastructure segment provides integrated design and engineering services for complex physical and digital infrastructure around the globe. We are a technology innovator focused on next generation infrastructure. Our capabilities in design and project management allow us to deliver significant value to our customers by employing cutting-edge technologies, improving timelines and reducing costs. These solutions are delivered to aviation, ground transportation and industrial end markets. We serve a diverse global customer base including federal, state, municipal and industry customers such as Los Angeles World Airports, Canada’s Metrolinx, Dubai’s Roads and Transport Authority and the Port Authority of New York and New Jersey.

[Table of Contents](#)

We have successfully grown our business in each segment and on a consolidated basis. In fiscal 2018, we generated revenues of \$3.6 billion, net income attributable to Parsons Corporation of \$222.3 million and Adjusted EBITDA of \$229.8 million. In fiscal 2018, our Federal Solutions segment had 37.0% year-over-year revenue growth, or 15.9% excluding the results of Polaris Alpha, and our Critical Infrastructure segment had 7.5% year-over-year revenue growth. The following table shows our growth over the last three years (in millions):



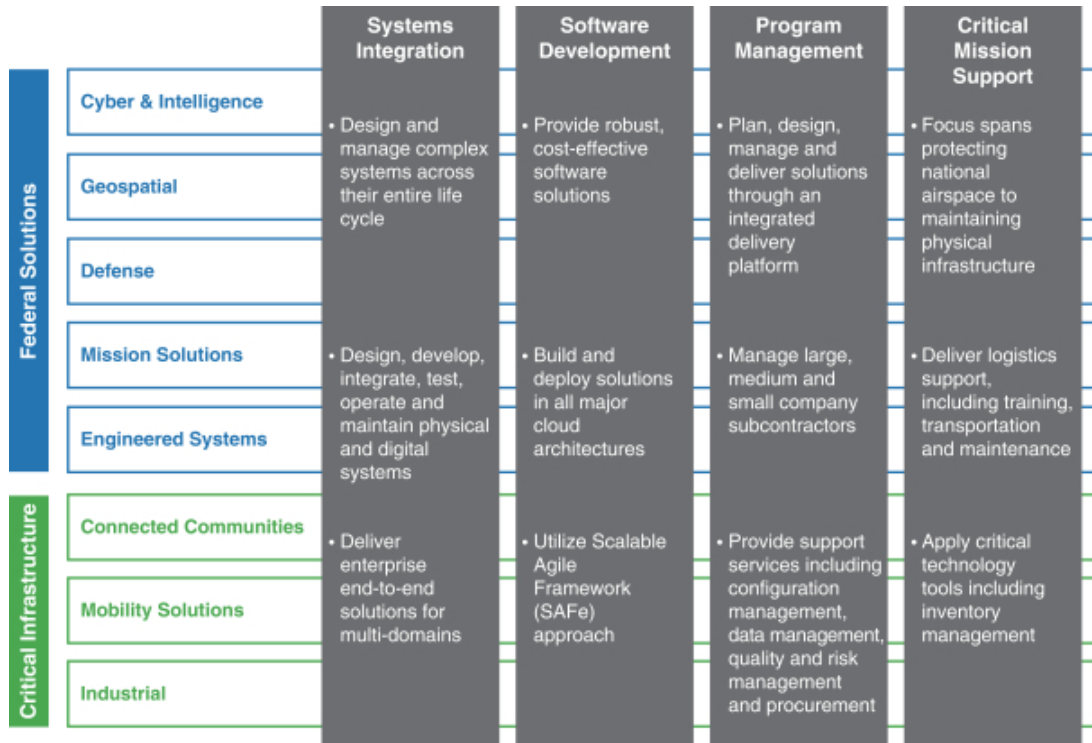
See “Summary Consolidated Financial and Other Data” for a discussion of our definition of Adjusted EBITDA, how we use this metric, why we present this metric and the material limitations on usefulness of this metric. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Segment Results” and “Note 20—Segments Information” in the notes to our consolidated financial statements included elsewhere in this prospectus for further discussion regarding our segment revenue and segment Adjusted EBITDA attributable to Parsons Corporation.

On new contracts and task orders for which we competed, we achieved an overall win rate of 39.9% in fiscal 2016, 34.9% in fiscal 2017 and 42.9% in fiscal 2018. As of December 31, 2018, our total backlog was \$8.0 billion, an increase of 24.1% from December 29, 2017.

**Our Services and Solutions**

Within each of our segments, we focus our services and solutions on the needs of customers in each of our business lines. Our services and solutions are differentiated by our people, processes and technology that work together to develop, rapidly prototype and deploy specialized hardware, software

and infrastructure solutions to meet continually-evolving customer missions and challenges. Our capabilities of systems integration, software development, program management and critical mission support apply across our segments and business lines.



**Federal Solutions**

Our Federal Solutions business provides engineering, software and hardware solutions and services. It is focused on five business lines: Cyber & Intelligence, Geospatial, Defense, Mission Solutions and Engineered Systems. Our growth strategy is to continue to expand our market position in the cybersecurity, intelligence, space and defense segments with solutions that allow our customers to conduct their missions effectively and efficiently.

- **Cyber & Intelligence**—Our Cyber & Intelligence business line focuses on two related, but discrete markets: cybersecurity and intelligence. Our customers include the U.S. Army, the United States intelligence community, which consists of 16 separate United States government intelligence agencies, U.S. Cyber Command, the Department of Justice and the Department of Homeland Security. We provide cybersecurity software and engineering services, rapid hardware prototyping and other technical services.
  - An example is ThunderRidge, our tool that assists cyber operational users to develop action plans, assess cyber threats and disseminate situational awareness in real-time. ThunderRidge visually depicts a network’s topology comprised of diverse devices in a map-like display.
  - Other representative product offerings include Legion, which was selected as the U.S. Army’s cyber platform; Advanced Video Activity Analytics, or AVAA, which enables the automated analysis of actionable data produced from massive volumes of motion

imagery; Domain6, our cybersecurity toolset; and Topic Builder, an open source intelligence search engine.

- Our Cyber & Intelligence team is comprised of nearly 2,000 professional engineers, computer scientists and data analysts as of January 31, 2019, many with high levels of security clearance.
- Geospatial—Our Geospatial business line focuses on providing geospatial intelligence, big data analytics and threat mitigation technology services to the defense, intelligence, space and C5ISR end markets. Our customers include the NGA, National Reconnaissance Office, or NRO, and multiple units within the U.S. Department of Defense Special Operations Commands, or SOCOM.
  - An example is our work with NGA in providing automated capabilities to analyze, collect and expose geospatial intelligence content from the open source environment.
  - Our Geospatial team is comprised of over 400 engineers, software developers and analysts as of January 31, 2019, the majority of which have high-level security clearances.
- Defense—Our Defense business line focuses on the missile defense, space and the C5ISR end markets. Our customers include the MDA, the U.S. Air Force, the U.S. Army, the NRO and U.S. Department of Defense military services. We provide mission planning for space situational awareness, small satellite systems integration, electronic warfare, directed energy modeling and simulation and command and control systems and support.
  - An example is our role as the prime SETA contractor for the MDA, facilitating key aspects of their mission, from battle management to next-generation multi-domain command and control. We have over 1,000 professionals working with MDA at multiple locations as of January 31, 2019. We provide weapons and missile defense systems engineering and command and control, battle management and communications (C2BMC) system support.
  - Other representative products include our Parsons Universal Modeling and Analysis (PUMA) modeling and simulation environment and our Command and Control Core (C2Core) mission planning and tasking suite that links requests, effects and operational guidance in a unified database.
  - Our Defense team is comprised of over 1,600 professional engineers and computer scientists as of January 31, 2019, many with high levels of security clearance.
- Mission Solutions—Our Mission Solutions business line focuses on services and solutions to support military training and readiness and associated infrastructure. These services and solutions include converged cyber-physical solutions for critical infrastructure, and global military mission readiness and training. Customers include the Federal Aviation Administration, the U.S. Army, the United States intelligence community, the North Atlantic Treaty Organization, or NATO, and the Federal Emergency Management Agency, or FEMA. Representative offerings include live, virtual, constructive and gaming training, border protection technologies, converged physical and cyber security for industrial control systems and infrastructure upgrades including control systems, power systems, connected devices and smart meters.
  - Differentiated technologies include our information assurance and compliance qualifications, our RoMaN voice, video and data communications solution and our Domain6 cybersecurity toolset for industrial control systems protection.

- Our Mission Solutions team of nearly 1,000 technical professionals as of January 31, 2019 works globally to support military readiness, and many of these professionals hold security clearances.
- Engineered Systems—Our Engineered Systems business line focuses on advanced technology services for advanced energy production systems, healthcare systems, environmental systems and associated infrastructure. Customers include the Department of Energy, the U.S. Army Corps of Engineers, the U.S. Air Force, the United States Postal Service, the Department of Labor, the Jet Propulsion Laboratory and the Department of Veterans Affairs. Representative offerings include nuclear waste processing and treatment, weapons of mass destruction elimination, program and project management, infectious disease control analytics and data protection.
  - Our expertise includes fluorinated organic chemicals, advanced digital classification and complex program and engineering management.
  - Our Engineered Systems team is comprised of over 1,700 personnel as of January 31, 2019, including experienced professional engineering and technical personnel, and many of these professionals hold security clearances.

### **Critical Infrastructure**

Our Critical Infrastructure business provides engineering, program management, systems engineering and software solutions. It is focused on three business lines: Connected Communities, Mobility Solutions and Industrial. Our growth strategy includes leveraging our portfolio of sophisticated engineering solutions for complex physical infrastructure and their control systems to expand our portfolio of converged cybersecurity software and integrated transportation system integration software to our existing customers.

- Connected Communities—Our Connected Communities business line includes intelligent transportation system management, advanced train controls integration, smart cities software and critical infrastructure cyber protection. Our customers include the transportation authorities for the cities of Los Angeles, New York and Paris, the states or provinces of Georgia, Ontario and Texas and rail and transit entities including AMTRAK, CSX and the WMATA. Technology capabilities include positive and communications-based train controls systems integration, intelligent transportation network software, vehicle inspection data analytics software, tolling systems software and autonomous vehicle integration.
  - An example is our role as provider of Advanced Traffic Management Systems, or ATMS, for transportation systems in seven U.S. states through our iNET platform. Our deployment for the Georgia Department of Transportation of our iNET platform connects over 8,500 sensors and improves transportation efficiency by reducing commutes through solutions such as the new reversible toll lanes in Atlanta's Northwest Corridor.
  - Our Connected Communities team is comprised of over 3,000 personnel as of January 31, 2019, and includes systems engineers, solution architects, data scientists and software developers throughout the United States and Europe.
- Mobility Solutions—Our Mobility Solutions business line provides engineering services for complex infrastructure including bridges and tunnels, roads and highways, airports and rail and transit. Within our diverse customer base, our customer relationships include the Port Authority of New York and New Jersey; the cities of Los Angeles, New York, Dubai and Toronto; the states or provinces of Texas, Florida and Ontario; and rail and transit entities including CSX, Metrolinx (Ontario, Canada) and Riyadh Metro. Our capabilities include technologies in long-

span bridges, tunnels, international airports and automated people mover and baggage handling systems.

- An example is our role as key program manager for several international airports. We are the sole program manager of the recently awarded Diamond Head Extension Program at Honolulu International Airport and the Abu Dhabi International Airport, and a key program manager of the Landside Access Modernization Program for Los Angeles International Airport.
- Another example is our role as the leading designer of the Tacoma Narrows Bridge, the largest twin tower suspension bridge in the world.
- Our Mobility Solutions team is comprised of over 5,300 personnel as of January 31, 2019.
- Industrial—Our Industrial business line delivers engineering, program management and environmental solutions to private-sector industrial clients and public utilities. Customers are diverse with limited concentration, and include chemical, energy, utility, communications and manufacturing companies and some provincial agencies. Our capabilities include environmental remediation engineering, process engineering, cyber-physical security software and program management of capital projects.
  - Differentiated technology solutions include our Domain6 cybersecurity toolset, advanced environmental analytics and modeling and the application of augmented and virtual reality.
  - Our Industrial team is comprised of nearly 1,000 personnel as of January 31, 2019.

### **Our Market Opportunities**

Technological progress is driving a swift pace of change, resulting in ongoing societal transformation, complicated geopolitical dynamics, a shifting threat landscape and the globalization of commerce. To address this evolving landscape, our customers are actively seeking technology-enabled solutions to upgrade and transform assets and operations. The below trends are key drivers of activity and growth in both our Federal Solutions and Critical Infrastructure segments.

**Defense Spending Remains a Key Focus** of the national agenda due to the reemergence of long-term strategic competition, which has been cited in the National Defense Strategy as the primary concern for U.S. national prosperity and security. This reemergence has resulted in increased global disorder and a security environment, defined by rapid technological change, which may be more complex than ever before. In September 2018, the President signed the U.S. Department of Defense appropriations bill, which approved a 2019 U.S. Department of Defense budget of \$606.5 billion (an increase of almost 15.8% from the 2017 U.S. Department of Defense budget \$523.5 billion). We believe the U.S. Department of Defense will continue to invest in space and cyberspace as warfighting domains, C5ISR, missile defense, advanced autonomous systems and resilient and agile logistics. For example, U.S. federal government spending on space and missile research and development is expected to grow from \$10.5 billion in 2018 to \$12.1 billion in 2021 according to Bloomberg Government, representing a compound annual growth rate, or CAGR, of 4.8% between 2018 and 2021.

**Cybersecurity is Mission Critical to U.S. National Security** and cybersecurity threats are increasing in volume and sophistication as global connectivity and the rise of social media have led to an explosion in the amount of available and exploitable data. The Center for Strategic and International Studies estimates that threats from hacks, cyber criminals, foreign governments, malicious insiders

and corporate espionage have a \$600 billion annual global cost impact. The proliferation of mobile devices, smart devices and cloud computing has vastly increased the need for enterprise-wide risk-based cybersecurity programs and governments have become increasingly aware of the need for a proactive approach to the risk of cyber-attacks. U.S. Department of Defense cybersecurity and cloud obligations were estimated at \$4.7 billion in 2018 and are on pace to reach approximately \$6.6 billion in 2021 according to Bloomberg Government, representing a CAGR of approximately 12% between 2018 and 2021. We believe that this market will continue to grow in response to the shifting threat landscape.

**Consistent Need for Actionable Intelligence to Support U.S. Priorities** is driving a shifting threat landscape that necessitates a greater need for collaboration and cooperation between intelligence agencies. There is a new demand for multi-domain command and control systems that are not designed for one particular warfighting domain, but are instead optimized to function cohesively across a spectrum of domains. This in turn drives a need for sophisticated data analytics to parse data into useful formats in real-time. To respond, we believe the United States intelligence community will need continued focus on information sharing and collaboration for improved intelligence accuracy and timeliness encompassing multiple forms of intelligence collection. The United States intelligence community's 2019 budget is approximately \$81 billion and has grown at approximately a 5% CAGR since 2017.

**Global Infrastructure Needs Significant Replacements and Technology-Driven Upgrades.** Aging physical infrastructure is strained by the swift pace of technological change. This strain has driven a mobility solutions market that was \$712.4 billion in 2018 and is estimated to grow at a CAGR of more than 7% between 2018 and 2021, according to Fitch Solutions, Inc., based on the estimated growth of the total global airports, roads and bridges and rail infrastructure markets. Critical infrastructure, specifically transportation infrastructure that is essential to national economic and security concerns including airports, bridges, and rail and transit systems, is particularly vulnerable. While U.S. federal government spending on infrastructure and environment is estimated to contract by 2.0% from U.S. federal government fiscal years 2018 through 2021, U.S. federal government obligations for structures and civil infrastructure is expected to grow from approximately \$50.1 billion in fiscal 2018 to approximately \$66.6 billion in U.S. federal government fiscal 2021, according to Bloomberg Government. We believe aging infrastructure will continue to be replaced and supplanted by newer, smarter infrastructure with an increased focus on connectivity.

**Urbanization Creates Demand for Smart Cities with Connected Populations.** Cities around the globe increasingly demand new capabilities, such as sensor networks and communication strategies to connect streetlights, security cameras and emergency systems, to provide important real-time information and better serve their citizens. The connected communities market was estimated at \$921 million in U.S. federal government fiscal year 2018 and is estimated to grow at 10.7% from fiscal 2018 to fiscal 2021, according to Bloomberg Government. Better integrated corridor management solutions, intelligent transportation systems, advanced rail systems and updated telecommunication networks will keep cities around the world functioning as smart cities and serve as engines for economic growth.

**Disruption of Legacy Service Delivery Models from Technology.** Historical capital project management is changing with the introduction of cloud-connected computer-aided design, automation, big data, machine learning and other technologies. The introduction of these new technologies allows industry participants to reimagine existing value chains, address integrated lifecycle objectives, boost productivity and streamline project management. Industry participants that have the capability to embrace these new technologies to enhance their capability and service offering to higher value solutions will be well positioned to assist governments and communities in their transformation.



Amidst this disruption, we believe we are well-positioned to serve a large array of governments and companies. Across a diverse set of industries, we provide smart and agile solutions that address our customers' concerns as they adapt to the rapid changes of a more interconnected and technology-driven world.

## **Our Competitive Strengths**

### ***Proven Track Record***

Our 75 year proven track record is a result of our strong performance, the dedication of our employees and our longstanding customer relationships. We focus on being a company that delivers on its promises, holds integrity at the highest level and successfully assists our clients as they execute their most complex missions. Driven by our integrated people, process and technology approach, we have a reputation for innovation and are trusted with our customers' most important endeavors.

Our differentiated business model has driven high win rates and strong financial performance, characterized by solid top and bottom line growth, high and growing backlog levels and low capital requirements. We achieved award fees of \$53.2 million and average award fees of 96% in fiscal 2016, award fees of \$10.1 million and average award fees of 86% in fiscal 2017 and award fees of \$8.5 million and average award fees of 89% in fiscal 2018. Award fees are fees earned for achievement of certain performance criteria included in our contracts, such as achievement of target completion dates or target costs, and our award fees average is calculated as the actual award fees achieved as a percentage of award fees expected to be earned in the applicable period. In addition, we achieved a win rate of 39.9% in fiscal 2016, 34.9% in fiscal 2017 and 42.9% in fiscal 2018. In fiscal 2018, our Federal Solutions revenues grew 37.0% and our Critical Infrastructure revenues grew 7.5% year-over-year. As of December 31, 2018, our backlog was \$8.0 billion, up 24.1% from year end fiscal 2017.

### ***Long-Term Customer Relationships***

We maintain long-term relationships with key government and commercial customers, many of which span over 40 years. For example, in the Federal Solutions segment, we have been providing support to the MDA for over 30 years with approximately 1,000 personnel embedded with the customer as of January 31, 2019 and have provided services to the Department of Energy for over 50 years on a variety of projects and programs. In the Critical Infrastructure segment, we have supported the WMATA for over 50 years and have served as Program Manager for Yanbu Industrial City for over 42 years.

These longstanding relationships give us the insight and customer intimacy to align our research and development investments based on customer needs and enable high win rates for prime contract positions on the most technically demanding assignments. We believe that our position as a recognized leader in integrity, innovation, operational efficiency, safety and security performance, and our ability to deliver exceptional quality has resulted in a high level of repeat wins and has driven substantial customer loyalty. Market segments including cybersecurity, missile defense, C5ISR and smart and connected cities require leading-edge technologies and extensive technical know-how, and necessitate consistently exceptional performance, thus further entrenching us with our key customers and driving our long-term relationships.

### ***Technology Innovation***

We are on the forefront of developing sophisticated engineering and technical services and products for our customers, such as our iNET, Domain6, Legion and AVAA technology offerings. Our technical and management teams have a deep understanding of the products, their ecosystems and deployments, the customer and the processes necessary to create tailored solutions.

Our competencies include delivering advanced technologies in cybersecurity, data and video analytics, cloud applications and migration and artificial intelligence. Our approach of agile development, rapid prototyping, quick reaction capability and low rate initial production delivers customers solutions from concept to full life cycle support. Our development environment includes customers and third party provider engagement, and embeds application and infrastructure security throughout. By leveraging people, processes and technologies, we focus on continually delivering innovative solutions to address our customers' immediate and long-term challenges.

### ***Scalable and Agile Business Offerings***

Our scalable and agile offerings enable us to satisfy robust and evolving customer needs. The demanding environments where we operate are characterized by a need for high-confidence solutions, widespread application needs and mission critical outcomes. We pride ourselves on providing agile technologies through inventive and refined processes that provide quality outcomes to our customers on time sensitive projects. Our domain knowledge of our customers' current and emerging requirements enables us to deliver responsive, high quality solutions on time. By having the ability to respond to customers' requirements with global deployment capability, we are well positioned to be a single-source contractor for many of our customers' needs.

Our technologies and platforms are designed to be applicable across end user markets and sub markets. This approach allows for scalable solutions that can be quickly and seamlessly integrated into multiple customer applications, regardless of geography or industry, allowing us to deploy a given service or platform across multiple markets.

### ***World Class Talent***

Our most important asset is our team of talented employees, 15,633 as of January 31, 2019, whose technical expertise is sought by our clients for their most sophisticated applications and challenges. Our base of diverse, committed and passionate experts is critical to delivering our leading capabilities. Engineers, scientists, programmers and other employees choose us and stay with us for the opportunity to collaborate with our customers, deploy our expansive technical resources, rapidly bring bold ideas to market and work on leading solutions that enable a better world.

Our professionals are highly educated, with a wide range of technical acumen and in-depth domain knowledge and expertise. We have more than 11,712 degreed employees and 3,196 highly credentialed employees, including those with registrations and certifications in technical areas like Agile methodology, Project Management, Registered Engineering, Architecture, Technology and Security as of January 31, 2019. Our diverse teams understand our clients, and are comprised of technology subject matter experts and professionals with deep customer knowledge and experience.

Our management team has significant experience executing strategies for delivering profitable growth and is recognized for operational excellence and leadership integrity. Our executive management team has an average tenure of 17 years with the company and averages over 32 years of industry or functional experience. They possess diverse leadership capabilities in the markets we serve and the solutions and technology we deliver.

### ***Demonstrated Ability to Identify and Execute Acquisitions to Transform our Business***

Strategic acquisitions that augment our technology offerings and capabilities are a key tenet of our growth strategy. We have completed five strategic acquisitions (four in Federal Solutions and one in Critical Infrastructure) since 2011, which collectively provided us with a wide variety of complementary technology capabilities, with an aggregate purchase price of \$1.4 billion. This

highlights our ability to successfully identify and execute on attractive opportunities to augment our leading technical offerings. These acquisitions include:

- *OGSystems*: Acquired in 2019, OGSystems is a disruptive geo-intelligence solutions and immersive engineering provider that creates technology solutions for the United States intelligence community and the Department of Defense. OGSystems' VIPER Labs and Immersive Engineering techniques serve as the catalysts for deployment of geospatial systems and software, embedded system threat analytics and cloud engineering solutions. OGSystems' advanced hardware solutions include the PeARL family of sensors, combining industry-leading camera and optic lens technologies with our software solutions, yielding very high resolution 2D and 3D aerial imagery.
- *Polaris Alpha*: Acquired in 2018, Polaris Alpha is an advanced, technology-focused provider of innovative mission solutions for national security, intelligence, defense and other U.S. federal customers. With leading technologies in artificial intelligence and a focus on machine learning and data analytics, Polaris Alpha has long-term customer relationships and is known as a technology disruptor.
- *Secure Mission Solutions*: Acquired in 2014, Secure Mission Solutions is a leading provider of physical security services to the national security community.
- *Delcan Technologies*: Acquired in 2014, Delcan Technologies is a multidisciplinary provider of engineering, planning, management and technology services offering a broad range of integrated systems and infrastructure solutions focused on mobility and urban autonomy.
- *Sparta*: Acquired in 2011, Sparta is a leading provider of advanced systems engineering, cybersecurity and mission support services primarily to the national security and intelligence communities.

We maintain a robust acquisition pipeline and are continually evaluating potential opportunities for disciplined growth by acquisition to further transform our business.

### **Our Strategy for Growth**

Our growth strategy is focused on three pillars: Enhance, Extend and Transform. These include continually enhancing and optimizing our core business processes, extending our core business into high-growth and opportunity-rich adjacent markets and acquiring and integrating companies that possess transformative and disruptive technologies.

#### ***Enhance and Optimize our Core Operations***

We are committed to enhancing and optimizing our core business and improving financial performance, including revenue growth, margin expansion and positive cash flow, using the following strategies:

- Maintaining high re-compete rates.
- Focusing on cross-selling a wide range of applicable services and solutions to our customers, including those added to our portfolio through acquisition.
- Continuing research and development investments in cybersecurity software, iNET, our intelligent transportation system connected city platform, modeling and simulation, data analytics and our software and security-as-a-service platforms.
- Developing intellectual property and product offering from our investments.
- Streamlining operations and processes to optimize overhead expenditures.

## [Table of Contents](#)

- Increasing our presence and prime contractor positions on large omnibus IDIQ and Master Service Agreement contracts.
- Expanding our talent pool in key strategic areas outside of high-employment zones.
- Continuously evaluating and shaping our portfolio to divest, exit and de-emphasize lower-performing businesses and markets.
- Rigorously managing our working capital to maximize cash flow.

### ***Extend into Opportunity-Rich Adjacent Markets***

We are extending our core markets through organically penetrating and expanding in market adjacencies requiring our core services and solutions. The characteristics of these markets encompass development, design and delivery of software and services leveraging cybersecurity, data analytics, cloud computing and Internet of Things applications with growth rates and margins that are on par or higher than our core. Our key market focuses include:

- **Space**—Extend our space situational awareness, small satellite integration, command and control and critical infrastructure solutions to our current space customers (MDA, Air Force, Space & Missile Command, NASA and NRO) and to new space customers in the government and commercial space markets.
- **Energy**—Extend our cyber-physical security, energy efficiency, owner's engineer, and critical infrastructure solutions to regulated utilities, oil and gas energy companies and federal energy customers.
- **Health**—Extend our data analytics, artificial intelligence and cloud computing solutions to the federal disease research and greater federal healthcare ecosystem.
- **Smart Cities**—Extend our iNET platform to include enhanced cybersecurity, data analytics, machine learning, and cloud computing to expand coverage to additional global cities and regions.
- **Critical Infrastructure Protection**—Leverage our installed customer base and pursue market segments that are driven by high threat levels and regulatory concerns, so that we are positioned to implement our Domain6 cybersecurity toolset into the health, energy, government and industry facilities and transportation sectors.

This strategy extends the reach of our people, customer relationships and intellectual property to capture growing demand in the five market adjacencies. These markets demand information systems that are safe and secure, scalable, reliable, interoperable and mobile. In assessing potential areas of expansion or entry into adjacent markets, we maintain a strictly disciplined approach, always placing paramount importance on responsible growth in areas aligned with our strategy and core competencies.

### ***Continued Acquisition and Integration of Transformative, Disruptive Technologies***

We are transforming our business capabilities and business models through the acquisition of companies with additional software and hardware intellectual property in:

- Cybersecurity software leveraging artificial intelligence algorithms across large data sets to further expand our coverage with large infrastructure and mobility systems.
- Intelligence software focused on data capture, processing and configuration to produce actionable intelligence from large data sets.

## [Table of Contents](#)

- IoT sensor systems integration, data capture and processing focused on mobility solutions for connected and smart cities.
- Space and geospatial software to expand our small satellite command and control coverage, large data capture and analysis with embedded artificial intelligence to improve space operations.

Our objective is to continue to transform our business into a highly-scalable defense and infrastructure platform and increase revenue growth rates, margins and cash flows. Our acquisition strategy is focused on gaining additional intellectual property, resources and expertise to:

- Increase the portion of our portfolio dedicated to software development and sales.
- Sell more of our solutions through transactional and subscription business models, leveraging our expertise developed over the past 20 years in vehicle inspection.
- Leverage our strong balance sheet and free cash flow to fund this strategy.

We seek to expand opportunities for long-term revenue growth, both by developing and acquiring capabilities that will allow us to reach new customers and by expanding our offerings for existing customers. We build on the foundation of our Enhance and Extend strategies and reinforce these strategies with acquisitions of companies with software, hardware and expertise in our target markets, services and solutions.

### **Backlog**

We view growth in total backlog as a key measure of our business growth. We define backlog to include the following two components:

- **Funded**—Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- **Unfunded**—Unfunded backlog represents the revenue value of orders for services under existing contracts for which funding has not been appropriated or otherwise authorized less revenue previously recognized on these contracts.

Backlog includes (i) unissued delivery orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

Our backlog includes orders under contracts that in some cases extend for several years. For example, the U.S. Congress generally appropriates funds for our U.S. federal government customers on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, our federal contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

As of December 31, 2018, our total backlog was \$8.0 billion, consisting of \$5.3 billion of funded backlog and \$2.7 billion of unfunded backlog. We expect to recognize \$2.6 billion of our funded backlog at December 31, 2018 as revenues in the following twelve months. However, our government customers may cancel their contracts with us at any time through a termination for convenience or may elect to not exercise option periods under such contracts. In the case of a termination for convenience, we would not receive anticipated future revenues, but would generally be permitted to recover all or a portion of our incurred costs and fees for work performed.

## **Competition**

The industries we operate in consist of a large number of enterprises ranging from small, niche-oriented companies to multi-billion dollar corporations that serve many government and commercial customers. We compete on the basis of our technical expertise, technological innovation, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationships with our customers, qualified and/or security-clearance personnel, and pricing. Our main competitors in Federal Solutions are U.S. federal systems integrators and service providers such as CACI International Inc, Leidos Holdings, Inc., Science Applications International Corporation, Booz Allen Hamilton, CSRA Inc., The Raytheon Company, Northrop Grumman Corporation, Perspecta Inc. and ManTech International Corporation. Our main competitors in Critical Infrastructure include Jacobs Engineering Group Inc. and Tetra Tech, Inc., as well as Siemens AG and Cisco Systems, Inc. in the connected communities market. Large defense firms or technology companies may develop products or services in the future that could compete with us.

## **Seasonality**

Our results may be affected by variances as a result of seasonality we experience across our businesses. This pattern is typically driven by the U.S. federal government fiscal year-end, September 30. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of the U.S. federal government fiscal year in order to avoid the loss of unexpended U.S. federal government fiscal year funds. In addition, we have also historically experienced higher bid and proposal costs in the months leading up to the U.S. federal government fiscal year-end as we pursue new contract opportunities expected to be awarded early in the following U.S. federal government fiscal year as a result of funding appropriated for that U.S. federal government fiscal year. Furthermore, many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. We may continue to experience this seasonality in future periods, and our results of operations may be affected by it.

## **Employees**

As of January 31, 2019, we had 15,633 employees. We employ more than 11,712 degreed employees and over 3,196 highly credentialed employees, including those with registrations and certifications in technical areas like agile methodology, project management, registered engineering, architecture, technology & security. As of January 31, 2019, approximately 21.0% of our employees held security clearances and approximately 16.0% of our employees with security clearances held a Top Secret / Sensitive Compartmented Information-level clearance, which often requires the completion of a polygraph. In addition, our executive management has an average tenure of 17 years with the company and over 32 years of industry or functional experience. As of January 31, 2019, approximately 330 of our employees were covered by collective bargaining agreements. We continue to focus on our firm-wide hiring program to recruit and attract additional high quality and experienced talent and maintain close relationships with key academic institutions globally, which allows us to identify and target leading minds in key fields of study relevant to our business. We believe that our employee relations are good.

## **Properties**

Our headquarters are located in Centreville, Virginia. As of December 31, 2018, we leased 202 commercial facilities (including our headquarters) with an aggregate of approximately 2.8 million

square feet of space across 35 U.S. states and 18 countries used in connection with the various services rendered to our customers. Additionally, we operate at several customer-accredited Sensitive Compartmented Information Facilities, which are highly-specialized, secure facilities used to perform classified work for the United States intelligence community. We also have employees working at customer sites throughout the U.S. and in other countries. We believe our facilities are adequate for our current and presently foreseeable needs.

### **Intellectual Property**

Our intellectual property portfolio consists of issued and pending patents as well as trademarks for many of our technologies. In addition, we maintain a number of trade secrets that we endeavor to protect to ensure their continuing availability to us. Our technical expertise is vital to our growth strategy, and we believe they are a core competitive advantage.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us and to restrict any disclosure of proprietary information. While protecting trade secrets and proprietary information is important, we are not materially dependent on maintenance of any specific trade secret or group of trade secrets.

During the normal course of business, we perform research and development and technology consulting services and related products in support of our customers. Typically these services do not depend on patent protection. In accordance with applicable law, our government contracts often provide government agencies certain license rights to our inventions, copyrights and other intellectual property. Government agencies may in turn sublicense to other contractors (including our competitors) the right to utilize our intellectual property. In addition, in the case of our work as a subcontractor, our prime contractor may also have certain rights to data, information and products we develop under the subcontract. At the same time, our government contracts often license to us patents, copyrights and other intellectual property owned by third parties.

### **Regulation**

Our business is impacted by government procurement, anti-bribery, international trade, environmental, health and safety and other regulations and requirements. Below is a summary of some of the significant regulations that impact our business.

*Government Procurement.* The services we provide to the U.S. Government are subject to Federal Acquisition Regulation, or FAR, the Truth in Negotiations Act, Cost Accounting Standards, or CAS, the Services Contract Act, the False Claims Act, export controls rules and U.S. Department of Defense security regulations, as well as many other laws and regulations. These laws and regulations affect how we transact business with our clients and, in some instances, impose additional costs on our business operations. A violation of specific laws and regulations could lead to fines, contract termination or suspension of future contracts. Generally, our government clients can also terminate, renegotiate, or modify any of their contracts with us at their convenience; and many of our government contracts are subject to renewal or extension annually.

*Anti-Bribery and other regulations.* We are subject to the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business.

The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that “fails to prevent bribery” committed by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery.

*International Trade.* We are subject to U.S. export control laws and regulations, including the International Traffic in Arms Regulations, or ITAR, and the Export Administration Regulations, or EAR, as well as U.S. economic and trade sanctions, including those administered and enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control, or OFAC. To the extent we export items and provide services outside of the United States (or to certain parties in the United States), we must do so in compliance with these laws and regulations. These laws and regulations impose export licensing requirements, and we may not be successful in obtaining necessary licenses and other authorizations. Further, these laws and regulations restrict our ability to export items or provide services to certain countries and certain persons, including those that are the target of OFAC sanctions. Noncompliance with these or similar laws could lead to government investigations, penalties, reputational harm, and other negative consequences, and thereby could adversely affect our business and financial condition. Further, any change in these laws and regulations, or any shift in the approach to their enforcement or scope, or change to the countries, persons, or items targeted by such regulations, could potentially result in our decreased ability to export or sell items or services to existing or potential customers.

*Environmental, Health and Safety.* We are subject to federal, state and local laws and regulations relating to environmental, health and safety matters, including, among other things, the handling, transport and disposal of regulated substances and wastes, including hazardous and radioactive materials; contamination by regulated substances and wastes; the types, quantities and concentration of materials that can be released into the environment; the acquisition of a permit or other approval before conducting regulated activities; the maintenance of information about hazardous materials used or produced in operations and provision of such information to employees, state and local government authorities and the public; and employee health and safety. Our previous ownership and current and previous operation of real property may subject us to liability pursuant to these laws or regulations. Under the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, and related state laws, certain persons may be liable at sites where or from a release or threatened release of hazardous substances has occurred or is threatened. These persons can include the current owner or operator of property where a release or threatened release occurred, any persons who owned or operated the property when the release occurred, and any persons who disposed of, or arranged for the transportation or disposal of, hazardous substances at a contaminated property. Liability under CERCLA is strict, retroactive and, under certain circumstances, joint and several, so that any responsible party may be held liable for the entire cost of investigating and remediating the release of hazardous substances. The Resource Conservation and Recovery Act, or RCRA, regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. Under RCRA, persons may be liable at sites where the past or present storage, handling, treatment, transportation, or disposal of any solid or hazardous waste may present an imminent and substantial endangerment to health or the environment. These persons can include the current owner or operator of property where disposal occurred, any persons who owned or operated the property when the disposal occurred, and any persons who disposed of, or arranged for the transportation or disposal of, hazardous substances at a contaminated property. Liability under RCRA is strict and, under certain circumstances, joint and several, so that any responsible party may be held liable for the entire cost of investigating and remediating the release of hazardous substances. Violations and liabilities with respect to environmental, health and safety laws and regulations could result in significant administrative, civil, or criminal penalties, remedial clean-ups, natural resource damages, permit modifications or revocations,



operational interruptions or shutdowns and other liabilities. Additionally, Congress, state legislatures, local governing bodies and federal and state agencies frequently revise environmental laws and regulations, and any changes could result in more stringent or costly requirements for our operations. Our costs related to complying with environmental, health and safety laws and regulations have not been material in the past and are not currently material to our total operating costs or cash flows. However, if we have any violations of, or incur liabilities pursuant to these laws or regulations in the future, our financial condition and operating results could be adversely affected. In addition, in the unlikely event that we are required to fund remediation of a contaminated site, the statutory framework might allow us to pursue rights of contribution from other potentially responsible parties.

We maintain a compliance program designed to ensure compliance with the various regulations and requirements applicable to us. The compliance program, managed by our Chief Ethics and Compliance Counsel and overseen by our Chief Compliance Officer, includes an annual audit of performance with respect to our codes of ethics and business conduct and the adequacy of our compliance program, among other initiatives.

### **Legal Proceedings**

Our performance under our contracts and our compliance with the terms of those contracts and applicable laws and regulations are subject to continuous audit, review and investigation by our customers, including the U.S. federal government. In addition, we are from time to time involved in legal proceedings and investigations arising in the ordinary course of business, including those relating to employment matters, relationships with clients and contractors, intellectual property disputes, environmental matters and other business matters. Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, except as noted below, we believe there are no pending lawsuits or claims that may have a material adverse effect on our business, financial condition or results of operations.

On or about March 1, 2017, the Peninsula Corridor Joint Powers Board, or the JPB, filed a lawsuit against Parsons Transportation Group, Inc., or PTG, in the Superior Court of California, County of San Mateo, in connection with a positive train control project on which PTG was engaged prior to termination of its contract by the JPB. PTG had previously filed a lawsuit against the JPB for breach of contract and wrongful termination. The JPB seeks damages in excess of \$100.0 million, which we are currently disputing. In addition to filing our complaint for breach of contract and wrongful termination, we have denied the allegations raised by the JPB and, accordingly, filed affirmative defenses. We are currently defending against the JPB's claims and the parties are still engaged in discovery. We also have a professional liability insurance policy to the extent the JPB proves any errors or omissions occurred. At this time, it is too soon to determine the outcome of the litigation or assess the potential range of exposure, if any. We have also filed a third party claim against a subcontractor for indemnification in connection with this matter.

## [Table of Contents](#)

In September 2015, a former Parsons employee filed an action in the United States District Court for the Northern District of Alabama against us as a qui tam relator on behalf of the United States (the "Relator") alleging violation of the False Claims Act. The plaintiff alleges that, as a result of these actions, the United States paid in excess of \$1 million per month between February and September 2006 that it should have paid to another contractor, plus \$2.9 million to acquire vehicles for the contractor defendant to perform its security services. The lawsuit sought (i) that we cease and desist from violating the False Claims Act, (ii) monetary damages equal to three times the amount of damages that the United States has sustained because of our alleged violations, plus a civil penalty of not less than \$5,500 and not more than \$11,000 for each alleged violation of the False Claims Act, (iii) monetary damages equal to the maximum amount allowed pursuant to §3730(d) of the False Claims Act, and (iv) Relator's costs for this action, including recovery of attorneys' fees and costs incurred in the lawsuit. The United States government did not intervene in this matter as it is allowed to do so under the statute. We filed a motion to dismiss the lawsuit on the grounds that the Relator did not meet the applicable statute of limitations. The District Court granted our motion to dismiss. The Relator's attorney appealed the decision to the United States Court of Appeals of the Eleventh Circuit, which ultimately ruled in favor of the Relator, and we petitioned the United States Supreme Court to review the decision. The Supreme Court accepted the petition and the case was heard on March 19, 2019. At this time, it is too soon to determine the outcome of the litigation or assess the potential range of exposure, if any, and a ruling is not expected until the second quarter of 2019.

## MANAGEMENT

### Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors, as of January 31, 2019:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<b>Executive Officers</b>		
Charles L. Harrington(4)	60	Chairman, Chief Executive Officer, President and Director
George L. Ball	60	Chief Financial Officer
Carey A. Smith	55	Chief Operating Officer
Adam W. Taylor	40	Chief Transformation and Administrative Officer
Michael R. Kolloway	58	Chief Legal Officer and Secretary
<b>Non-Employee Directors</b>		
Kenneth C. Dahlberg(1)(2)	74	Director
Mark K. Holdsworth(3)(4)	53	Director
Steven F. Leer(1)(2)	65	Director
Tamara L. Lundgren(1)(4)	61	Director
James F. McGovern(3)(4)	72	Director
Harry T. McMahon(1)(2)	65	Director
M. Christian Mitchell(2)(3)(4)	63	Director
Major General Suzanne M. "Zan" Vautrinot, USAF (ret)(2)(3)	59	Director

- (1) Member of the compensation committee.  
(2) Member of the audit committee.  
(3) Member of the nominating and corporate governance committee.  
(4) Member of the executive committee.

#### **Executive Officers**

*Charles L. Harrington* was appointed our Chief Executive Officer in May 2008, Chairman of our board of directors in November 2008 and President of Parsons Corporation in 2009. Before his appointment in 2006 as Executive Vice President, Chief Financial Officer and Treasurer of Parsons, Mr. Harrington was the founding President of one of our business units. Mr. Harrington also serves on the board of directors of AES Corporation and J.G. Boswell Company. Further, he serves on several non-profit boards of directors, including the California Science Center Foundation Board of Trustees and the California Polytechnic State University San Luis Obispo Foundation board of directors. Mr. Harrington received a bachelor of science in engineering from California Polytechnic State University and a masters of business administration from the University of California, Los Angeles (UCLA) Anderson School of Management. Mr. Harrington was selected to serve on our board of directors because of the perspective and experience he brings as our Chief Executive Officer and President, as well as his operations and finance industry experience.

*George L. Ball* was appointed our Chief Financial Officer in May 2008. Mr. Ball has held a succession of senior financial and management positions with us over the past 13 years. Previously, he was Senior Vice President, Financial Systems and Control, of Parsons Corporation from March 2007 to May 2008 and Vice President, Finance, of Parsons Development Company from October 2004 to February 2008. Since joining us in 1995, he has served in various capacities including Corporate Controller and International Division Manager of the Infrastructure & Technology Group. Mr. Ball has more than 36 years of experience in finance and accounting roles for both public and private

companies. In addition to his responsibilities with us, he serves on the board of directors of NCI Building Systems, Inc., Wells Fargo Real Estate Investment Corporation and the Los Angeles Arboretum Foundation Board of Trustees. Mr. Ball is a certified public accountant and holds a bachelor of science degree in accounting from Drexel University in Philadelphia, Pennsylvania.

*Carey A. Smith* was appointed Chief Operating Officer in November 2018. Prior to that, Ms. Smith led Parsons' Federal Solutions business from November 2016. Before joining Parsons, Ms. Smith served in progressive leadership roles at Honeywell International Inc. ("Honeywell") from 2011 to 2016, including President of the Defense and Space business unit, Vice President of Honeywell Aerospace Customer and Product Support and President of Honeywell Technology Solutions, Inc. Prior to joining Honeywell, Ms. Smith held various positions with Lockheed Martin Corporation (and legacy companies through acquisition) from 1985 to 2011. In total, Ms. Smith has 33 years of aerospace and defense experience. Ms. Smith has also served on the NN Inc. board of directors, including on the Governance and Audit Committees, and in several capacities for the Professional Services Council, including on the board of directors and Executive Committee. In addition, Ms. Smith is a National Association of Corporate Directors (NACD) Governance Fellow. Ms. Smith received a master of science degree in electrical engineering from Syracuse University and a bachelor of science in electrical engineering from Ohio Northern University.

*Adam W. Taylor* was appointed Chief Transformation and Administrative Officer in 2018. Prior to joining Parsons, Mr. Taylor served as the Chief Strategy Officer and Senior Vice President of Veritiv Corporation from 2015 to 2018. Additionally, Mr. Taylor served as Vice President of Strategy and Innovation and Corporate Development for Office Depot from 2014 to 2015. Previously, Mr. Taylor held various executive roles in strategy, corporate development and operations for AT&T. Further, Mr. Taylor has worked in private equity, co-founded and operated two separate medical communications software companies and held advisory roles with other operating companies. Mr. Taylor holds a bachelor of arts degree in economics from Tulane University, a master of business administration degree from Suffolk University and a juris doctor from Suffolk Law School.

*Michael R. Kolloway* was appointed General Counsel and Corporate Secretary of Parsons Corporation in October 2017 and later became our Chief Legal Officer in January 2019. Before assuming the role of General Counsel and Corporate Secretary, Mr. Kolloway served as Deputy General Counsel – Americas from March 2016 through October 2017. Before joining Parsons, Mr. Kolloway served as Senior Vice President and Assistant General Counsel for Operations and Risk Management at AECOM Technology Corporation, a publicly traded company. Prior to his tenure at AECOM, Mr. Kolloway was a partner in the Chicago law firm of Rock, Fusco & Garvey, Ltd and a member of the Federal Trial Bar for the Northern District of Illinois. Mr. Kolloway received his bachelor of arts degree from St. Norbert College and his juris doctor from the University of Illinois College of Law.

#### **Non-Employee Directors**

*Kenneth C. Dahlberg* joined our board of directors in 2011. Until 2009, Mr. Dahlberg was Chairman, Chief Executive Officer and President of Science Applications International Corporation ("SAIC") from 2004 to 2009. Before joining SAIC, he was Executive Vice President of General Dynamics from 2001 to 2003. Prior to General Dynamics, Mr. Dahlberg worked at the Raytheon Company from 1997 to 2001, serving as President and Chief Operating Officer of Raytheon Systems Company from 1997 to 2000, and subsequently, as President of Raytheon International to 2001. Prior to his service at Raytheon, Mr. Dahlberg was Senior Vice President of Hughes Aircraft and Corporate Vice President of Hughes Electronics. Mr. Dahlberg is also a director on the board of directors of Teledyne Technologies, Inc. and previously was a director at Motorola Solutions. Mr. Dahlberg received a bachelor's degree in electrical engineering from Drexel University and a master's degree in electrical engineering from the University of Southern California.

## [Table of Contents](#)

*Mark K. Holdsworth* joined our board of directors in 2006. From 1999-2018, Mr. Holdsworth was a Co-Founder, Managing Partner and an Operating Partner of Tennenbaum Capital Partners, LLC ("TCP"), a Los Angeles-based private multi-strategy investment firm that was acquired by BlackRock, Inc. in August 2018. Additionally, Mr. Holdsworth is the Founder of Holdsworth & Co., LLC, a private family office. Prior to joining TCP, Mr. Holdsworth was an investment banker and a Principal of Tennenbaum & Co., LLC, the predecessor to TCP. Mr. Holdsworth has almost 20 years of board experience and specializes in active management oversight, strategy, M&A activity and complex financings. He has also served as a board director or board chairperson of many public and private companies in a variety of industries. Mr. Holdsworth earned a bachelor of arts degree from Pomona College, a bachelor of science degree from the California Institute of Technology and a master of business administration degree from Harvard Business School. We believe Mr. Holdsworth is qualified to serve on our board of directors due to his substantial business and corporate finance experience from key leadership positions in numerous public and private companies.

*Steven F. Leer* joined our board of directors in 2013. Mr. Leer is the former Chairman of the board of directors of Arch Coal, Inc., a position he held from 2005 to April 2015. He previously served as Chief Executive Officer and President of Arch Coal from 1992 to 2012 and from 1992 to 2006, respectively. Prior to Arch Coal's formation, Mr. Leer served as President and Chief Executive Officer of Arch Mineral Corporation, one of Arch Coal's predecessor companies, from 1992 to 2012. In addition, he serves on the boards of directors of Norfolk Southern Corporation, USG Corporation and Cenovus Energy Inc. and is a former regent of the University of the Pacific and a former trustee of Washington University in St. Louis. Mr. Leer earned a bachelor of science degree from the University of the Pacific and a master of business administration degree from Washington University's Olin School of Business. We believe Mr. Leer is qualified to serve on our board of directors due to his management experience as an executive and director of various companies in the manufacturing, energy and transportation industries.

*Tamara L. Lundgren* joined our board of directors in 2011. Ms. Lundgren is the President and Chief Executive Officer of Schnitzer Steel Industries, Inc. ("SSI"), having held both positions since 2008. Previously, Ms. Lundgren served as Executive Vice President and Chief Operating Officer of SSI from 2006 to 2008 and Vice President and Chief Strategy Officer from 2005 to 2006. Before joining SSI, Ms. Lundgren was a Managing Director at both JPMorgan Chase and Deutsche Bank, and a partner in the law firm Hogan & Hartson, LLP. Ms. Lundgren is a member of the board of directors of Ryder System, Inc. and the Federal Reserve Bank of San Francisco. She is also on the Executive Committee of the board of directors of the U.S. Chamber of Commerce and previously served as the chairman of the Chamber of Commerce's board of directors from 2014 to 2015. In 2016, Ms. Lundgren was appointed by President Obama to the President's Advisory Committee for Trade Policy and Negotiations and was re-appointed by President Trump. Ms. Lundgren is a member of the Business Roundtable, the Committee of 200 and the President's Advisory Council of Wellesley College. Ms. Lundgren earned a bachelor of arts degree from Wellesley College and a juris doctorate degree from the Northwestern University School of Law. We believe Ms. Lundgren is qualified to serve on our board of directors due to her extensive leadership experience as an executive and director at Schnitzer Steel Industries, Inc., as well as her legal and finance experience.

*James F. McGovern* joined our board of directors in 2005. Mr. McGovern also serves as Senior Managing Director of McGovern & Associates, and as the Chief Executive Officer and President of Dunhill Technologies, LLC. Previously, Mr. McGovern served as the President and Chief Operating Officer of Calpoint, LLC and President of Teledyne Brown Engineering, Inc. From 1986 to 1989, Mr. McGovern served as Under Secretary and Acting Secretary of the United States Air Force, and Mr. McGovern has also served as Chief of Staff of the Senate Committee on Armed Services. Mr. McGovern's civilian career began as an attorney with the law firm of Dickstein, Shapiro, Morin & Oshinsky, LLP where he specialized in corporate finance, mergers and acquisitions. Mr. McGovern, in

addition to serving on our board of directors, also has been an Independent Director of Ingram Micro Inc. since 2016. Mr. McGovern received a bachelor of science degree from the United States Naval Academy and a juris doctorate degree from Georgetown University School of Law. We believe Mr. McGovern is qualified to serve on our board of directors due to his substantial business, management and legal experience, as well as his leadership experience in the government sector.

*Harry T. McMahon* joined our board of directors in 2018. Mr. McMahon previously served as Executive Vice Chairman of Bank of America Merrill Lynch from 2009 to 2015, co-head of Global Corporate Finance from 1998 to 2003 and Vice Chairman from 2003 to 2009. He currently serves as an independent director at California Resources Corporation, where he also chairs its Compensation Committee. Mr. McMahon also serves on the board of directors at Cottage Health, a non-profit hospital system, and is a Trustee of Claremont McKenna College, where he was previously Board Chair for eight years. He earned a bachelor of arts degree and honorary doctorate from Claremont McKenna College and a masters of business administration from the University of Chicago Booth School. We believe that Mr. McMahon is qualified to serve on our board of directors due to his substantial experience in the finance and banking sectors as well as his leadership and advisory experience.

*M. Christian Mitchell* joined our board of directors in 2012. Mr. Mitchell was National Managing Partner of Deloitte & Touche LLP's mortgage banking and finance practice from 2001 to 2003. Before his position as National Managing Partner, his roles within Deloitte included Regional Managing Partner for various practices. Mr. Mitchell currently serves as a director for Pacific Premier Bancorp, Inc., Stearns Holdings, LLC and Western Asset Mortgage Capital Corporation. In addition, since 2008 Mr. Mitchell has served as Vice Chairman of the board of directors of Marshall & Stevens. Mr. Mitchell also serves as Chairman Emeritus of the Pacific Southwest Chapter of the National Association of Corporate Directors ("NACD"), and has served on the national board of directors of NACD since 2017. He is recognized by NACD as a Board Leadership Fellow and was named to the "100 Most Influential People in Corporate Governance" list by Directorship magazine in 2011 and 2012. Mr. Mitchell earned a bachelor of science degree in accounting, summa cum laude, from the University of Alabama. We believe Mr. Mitchell is qualified to serve on our board of directors due to his substantial business, finance and accounting experience from his leadership positions in numerous public and private companies.

*Major General Suzanne M. "Zan" Vautrinot, USAF (ret)* joined our board of directors in 2014. Maj. Gen. Vautrinot is President of Kilovolt Consulting, Inc., a cybersecurity strategy and technology consulting firm, and has served as President since October 2013. She serves as a director on the boards of directors for Symantec Corporation, Ecolab Inc., the Battelle Memorial Institute, and Wells Fargo & Company. Before retiring in October 2013 after 31 years of service, she was a Major General in the United States Air Force and served as Commander, 24th Air Force, Air Forces Cyber and Air Force Network Operations. Ms. Vautrinot earned a bachelor of science degree from the United States Air Force Academy, a master of science degree from the University of Southern California and a master of science degree from the Air University Air Command and Staff College. We believe Ms. Vautrinot is qualified to serve on our board of directors due to her leadership experience in numerous executive and director roles in the security, technology and finance industries, as well as her extensive military and government experience.

### **Board Composition**

Our bylaws that will become effective upon the closing of this offering provide that our board of directors shall consist of nine members. Currently, our board of directors consists of nine members: Mmes. Lundgren and Vautrinot and Messrs. Dahlberg, Harrington, Holdsworth, Leer, McGovern, McMahon and Mitchell.

## [Table of Contents](#)

In accordance with our certificate of incorporation that will be in effect upon the closing of this offering, our board of directors will be divided into three classes with staggered three year terms. At each annual meeting of stockholders after the initial classification, the successors to the directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election. Our directors will be divided among the three classes as follows:

- the Class I directors will be Tamara L. Lundgren, James F. McGovern and Harry T. McMahon, and their terms will expire at the annual meeting of stockholders to be held in 2020;
- the Class II directors will be Mark K. Holdsworth, Steven F. Leer and M. Christian Mitchell, and their terms will expire at the annual meeting of stockholders to be held in 2021; and
- the Class III directors will be Kenneth C. Dahlberg, Charles L. Harrington and Major General Suzanne M. Vautrinot, USAF (ret), and their terms will expire at the annual meeting of stockholders to be held in 2022.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Our board of directors has determined that upon completion of this offering, Mmes. Lundgren and Vautrinot and Messrs. Dahlberg, Holdsworth, Leer, McGovern, McMahon and Mitchell will be independent directors. In making this determination, our board of directors applied the NYSE listing standards and Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In evaluating the independence of Mmes. Lundgren and Vautrinot and Messrs. Dahlberg, Holdsworth, Leer, McGovern, McMahon and Mitchell, our board of directors considered their current and historical employment, any compensation we have given to them, any transactions we have with them, their beneficial ownership of our capital stock, their ability to exert control over us, all other material relationships they have had with us and the same facts with respect to their immediate family. The board of directors also considered all other relevant facts and circumstances known to it in making this independence determination. In addition, Mmes. Lundgren and Vautrinot and Messrs. Dahlberg, Holdsworth, Leer, McGovern, McMahon and Mitchell are non-employee directors, as defined in Rule 16b-3 of the Exchange Act.

Both the Nominating and Corporate Governance Committee and the board of directors seek the talents and backgrounds that would be most helpful to Parsons in selecting director nominees. In particular, the Nominating and Corporate Governance Committee, when recommending director candidates to the full board of directors for nomination, may consider whether a director candidate, if elected, assists in achieving a mix of board members that represents a diversity of background and experience. In addition, our corporate governance guidelines that will become effective upon the closing of this offering provide that a director shall retire from our Board at the next annual meeting of stockholders after he or she has reached the age of 75.

### **Board Leadership Structure**

Our board of directors recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structure so as to provide effective oversight of management. Our bylaws and corporate governance guidelines provide our board of directors with flexibility to combine or separate the positions of chairman of the board of directors and chief executive officer. Our board of directors currently believes that our existing leadership structure is effective, provides the appropriate balance of authority between independent and non-independent directors, and achieves the optimal governance model for us and for our stockholders.

Mr. Harrington serves as our Chief Executive Officer, President and Chairman of the board of directors. Our board of directors believes that Mr. Harrington's services as Chairman of the board of directors, Chief Executive Officer and President is in the best interest of the Company and its stockholders. Mr. Harrington possesses detailed and in-depth knowledge of the issues, opportunities and challenges we face and is thus best positioned to develop agendas that ensure that the board of directors' time and attention are focused on the most critical matters. Specifically, his combined role enables decisive leadership, ensures clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to our stockholders, employees, customers and manufacturers.

Our corporate governance guidelines provide that we have a lead independent director. Our lead independent director is James F. McGovern. In that role, he calls meetings of the independent directors and chairs such meetings, including all executive sessions of the board of directors, facilitates communications between our Chairman and the independent directors of the board of directors, and reviews the quantity, quality and timeliness of information provided to the board of directors, among other duties described in our corporate governance guidelines.

### **Board Oversight of Risk**

Although management is responsible for the day-to-day management of the risks our company faces, our board of directors and its committees take an active role in overseeing the management of our risks and bear the ultimate responsibility for risk management. The board of directors regularly reviews information regarding our operational, financial, legal and strategic risks. Specifically, senior management attends quarterly meetings of the board of directors, provides presentations on operations including significant risks, and is available to address any questions or concerns raised by our board of directors.

In addition, we expect that our four board of directors committees will assist the board of directors in fulfilling its oversight responsibilities in certain areas of risk. The Audit Committee will coordinate the board of directors' oversight of our internal control over financial reporting, disclosure controls and procedures, related party transactions and code of conduct and corporate governance guidelines and management will regularly report to the Audit Committee on these areas. The Compensation Committee will assist the board of directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs as well as succession planning as it relates to our Chief Executive Officer. The Nominating and Corporate Governance Committee will assist the board of directors in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and corporate governance. The Executive Committee will assist the board of directors in conducting its duties, including meeting with greater frequency than the board of directors in connection with key actions to be taken by us, such as major acquisitions, divestitures, mergers or changes in capital structure or ownership, in addition to meeting on an ad hoc basis in order to review major investments or divestitures outside of our normal investment plan. When any of the committees receives a report related to material risk oversight, the chairman of the relevant committee will report on the discussion to the full board of directors.

### **Codes of Conduct and Ethics**

We have adopted written codes of conduct and ethics that apply to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and to third parties with whom we conduct business, including agents, representatives, joint venture partners, consultants and subcontractors. We



have posted current copies of these codes on our website, [www.parsons.com](http://www.parsons.com). In addition, we intend to post on our website all disclosures that are required by law or NYSE listing standards concerning any amendments to, or waivers from, any provision of the codes.

### **Controlled Company Exception**

After giving effect to this offering, the ESOP will continue to control a majority of the voting power of our outstanding common stock. As a result, under our certificate of incorporation, the ESOP will be able to nominate a majority of the total number of directors comprising our board of directors and we will remain a "controlled company" within the meaning of the NYSE corporate governance standards. As a controlled company, exemptions under the NYSE standards will mean that we are not required to comply with certain corporate governance requirements, including the following requirements:

- (1) that a majority of our board of directors consist of independent directors;
- (2) that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- (3) that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, and
- (4) for an annual performance evaluation of the nominating and corporate governance and compensation committees.

Although we intend to comply with these listing requirements whether or not we are a controlled company, there is no guarantee that we will not take advantage of these exemptions in the future. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

### **Board Committees**

Following this offering, we anticipate that we will have the following board of directors committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and an Executive Committee. The anticipated composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.

#### ***Audit Committee***

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee:

- appoints our independent registered public accounting firm;
- evaluates the independent registered public accounting firm's qualifications, independence and performance;
- determines the engagement of the independent registered public accounting firm;
- reviews and approves the scope of the annual audit and the audit fee;
- discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly financial statements;
- approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;

## [Table of Contents](#)

- monitors the rotation of partners of the independent registered public accounting firm on our engagement team in accordance with requirements established by the SEC;
- reviews our financial statements and our management's discussion and analysis of financial condition and results of operations to be included in our annual and quarterly reports to be filed with the SEC;
- reviews our critical accounting policies and estimates; and
- at least annually, reviews the audit committee charter and reviews and evaluates the performance of the audit committee and its members, including compliance by the audit committee with its charter.

After this offering, we expect that the members of our audit committee will be Mr. Mitchell (chairperson), Mr. Leer, Mr. Dahlberg, Mr. McMahon and Ms. Vautrinot. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the NYSE. Our board of directors has determined that M. Christian Mitchell is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of the NYSE. Under the rules of the SEC, members of the audit committee must also meet heightened independence standards. However, a minority of the members of the audit committee may be exempt from the heightened audit committee independence standards for one year from the date of effectiveness of the registration statement of which this prospectus forms a part. Our board of directors has also determined that each of the members are independent under the heightened audit committee independence standards of the SEC and the NYSE. As allowed under the applicable rules and regulations of the SEC and the NYSE, we intend to phase in compliance with the heightened audit committee independence requirements prior to the end of the one-year transition period. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and the NYSE.

### **Compensation Committee**

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. Among other matters, the compensation committee:

- reviews and approves corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers;
- evaluates the performance of these officers in light of those goals and objectives, and approves the compensation of these officers based on such evaluations;
- approves the issuance of stock options and other awards under our long-term incentive plans, other than awards to non-employee members of our board of directors; and
- at least annually, reviews the compensation committee charter and reviews and evaluates the performance of the compensation committee and its members, including compliance by the compensation committee with its charter.

After this offering, we expect that the members of our compensation committee will be Ms. Lundgren (chairperson), Mr. Dahlberg, Mr. Leer and Mr. McMahon. Our board of directors has determined that each of the members of our compensation committee is independent under the applicable rules and regulations of the NYSE and is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act. The compensation committee operates under a written charter that satisfies the applicable standards of the SEC and the NYSE.

### ***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board of directors. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance policies and reporting and making recommendations to our board of directors concerning governance matters. The nominating and corporate governance committee will also, at least annually, review its committee charter and review and evaluate the performance of the nominating and corporate governance committee and its members, including compliance by the committee with its charter. After this offering, we expect that the members of our nominating and corporate governance committee will be Mr. Holdsworth (chairperson), Ms. Vautrinot, Mr. McGovern and Mr. Mitchell. Our board of directors has determined that each of the members of our nominating and corporate governance committee is an independent director under the applicable rules and regulations of the NYSE relating to nominating and corporate governance committee independence. The nominating and corporate governance committee operates under a written charter that satisfies the applicable standards of the SEC and the NYSE.

### ***Executive Committee***

The executive committee is responsible for providing our board of directors with considerations and recommendations regarding our business strategy. In addition, among other matters, the executive committee is responsible for reviewing key actions to be taken by us, such as major mergers, acquisitions, major investments or divestitures of assets outside our normal investment plans, and conducting periodic reviews of the executive committee's performance, assessing the adequacy of its charter and recommending changes to the board of directors. The executive committee is authorized with all the powers of the board of directors, except for powers specifically denied by the executive committee charter, including, but not limited to, declaring or paying dividends, amending our bylaws or articles of incorporation, issuing stock and making or approving capital expenditures exceeding \$5.0 million. After this offering, we expect that the members of our executive committee will be Mr. Harrington (chairperson), Mr. McGovern, Mr. Holdsworth, Ms. Lundgren and Mr. Mitchell.

### **Compensation Committee Interlocks and Insider Participation**

During fiscal 2018, the members of our compensation committee were Ms. Lundgren, Mr. Dahlberg, Mr. Leer and Mr. McMahon. No member of our compensation committee is or has been a current or former officer or employee of Parsons or had any related person transaction involving Parsons. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director or member of Parsons' compensation committee during fiscal 2018.

### **Limitation on Liability and Indemnification Matters**

Our certificate of incorporation that will become effective immediately prior to the consummation of this offering, contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

## [Table of Contents](#)

- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation and bylaws that will become effective immediately prior to the consummation of this offering, provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Our bylaws will also provide that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under Delaware law. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our board of directors. With specified exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. We believe that these certificate of incorporation and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and our stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage.

### **Director Compensation**

See "Executive Compensation—Elements of Executive Compensation—Director Compensation" for information regarding compensation for members of our board of directors.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our named executive officers, or NEOs should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The actual amount and form of compensation and the compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.

This section discusses the principles underlying our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. In addition, we explain how and why our board of directors and the Compensation Committee of our board of directors arrived at specific compensation policies and decisions involving our NEOs during fiscal 2018.

This Compensation Discussion and Analysis provides information about the material components of our executive compensation program for the following executive officers, to whom we refer collectively in this prospectus as the NEOs for fiscal 2018.

- Charles L. Harrington, Chairman, Chief Executive Officer, President and Director;
- George L. Ball, Chief Financial Officer;
- Carey A. Smith, Chief Operating Officer;
- Michael W. Johnson, Chief Development Officer (resigned in January 2019); and
- Michael R. Kolloway, Chief Legal Officer and Secretary

## Executive Summary Chart

### How we performed in fiscal 2018...

- Awards increased in fiscal 2018 by \$1.2 billion, or 42%, from fiscal 2017 due an increase in awards generated from each of our two segments and the impact of Polaris Alpha.
- Performance revenue increased in fiscal 2018 by \$478 million, or 17%, from fiscal 2017 due to improved performance by each of our two segments and the impact of Polaris Alpha.
- Net operating income increased in fiscal 2018 by \$39 million, or 25%, from fiscal 2017 due to improved performance by each our two segments and the impact of Polaris Alpha.
- Net DSOs decreased in fiscal 2018 by 16 days, or 15%, from fiscal 2017 as a result of our concerted efforts to collect outstanding receivables.



### How we determine pay...

- Review market compensation levels and program design to provide a frame of reference for comparison.
- Design pay programs to reward executives for positive company performance and align with employee beneficial stockholder interests by having a significant portion of compensation composed of performance-based and long-term incentive awards.
- Set competitive pay levels and incentive compensation commensurate with market, performance and the need to retain executive officers of outstanding ability and potential.
- Consider relevant qualitative factors, in addition to the advice of the Compensation Committee's independent compensation consultant.



### How we pay our NEOs...

- Base salaries reflect each NEO's role, responsibility and experience.
- Annual target incentive awards based on a mix of financial objectives (90%) and qualitative individual objectives (10%).
- Long-term incentives granted at target levels using a portfolio of awards, including a performance-based award with a three-year cliff vest, in which 50% is based on cumulative awards and 50% is based on net operating income.



### How we address risk and governance...

- Provide an appropriate balance of short- and long-term compensation, with payouts based on the Company's achievement of certain objective financial metrics and specific business area objectives.
- Follow practices that promote good governance and serve the interests of our employee beneficial stockholders, with maximum payout caps for annual cash incentives and long-term performance awards.

## **Executive Compensation Philosophy**

We believe in providing a competitive total compensation package to our NEOs through a combination of base salary, performance-based incentive awards, long-term incentive awards and broad-based welfare and health benefit plans. Our executive compensation program is designed to achieve the following objectives:

- attract, motivate and retain executive officers of outstanding ability and potential, whose knowledge, skills and performance are critical to our success;
- reward the achievement of short-term and long-term strategic goals, and
- ensure that executive compensation is meaningfully related to the creation of employee beneficial shareholder value.

## **Executive Compensation Design**

As a privately held company, our executive compensation program, which covers our NEOs, consists of a combination of base salary, short-term cash bonus opportunities and long-term incentives through the use of phantom equity that is designed to reward performance that meets or exceeds expectations. Phantom equity is compensation that is linked to our share price, but generally is paid in cash. Our NEOs are also entitled to certain employee benefits that are available to all of our employees, and limited perquisites.

We have structured our short-term incentive opportunities to focus on the achievement of specific annual financial objectives that will further our longer-term growth objectives. We use our long-term incentive compensation to provide incentives for our executive officers to focus on the growth of our overall enterprise value and, correspondingly, to create value for our employee beneficial stockholders. We believe that long-term incentive compensation in the form of phantom equity, which is linked to our share price, aligns our executive officers' interests with the long-term interests of our employee beneficial stockholders. Going forward, we plan to continue having long-term incentive awards tied to our equity value, but to have such awards paid in the form of our common stock.

## **Executive Compensation Setting Process**

*Role of the Compensation Committee.* Our board of directors delegated to the Compensation Committee the responsibility for overseeing, reviewing, and approving our compensation arrangements and benefit plans and policies. In addition, the Compensation Committee annually reviews and approves or recommends to the board of directors for its approval of our NEO compensation program.

Historically, the Compensation Committee, reviewed each component and the aggregate level of compensation, as well as a mix of additional relevant factors outlined in the Use of Comparative Market Data and Qualitative Factors below, in setting compensation for our NEOs. We used private market data, and in the case of the Chief Executive Officer, or CEO, a combination of private market data and public company peer data, in part, to assess the competitiveness, reasonableness and appropriateness of individual executive compensation elements and of our overall NEO compensation packages.

*Role of Executive Officers.* The CEO, as a member of our board, attends board of director and Compensation Committee meetings and actively participates in determining our executive compensation philosophy, design, incentive target amounts, and incentive payouts. Our finance department works with our Chief Human Resources Officer and CEO to gather financial and operational data that the CEO reviews in making his recommendations. From time to time our Chief Financial Officer and Chief Legal Officer attend meetings (or portions thereof) of the board of directors

to present information and answer questions pertaining to our executive compensation structure. No executive officer, including our CEO, participates directly in the final determinations regarding his or her own compensation. While the Compensation Committee considers these recommendations in its deliberations, it exercises its own independent judgment in approving the final compensation of our NEOs.

*Role of Compensation Consultant.* Pearl Meyer & Partners, LLC, or Pearl Meyer, a national compensation consulting firm, has assisted the Compensation Committee in developing our CEO compensation program for 2018. Among other things, the Compensation Committee directed Pearl Meyer to provide its analysis of whether our existing compensation strategy and practices were consistent with our compensation objectives and to assist us in modifying our compensation program for our CEO to better achieve our objectives. As part of its duties, Pearl Meyer has performed the following projects for the Compensation Committee:

- assisted in the development of a compensation peer group composed of public companies in similar industries with revenues comparable to us;
- provided compensation data for similarly-situated CEOs at our peer group companies; and
- updated the Compensation Committee on emerging trends and best practices in the area of executive compensation.

The Compensation Committee has evaluated Pearl Meyer's independence pursuant to the requirements of the NYSE and the factors set forth in the SEC rules and has determined that Pearl Meyer is independent and no conflict of interest has arisen as a result of the work performed by Pearl Meyer.

### **Assessing Compensation Competitiveness**

For our NEOs, other than our CEO, our Compensation Committee has used private survey data relating to the compensation practices of other companies within and outside our industry as a reference source, in addition to other relevant factors, in determining our executives' compensation. Typically, our Compensation Committee applied its independent judgment to make compensation decisions and did not formally benchmark our executive compensation against any particular group of companies or use a formula to set our NEOs', other than the CEO's, compensation in relation to this data.

The Compensation Committee did, however, use a combination of private company survey data and public company peer data relating to the compensation practices as a reference source in determining CEO compensation. The following public company peer group was used as a reference source in its 2018 CEO compensation deliberations:

AECOM	Leidos Holdings, Inc
CACI International Inc	ManTech International Corporation
Engility Holdings, Inc	Stantec, Inc
Fluor Corporation	Tetra Tech, Inc
Jacobs Engineering Group, Inc	WSP Global Inc

In connection with its engagement with Pearl Meyer in 2018, the Compensation Committee directed Pearl Meyer to develop a compensation peer group to assist in developing a compensation program for all of our NEOs for 2019. Pearl Meyer provided the Compensation Committee with a recommended list of peer companies from the engineering and construction, aerospace and defense,



environmental and facilities services and research and consulting services industries that Pearl Meyer and the Compensation Committee determined compete with us for talent as they are in the same or related industries. We also considered the revenue, operating income, net income, cash flow and debt to income ratio level of these companies and determined that a compensation peer group consisting of companies with levels both above and below our own levels was appropriate. Our Compensation Committee believed that including companies with higher revenue and income levels than ours was appropriate due to our historical and recent strong growth.

In October 2018, our Compensation Committee reviewed the following companies as the peer group to be used as a reference source in its 2019 executive compensation deliberations:

AECOM	Leidos Holdings, Inc
Booz Allen Hamilton Holding Corporation	ManTech International Corporation
CACI International Inc	Perspecta Inc
Cubic Corporation	Science Applications International Corporation
Engility Holdings, Inc	Stantec, Inc
Jacobs Engineering Group, Inc	Tetra Tech, Inc
KBR, Inc	WSP Global Inc

Going forward, the Compensation Committee intends to review the peer group at least annually and make adjustments to its composition as necessary.

### **Use of Comparative Market Data and Qualitative Factors**

Our Compensation Committee has reviewed each component of executive compensation separately and also taken into consideration the value of each named executive officer's compensation package as a whole and its relative size in comparison to our other executive officers, with the goal to set all elements of compensation within a competitive range, using a balanced approach that does not use rigid percentiles to target pay levels, but instead makes its compensation decisions based on a variety of relevant factors.

While the Compensation Committee believes that information regarding the compensation practices at other companies is useful in assessing the competitiveness, reasonableness and appropriateness of individual executive compensation elements and of our overall executive compensation packages, this information is only one of several factors that our Compensation Committee considers. Other factors that are considered include:

*Recruitment and retention:* The Compensation Committee reviews existing named executive officer compensation and retention levels relative to the competitive labor market pressures and likely estimated replacement cost with respect to the scope, responsibilities and skills required of the particular position.

*Lack of directly comparable data for some of our key roles:* Compensation data for some of our named executive officer roles may not be explicitly reported by companies in our compensation peer group or survey data. This results in limited sample sizes and/or inconclusive data that can be misleading if targeting a specific percentile for market positioning.

*Market positioning may be distorted by the source of the data:* Certain elements of compensation reported from one source can be consistently higher or lower than the data collected from another, given differences in methods and samples used by each source to collect market data. Given this variability and volatility within the market data, the Compensation Committee has determined that targeting pay levels at specific percentiles of this data could result in outcomes that do not align with the internal value and strategic importance of various roles at Parsons.

*Relevant Qualitative Factors:* A range of subjective and qualitative factors is considered, including:

- The role the named executive officer plays and the importance of such individual's contributions to our ability to execute on our business strategy and to achieve our strategic objectives;
- Each executive officer's tenure, skills and experience;
- The responsibilities and particular nature of the functions performed or managed by the named executive officer;
- Our CEO's recommendations and his assessment of each executive officer's performance (other than his own performance), and with respect to the CEO's performance, assessment by the board of directors; and
- Internal pay equity across the executive management team.

As we transition from a privately-held company to a publicly-traded company, we will evaluate our philosophy and compensation programs as circumstances require. At a minimum, we will review executive compensation annually. As part of this review process, we expect to apply our values and the objectives outlined above, while considering the compensation levels needed to ensure our executive compensation program remains competitive. We will also review whether we are meeting our pay for performance, and key employee retention objectives.

## Elements of Executive Compensation

### Elements At a Glance

The compensation program for our NEOs consists of the following three principal components:

Base Salary	Provides competitive fixed compensation levels to attract and retain highly qualified talent	<ul style="list-style-type: none"> <li>• Base salary increases are tied to performance in the role and growth of the Company</li> <li>• Executive's anticipated responsibilities, experience, qualifications, performance, competitive market compensation paid by other companies for similar positions within the industry, internal pay equity among our NEOs and negotiations with the executive are all considered</li> <li>• No specific formulas applied</li> </ul>
Short-term incentive: Performance-based annual cash bonus	Encourages focus on achievement of the Company's annual financial plan, as well as the specific qualitative goals included in the Company's strategic plan	<ul style="list-style-type: none"> <li>• The annual incentive awards are completely at-risk, depending on the level of performance against the criteria</li> <li>• Financial performance metrics: performance revenue, net operating income and cash flow (90% of total weighting) set at the beginning of each fiscal year. Metrics vary by individual based on responsibilities</li> <li>• Individual contribution goals based on objective performance metrics that also allow the Compensation Committee to use judgment in considering qualitative performance factors (10% of total weighting)</li> <li>• Range of annual incentive target as a percent of base salary is 75% to 125%</li> <li>• Payment may range from 0% to 150% of target based on actual performance</li> </ul>

## [Table of Contents](#)

Long-term incentive: Long Term Growth Units	Rewards achievement of performance related to the Company's long-term objectives and employee beneficial shareholder value creation	<ul style="list-style-type: none"><li>• 33% of total long-term incentive value awarded as long-term growth unit awards</li><li>• Performance criteria are 50% based on cumulative contract award value and 50% based on net operating income</li><li>• Payouts may range from 0% to 150% of target based on actual performance achieved over the three-year performance period</li><li>• Three-year cliff vesting at end of performance period</li><li>• Each long term growth unit earned represents the equivalent of one share of our stock. As such, the final payout value depends on achievement of the performance criteria and the price of our common stock at the end of the three years</li></ul>
Long-term incentive: Shareholder Value Units		<ul style="list-style-type: none"><li>• 33% of total long-term incentive value in the form of share value units, which are dependent upon the growth in the value of our shares over a three-year period</li><li>• Three-year cliff vesting period</li><li>• Each share value unit pays the difference between the price of our common stock at the end of the three year period over the price at the beginning of the period. Accordingly, the Share Value Units are completely at-risk, attaining value only if our common stock valuation grows over the three-year period</li><li>• No share value units were or will be granted in 2019</li></ul>
Long-term incentive: Restricted Award Units		<ul style="list-style-type: none"><li>• 33% of total long-term incentive value awarded takes the form of restricted award units, which upon vesting are converted into a cash amount equal in value to a share of common stock on such vesting date, as long as the individual remains an employee through the vesting period</li><li>• The value of the restricted award unit is at-risk, increasing or decreasing with our common stock valuation over the vesting period</li><li>• Three-year cliff vesting period</li></ul>

### Elements In Detail

*Base Salaries:* The Compensation Committee generally reviews, and adjusts as necessary, base salaries for each of our NEOs annually. In connection with our year- end financial review process to determine 2018 base salaries, our CEO recommended, and our Compensation Committee approved the base salaries for our NEOs set forth below.

The salaries paid to the NEOs who were with our company in fiscal 2018 were as follows:

<u>Named Executive Officer</u>	<u>2018 Salary (\$)</u>
Charles L. Harrington	1,133,396
George L. Ball	554,521
Carey A. Smith	457,793
Michael W. Johnson(1)	445,774
Michael R. Kolloway	396,662

(1) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer of Parsons. However, we entered into a Consulting Services Agreement with Mr. Johnson, pursuant to which he agreed to provide transition assistance to us as an independent contractor until July 31, 2019, unless such agreement is earlier terminated by the parties. Mr. Johnson will be paid \$40,000 per month for these services.

*Short Term Incentive Cash Bonuses.* We provide our NEOs with the opportunity to earn annual cash bonuses to encourage the achievement of corporate and individual objectives and to reward those individuals who significantly impact our corporate results. The Compensation Committee determines and approves our annual bonus decisions.

*Fiscal 2018 Annual Bonuses.* Under the fiscal 2018 management incentive plan, or MIP, the annual incentive target bonus of each executive officer was based on our performance against a mix of financial objectives (90%) and qualitative individual objectives (10%). The 2018 MIP also contained a modifier that could be used to adjust the bonus payout for the CEO by a factor of up to 20%, negatively or positively, of the funded amount based on certain goals aligned with the advancement of Company transformation and enhancement of the executive leadership team. The Compensation Committee then had sole discretion to determine any individual performance adjustments for each executive officer (including the CEO) and the final bonus payout for fiscal 2018.

The annual incentive bonus is equal to the product of (i) a dollar amount representing the target amount that the executive officer may be paid as an annual incentive bonus payment, or the Target Incentive Bonus, multiplied by (ii) a percentage representing the overall achievement of the target levels and their weightings for each of the four performance measures for the fiscal year, or the Performance Goal Achievement. The Target Incentive Bonus, the performance measures and related target levels and weighting, and the method for determining the Performance Goal Achievement for each executive officer were determined by our Compensation Committee, as applicable, after taking into consideration the recommendations of our CEO (for NEOs other than the CEO) at the time the performance measures and related target levels and weightings were determined for the executive officer. No payout would be made for any financial objectives that failed to meet the performance threshold of 80%. Payouts were capped at 150% for the financial objectives, and 100% for the individual objectives.

For purposes of the fiscal 2018 MIP, our Compensation Committee selected consolidated performance revenue, consolidated net operating income and consolidated cash flow as the three corporate performance measures that best supported our annual operating plan and enhanced long-term value creation. For Ms. Smith and Mr. Johnson, the net operating income and cash flow were business unit measures reflecting the focus and scope of responsibilities in their roles.

[Table of Contents](#)

In addition, each executive officer had a qualitative metric. For those executive officers other than the CEO, the qualitative metric was measured on their achievement of individual performance goals. For the CEO, the qualitative metric was based on employee measurement of the performance of our core values.

Plan Metrics	Metric Type	Weighting	
		Corporate Executives	Business Unit Executives
Performance Revenue	Corporate	30%	30%
Net Operating Income	Corporate Business Unit	30%	30%
Cash Flow	Corporate Business Unit	30%	30%
Qualitative	Individual Objectives	10%	10%

For purposes of the fiscal 2018 MIP, performance revenue is revenue less revenue attributable to noncontrolling interests plus equity in earnings of unconsolidated joint ventures. Net operating income is defined as revenue less revenue attributable to noncontrolling interests less direct costs of contracts (other than direct costs of contracts attributable to noncontrolling interests) less indirect, general and administrative expenses adjusted for non-operating items. Cash flow represents the net cash provided by, or used in, our operating, investing and financing activities, adjusted to exclude cash provided by, or used in, investing or financing activities that are non-recurring or outside our ordinary course of business.

For fiscal 2018, the target levels for the three corporate financial performance measures were set as follows (in millions):

Plan Metrics	Metric Type	Metric Target	Actual Results
Performance Revenue	Corporate	\$ 3,196.7	\$3,280.77
Net Operating Income	Corporate	\$ 195.7	\$ 194.72
	Federal Solutions	\$ 106.9	\$ 106.14
	Critical Infrastructure(1)	\$ 109.1	\$ 93.6
Cash Flow	Corporate	\$ 112.0	\$ 92.9
	Federal Solutions	\$ 104.7	\$ 121.69
	Critical Infrastructure(1)	\$ 181.0	\$ 159.8

(1) Mr Johnson's 2018 MIP Net Operating Income target was \$86.5 million with an actual result of \$69.2 million (rounded up to account for bonus payout calculation), resulting in 50% performance achievement, and a Cash Flow target of \$116.7 million with an actual result of \$153.59 million, resulting in 150% performance.

Our Compensation Committee believed that achieving the target levels for the three corporate and one individual performance measures would require a focused and consistent effort by our executive officers throughout fiscal 2018.

## [Table of Contents](#)

The Performance Goal Achievement for the fiscal year was the sum of the performance achievement of each of the four performance goals described above for such fiscal year. The level of achievement of each of the three quantitative performance goals was determined as follows:

<b>If the actual quantitative goal performance for the fiscal year was</b>	<b>Then the quantitative performance goal achievement for the fiscal year was</b>
Greater than 120% of the target performance goal measure	150%
Greater than 100% but less than 120% of the corresponding target performance goal measure	100% - 150%
Equal to the target performance goal measure	100%
80% or greater but less than 100% of the corresponding target performance goal measure	50% - 100%*
Less than 80% of the target performance goal measure	0%

\* Between these values determined on a straight-line basis

The following table provides information regarding the annual management incentive bonus awards earned by the NEOs for fiscal 2018:

<b>Name</b>	<b>Target Bonus (%)</b>	<b>Target Bonus (\$)</b>	<b>Financial Performance Achievement (weighted/ avg)</b>	<b>Individual Objective Achievement</b>	<b>Weighted Performance Achievement</b>	<b>Modifier</b>	<b>Bonus (\$)</b>
Charles L. Harrington	125%	1,425,000	78.81%	100%	88.81%	15%	1,455,500
George L. Ball	100%	561,502	78.81%	100%	88.81%		498,700
Carey A. Smith	110%	509,858	103.61%	100%	113.61%		579,300
Michael W. Johnson(1)	110%	495,000	91.97%	85%	100.47%		498,000
Michael R. Kolloway	75%	301,161	78.81%	100%	88.81%		267,500

(1) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer. In connection with his separation, we agreed to pay him a bonus of \$498,000 under our MIP based on actual performance through the end of 2018.

In addition, the Compensation Committee has the discretion to adjust an individual management incentive bonus payout based on its evaluation of an executive officer's individual performance or other corporate financial objectives. For fiscal 2018, the Compensation Committee adjusted Mr. Harrington's payout by applying a positive 15% modifier in connection with Mr. Harrington's performance in preparing our financial structure for the initial public offering, execution of strategic business acquisitions and enhancing the leadership team through key hires and developing bench strength.

*Long-Term Incentive Compensation:* We use long-term incentive compensation in the form of phantom units that are generally settled in cash to motivate and reward our executive officers for long-term corporate performance based on a valuation of our common stock and, thereby, aligning the interests of our executive officers with those of our employee beneficial stockholders. For purposes of the fair market value of our common stock, prior to the consummation of this offering, we used the then most recently established value for our common stock established by the ESOP Trustee under the ESOP. Following the consummation of this offering, the fair market value of our common stock will be determined by reference to the trading price of our common stock.

We maintain the following long-term incentive compensation plans (collectively, the "Incentive Plans") in which our NEOs participate, each of which are described in greater detail below:

- Long Term Growth Plan, or LTGP;
- Shareholder Value Plan, or SVP; and

## [Table of Contents](#)

- Restricted Award Plan, or RAU

Each NEO's long-term incentive compensation target has historically been equally divided across these three plans and the awards under each plan have three year cliff vesting. Additionally, except in the case of death, disability or retirement, a participant must remain employed through the vesting date in order to receive payment on an award. The value of each of the awards under our Incentive Plans is linked to the value of our common stock, thereby supporting our pay-for performance philosophy and retention efforts.

Our CEO advises the Compensation Committee with respect to who should participate in each plan, and provides information regarding each participant's duties, present and potential contributions to the Company and such other factors as the board of directors may deem relevant for determining participation in the plans and the size of a participant's award.

In 2018, the targeted value of long-term incentive awards for our NEOs was:

<b>Named Executive Officer</b>	<b>LTGP Target Award (\$)</b>	<b>LTGP Target Units (#)</b>	<b>RAU Target Award (\$)</b>	<b>RAU Target Units (#)</b>	<b>SVP Target Award (\$)</b>	<b>SVP Target Units (#)</b>	<b>2018 Long- Term Incentive Target Award (\$)</b>
Charles L. Harrington	1,500,000	22,057	1,500,000	22,057	1,500,000	176,661	4,500,000
George L. Ball	290,000	4,264	290,000	4,264	290,000	34,154	870,000
Carey A. Smith	278,100	4,089	278,100	4,089	278,100	32,753	834,300
Michael W. Johnson(1)	270,000	3,970	270,000	3,970	270,000	31,799	810,000
Michael R. Kolloway	133,867	1,968	133,867	1,968	133,867	15,766	401,600

- (1) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer. Upon his resignation he forfeited the awards granted in 2017 and 2018, but was allowed to retain his awards with a performance cycle of 2016 - 2018.

The LTGP provides the opportunity for the NEOs to earn a cash payment based on a number of phantom stock units that are earned upon the achievement of pre-established performance objectives. Each phantom stock unit has the equivalent value of our common stock. Our LTGP, therefore is similar to a cash-settled performance vesting restricted stock unit.

Each year our board of directors approves the applicable performance criteria, including the level(s) of performance, upon which the potential amount(s) payable will be determined in respect of a participant's "Long Term Growth Opportunity Target". A participant's "Long Term Growth Opportunity Target" is the target dollar value of the incentive which could potentially be earned by an eligible participant in respect of a performance cycle. The target is expressed in U.S. dollars which are converted into phantom stock units based on our then-current share price at the beginning of the performance cycle. The performance goals may be expressed in terms of overall Company financial results on an absolute or relative basis, such as, but not limited to, its results in relation to a budgeted target or industry benchmarks.

At the end of a performance cycle, the board of directors determines actual performance against the applicable performance goals and the resulting number of phantom stock units actually earned by a participant. The earned phantom stock units are then paid in cash based on the value of our common stock at the end of the performance cycle. The 2018-2020 performance cycle performance objectives were divided equally between cumulative contract award values and net operating income, which the Compensation Committee believed to be important metrics for driving performance and promoting alignment of the interests of our executive officers and our employee beneficial stockholders. The targets set for 2018-2020 performance goals were determined based on the business plan which is designed to be challenging yet attainable, with the opportunity for a maximum payout of 150% of the target units in connection with performance achievement of 120%, or greater, of the performance goal target.

## [Table of Contents](#)

Parsons must achieve threshold performance for at least one of these two financial metrics for any amount to be paid under the LTGP.

For the 2016-2018 performance cycle, the performance objectives were gross profit sales, or GPS, and days sales outstanding, or DSO. Gross profit sales is defined as gross profit (calculated as revenue (excluding revenue attributable to noncontrolling interests) less direct costs of contracts (excluding direct costs of contracts attributable to noncontrolling interests)) earned on new contracts awarded during the performance cycle. Both metrics were weighted 50% and calculated independently. However, at least threshold performance must have been met for any amount to be paid under the LTGP. At threshold performance the participant earned 50% of his or her phantom unit award, 100% at target performance and 150% upon achievement of the maximum goal. The threshold, target and maximum goals for the 2016-2018 cycle were:

<b>Cumulative GPS Achievement (\$ Billions)</b>	<b>Payout Percentage</b>
<2.140	0
2.140	50%
2.273	75%
2.405	100%
2.673	125%
=>2.940	150%

Results between threshold and target are determined by straight line interpolation, but a steeper curve was applied to performance between target and maximum.

<b>DSO Achievement (in days)</b>	<b>Payout Percentage</b>
>88	0
88	50%
84.5	75%
81	100%
77.5	125%
=<74	150%

For the 2016-2018 performance period, GPS was \$2.488 billion and DSO was 94 days resulting in a weighted average performance achievement of 53.92% of the target award.

*The SVP* provides a cash incentive based on the increase in our share price over a three (3) year period, multiplied by a number of phantom share units. If at the end of a performance cycle our share price has not increased, then no SVP incentive award payment will be earned. Our SVP acts similar to a time vested cash-settled stock appreciation right. We do not expect to make any awards under the SVP in 2019.

*The RAU* provides the opportunity to earn a cash payment based on the value of a specified number of phantom stock units subject to the executive officer's continued employment for a specified period. The RAU is similar to cash-settled time vested restricted stock units.

As a public company we intend to continue making similar awards under our 2019 Plan which allows the Compensation Committee the discretion to settle awards in either cash or our shares. Awards granted under the Incentive Plans for 2019 may be settled in cash or shares in the discretion of the Compensation Committee.

*Other Compensation Elements.* We also provide our employees, including our NEOs with a variety of employee benefit plans, including our ESOP, a 401(k) plan with matching contributions,



non-qualified deferred compensation plans and welfare benefits, such as health, life and disability, which we use to attract and retain our employees.

We also offer an executive medical plan, financial planning, club membership and business travel perquisites, to the extent our board believes that these limited perquisites are appropriate to assist an individual NEO in the performance of his or her duties, to make our NEOs more efficient and effective, and for recruitment, motivation or retention purposes.

Upon the annual competitive review of executive perquisites by the Compensation Committee in 2018, the Compensation Committee approved to terminate the executive medical plan and club benefits by the end of fiscal 2018. All future practices with respect to perquisites or other personal benefits will continue to be subject to periodic review and approval by the Compensation Committee.

### **Post-Employment Compensation**

The initial terms and conditions of employment for each of our NEOs are set forth in written offer letters. Each of our NEOs are employed on an at-will basis.

We have offered Mr. Harrington, Mr. Ball, and Mr. Kolloway certain protection in the event of their termination of employment under specified circumstances following a change in control of our company. We believe that these protections serve our executive retention objectives by ensuring that we will have continued dedication of the NEO and the availability of his or her advice and counsel, and, with respect to the post-change in control separation benefits, to induce the NEOs to remain in our employ in the face of a potential change in control. The terms of these arrangements were determined by the Compensation Committee.

For a summary of the material terms and conditions of our post-employment compensation arrangements, see “—Potential Payments upon Change in Control” below.

### **Compensation Claw Back Policy**

Currently, we do not have a policy regarding retroactive adjustments to any cash compensation paid to our executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. We have adopted a general compensation recovery, or claw back, policy covering our annual and long-term incentive award plans and arrangements effective January 14, 2019.

### **Compensation-Related Risk**

Our Compensation Committee is responsible for the oversight of our risk profile, including compensation-related risks. Our Compensation Committee monitors our compensation policies and practices as applied to our employees to ensure that these policies and practices do not encourage excessive and unnecessary risk-taking, and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us. The compensation policies and practices in place that mitigate unnecessary risk include:

- An appropriate compensation mix that is designed to balance the emphasis on short-term and long-term performance.
- The majority of incentive compensation for top level executives is associated with our long-term performance. This discourages short-term risk taking.
- Conservative vesting provisions (3 years) for all equity awards granted under our long-term incentive plans.

- Financial performance measures used for incentive plans covering colleagues at all levels of the Company include a mix of financial metrics that are in-line with operating and strategic plans.
- A significant portion of annual and long-term incentive payments are based on Company and business profitability, ensuring a correlation between pay and performance.
- Financial targets are appropriately set, and if not achieved, result in a large percentage loss of compensation.
- Executive and broad-based incentive plans cap the maximum award payable to any individual. Annual and long-term incentive plans have a current maximum payout of 1.5 times the target amount.

### Impact of Tax and Accounting

In designing and implementing our compensation programs the Compensation Committee takes into account the tax and accounting impact of such payments. However, it ultimately determines pay based on the most effective means to implement our long-term strategy.

### Summary Compensation Table

The following table presents summary information regarding the total compensation awarded to, earned by, or paid to each of our NEOs for services rendered in all capacities for fiscal 2018.

Name and Principal Position	Salary (\$)	LTGP and RAU Awards \$(7)	SVP Awards \$(8)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Charles L. Harrington <i>Chief Executive Officer</i>	1,133,396	3,000,000	1,500,000	1,455,500	184,102	563,382(2)	7,836,380
George L. Ball <i>Chief Financial Officer</i>	554,521	580,000	290,000	498,700	112,069	148,237(3)	2,183,527
Carey A. Smith <i>Chief Operating Officer</i>	457,793	556,200	278,100	579,300	19,326	33,630(4)	1,924,349
Michael W. Johnson(1) <i>Former Chief Development Officer</i>	445,774	540,000	270,000	498,000	19,348	70,484(5)	1,843,606
Michael R. Kolloway <i>Chief Legal Officer</i>	396,662	267,734	133,867	267,500	12,709	171,588(6)	1,250,060

(1) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer.

(2) Amount consists of costs related to executive life insurance (\$7,424), medical insurance (\$7,884), and liability insurance (\$3,227) paid by Parsons, business travel (\$352,370), security on business travel (\$3,731), living allowance (\$74,909, which includes a tax gross up of \$32,187), annual club membership (\$23,194, which includes a tax gross up of \$9,767), club equity loan forgiveness (\$85,643, which includes a tax gross up of \$44,711), and charitable match contribution in executive's name (\$5,000).

(3) Amount consists of costs related to executive life insurance (\$6,089), medical insurance (\$7,884) and liability insurance (\$3,227) paid by Parsons, wellness incentive (\$300), annual club membership (\$24,280, which includes a tax gross up of \$9,889), club initiation fee loan forgiveness (\$11,466, which includes a tax gross up of \$5,268), club and executive medical termination transition (\$89,991, which includes a tax gross up of \$43,635), and charitable contribution made in executive's name (\$5,000).

(4) Amount consists of costs related to executive life insurance (\$2,552), medical insurance (\$4,599) and liability insurance (\$723) paid by Parsons, and executive medical termination transition (\$25,756, which includes a tax gross up of \$7,720).

(5) Amount consists of costs related to executive life insurance (\$7,832), medical insurance (\$7,884) and liability insurance (\$3,227) paid by Parsons, annual club membership (\$6,679, which includes a tax gross up of \$1,626), club and executive

## Table of Contents

- medical termination transition (\$39,862, which includes a tax gross up of \$9,706), and charitable contribution made in executive's name (\$5,000).
- (6) Amount consists of costs related to executive life insurance (\$26,782), medical insurance (\$7,884) and liability insurance (\$3,227) paid by Parsons, relocation and moving expenses associated with Mr. Kolloway's move to Pasadena, California (\$14,860, which includes a tax gross up of \$6,661), annual club membership (\$9,402, which includes a tax gross up of \$2,482), club initiation fee loan forgiveness (\$32,817, which includes a tax gross up of \$10,157), club and executive medical termination transition (\$71,616, which includes a tax gross up of \$25,260), and charitable contribution made in executive's name \$5,000).
- (7) Amounts represent awards granted under the LTGP for the 2018-2020 performance cycle at target and the RAU. Awards granted under both the LTGP and the RAU are payable in cash and participants have no right to receive shares. The grant date fair value as calculated under FASB ASC Topic 718 of the awards is determined by multiplying our share price for 2018 by the number of shares subject to the award. In the event that the LTGP awards pay out at maximum value, the total grant date values are \$2,250,000 for Mr. Harrington, \$435,000 for Mr. Ball, \$417,150 for Ms. Smith, \$405,000 for Mr. Johnson and \$200,801 for Mr. Kolloway.
- (8) The amounts above reflect the intrinsic value of the SVP awards calculated based on management's estimated appreciation in fair market value of our shares over the applicable performance cycle, and do not reflect a grant date fair value calculated under FASB ASC Topic 718. SVP awards are payable solely in cash and participants have no right to receive shares.

### Grants of Plan-Based Awards Table

The following table presents, for each of the NEOs, information concerning each grant of a cash award made during fiscal 2018. This information supplements the information about these awards set forth in "—Summary Compensation Table."

Name	Grant Date	Estimated Future Payouts Under MIP Awards			Estimated Future Payouts Under LTGP Awards			RAU Award	Number of Securities Underlying SVP Awards	Base Price of SVP Awards	Grant Date Fair value of LTGP, RAU and SVP Awards(3)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
		(\$)	(\$)	(\$)	(#)	(#)	(#)				
Charles L. Harrington(1)	MIP	1/1/18	712,500	1,710,000	2,565,000						
	LTGP	1/1/18				11,029	22,057	33,086			1,500,000
	RAU	1/1/18						22,057			1,500,000
	SVP	1/1/18							176,661	68	1,500,000
George L. Ball	MIP	1/1/18	280,751	561,502	842,253						
	LTGP	1/1/18				2,132	4,264	6,396			290,000
	RAU	1/1/18						4,264			290,000
	SVP	1/1/18							34,154	68	290,000
Carey A. Smith	MIP	1/1/18	254,929	509,858	764,787						
	LTGP	1/1/18				2,045	4,089	6,134			278,100
	RAU	1/1/18						4,089			278,100
	SVP	1/1/18							32,753	68	278,100
Michael W. Johnson(2)	MIP	1/1/18	247,500	495,000	742,500						
	LTGP	1/1/18				1,985	3,970	5,955			270,000
	RAU	1/1/18						3,970			270,000
	SVP	1/1/18							31,799	68	270,000
Michael R. Kolloway	MIP	1/1/18	150,581	301,161	451,742						
	LTGP	1/1/18				984	1,968	2,952			133,867
	RAU	1/1/18						1,968			133,867
	SVP	1/1/18							15,766	68	133,867

(1) Mr. Harrington's Non-Equity Incentive Plan Award Target and Maximum include the maximum modifier of 20% that could be used to adjust the bonus payout.

(2) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer.

[Table of Contents](#)

- (3) The grant date fair value as calculated under FASB ASC Topic 718 of the LTGP and RAU awards was calculated based on multiplying our 2018 share price by the number of shares subject to such award. The amounts related to the SVP awards reflect the intrinsic value of the SVP awards calculated based on management's estimated appreciation in fair market value of our shares over the applicable performance cycle, and do not reflect a grant date fair value calculated under FASB ASC Topic 718.

**Outstanding Long-Term Incentive Awards at Fiscal Year-End Table**

The following table summarizes the number of shares of common stock underlying our cash-settled LTGP, RAU and SVP awards for each NEO as of December 31, 2018. No participant has any right to shares of our common stock in connection with these awards.

Name		Long-Term Incentive Awards						
		Number of Securities Underlying Unvested SVP Awards (#)	SVP Base Price (\$)	SVP Vesting Date(4)	Number of LTGP and RAU Units That Have Not Vested #(3)(5)	Market Value of LTGP and RAU Units That Have Not Vested \$(1)	Number of Unearned, LTGP Units That Have Not Vested #(6)	Market Value of Unearned LTGP Units That Have Not Vested \$(1)
Charles L. Harrington	2018 LTGP						22,057	1,588,104
	2018 RAU							
	2018 SVP	176,661	68.00	12/31/20	22,057	1,588,104		
	2017 LTGP						24,044	1,731,168
	2017 RAU							
George L. Ball	2017 SVP	183,333	61.00	12/31/19	24,044	1,731,168		
	2016 LTGP				7,339	528,402		
	2018 LTGP						4,264	307,008
Carey A. Smith	2018 RAU				4,264	307,008		
	2018 SVP	34,154	68.00	12/31/20				
	2017 LTGP						4,616	332,352
	2017 RAU				4,616	332,352		
	2017 SVP	35,200	61.00	12/31/19				
Michael W. Johnson(2)	2016 LTGP				1,598	115,020		
	2018 LTGP						4,089	294,408
	2018 RAU				4,089	294,408		
Michael R. Kolloway	2018 SVP	32,753	68.00	12/31/20				
	2017 LTGP						4,421	318,312
	2017 RAU				4,421	318,312		
	2017 SVP	33,708	61.00	12/31/19				
	2018 LTGP						3,970	285,840
Michael W. Johnson(2)	2018 RAU				3,970	285,840		
	2018 SVP	31,799	68.00	12/31/20				
	2017 LTGP						4,328	311,616
	2017 RAU				4,328	311,616		
	2017 SVP	33,000	61.00	12/31/19				
Michael R. Kolloway	2016 LTGP				1,283	92,350		
	2018 LTGP						1,968	141,696
	2018 RAU				1,968	141,696		
	2018 SVP	15,766	68.00	12/31/20				
Michael R. Kolloway	2017 RAU				1,680	120,960		
	2017 SVP	12,813	61.00	12/31/19				

- (1) Fair market value per share of \$72 as of December 31, 2018.  
(2) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer.  
(3) 2016 LTGP grant reflects actual performance payout of 53.92%.  
(4) All SVP awards have cliff vesting and payout on the Vesting Date listed.

[Table of Contents](#)

- (5) The performance goals for the 2016 LTGP Awards were met on December 31, 2018, but the awards remained subject to forfeiture subject to continued employment through the payment date of the award, which occurred on March 22, 2019. 2018 RAUs vest on December 31, 2020 and 2017 RAUs vest on December 31, 2019.
- (6) 2018 LTGP awards vest based on achievement of performance goals; 50% is based on achievement of cumulative contract award value and 50% based on achievement of net operating income goals through December 31, 2020 and continued employment through the date of payout, which will be no later than March 15, 2021. 2017 LTGP Awards vest based on achievement of performance goals: 50% based on cumulative contract award value and 50% on achievement of net operating income margin goals through December 31, 2019 and continued employment through the date of payout, which will be no later than March 15, 2020.

**LTGP, RAU and SVP Awards that Vested in 2018**

The following sets forth the number of SVP, LTGP and RAU units that were vested in 2018 and were settled in cash. No participant had any right to shares of our common stock.

Name	SVP Awards		LTGP and RAU Stock Awards	
	Number of Shares Subject to SVP (#)(2)	Value Realized (\$)	Number of LTGP and RAU Units Acquired on Vesting #(3)	Value Realized on Vesting (\$)
Charles L. Harrington	138,081	1,380,810	17,739	1,206,229
George L. Ball	36,822	368,220	4,258	289,501
Carey A. Smith	0	0	11,667	793,356
Michael W. Johnson(1)	13,285	113,798	2,349	159,704
Michael R. Kolloway	0	0	0	0

(1) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer.

(2) Represents SVP units granted in 2016 that vested on December 31, 2018, but were paid in cash in 2019.

(3) Represents (i) 2015-2017 LTGP grant that was earned based on performance over the 2015-2017 performance period but that vested based on continued employment through the date of payout in March 2018 and (ii) RAUs granted in 2016 that vested on December 31, 2018 but were paid in cash in 2019.

**Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation**

Our NEOs may defer their annual cash incentive bonus under our Bonus Deferral Plan, and the value of the LTGP, SVP and RAU awards.

*The Bonus Deferral Plan:* Our NEOs may participate in the Bonus Deferral Plan, which is a non-qualified deferred compensation plan that allows them to meet their retirement and other future income needs by deferring all or a portion of their annual cash incentive bonus. The amount deferred earns interest each year at a rate equal to the average of the annual prime rates made available to preferred borrowers by the Los Angeles branch of the Bank of America. Benefits under this plan are payable upon termination of employment, a specified future date, or upon a change in control if so elected by the executive. While Mr. Harrington and Mr. Ball have participated in this plan in prior fiscal years, none of the NEOs made deferrals for 2018 in the Bonus Deferral Plan.

LTGP, SVP and RAU: Participants in the LTGP, SVP and RAU can elect to defer 0% or 25% to 100% of the LTGP, SVP and RAU awards that may become payable under such the plans until the later of the participant's termination of employment or at the date elected. Participants can elect that amounts that are to become payable upon such participant's termination due to retirement or disability be paid in a lump sum payment, five substantially equal annual installments or ten substantially equal annual installments. While Mr. Ball has elected to defer a portion of his SVP awards in prior fiscal years, none of the NEOs elected to defer their LTGP, SVP or RAU awards in 2018.

## [Table of Contents](#)

*Parsons Executive Restoration Plan (“ERP”)*: The ERP provides a vehicle to restore qualified plan benefits that are reduced because of limitations on compensation imposed under the Code under the ESOP and the 401(k) plan. The amount credited to a NEO under the ERP is equal to a percentage of the participant’s eligible compensation under the ESOP based on the total percentage of compensation that we contribute to the ESOP and the Company’s match formula on deferrals under the 401(k) plan. These amounts are then converted into a value reflective of our common shares based on our then current share price. Participants vest in their ERP accounts in accordance with the same vesting schedule as the ESOP. Vested ERP account balances are paid in cash in a lump sum upon a participant’s termination of employment, or, if so elected by the participant, upon a change in control or substantial financial hardship. The value of the ERP account is determined based on our share price as determined by the committee that administers the ERP. Each of the NEOs participated in the ERP in 2018.

We also have two historical deferred compensation plans pursuant to which executives were allowed to defer their long-term incentives, which we refer to as the “Legacy Plans” below. Deferrals under those plans also earn interest at the average of the annual prime rates made available to preferred borrowers by the Los Angeles branch of the Bank of America.

<b>Name</b>	<b>Executive Contributions in Last FY (\$)</b>	<b>Registrant Contributions in Last FY (\$)</b>	<b>Aggregate Earnings in Last FY (\$)</b>	<b>Aggregate Withdrawals/ Distributions (\$)</b>	<b>Aggregate Balance at Last FYE (\$)</b>
Charles L. Harrington					
Executive Restoration Plan	0	85,840	68,546	0	1,319,660
Bonus Plan	0		6,095	0	131,051
Legacy Plan	0		23,623	0	507,950
George L. Ball					
Executive Restoration Plan	0	27,952	22,295	0	429,270
Bonus Plan	0		28,825	0	619,816
Shareholder Value Plan	0		672	0	14,456
Legacy Plan	0		32,324	0	695,059
Carey A. Smith					
Executive Restoration Plan	0	18,279	1,046	0	37,114
Michael W. Johnson(1)					
Executive Restoration Plan	0	17,078	2,270	0	57,941
Michael R. Kolloway					
Executive Restoration Plan	0	12,166	543	0	21,935

(1) Mr. Johnson resigned from his position as our Chief Development Officer in January 2019 and is no longer an executive officer.

## **Potential Payments upon Change in Control**

### ***Change in Control Agreements***

Mr. Harrington, Mr. Ball, Ms. Smith and Mr. Kolloway are eligible to receive certain severance payments and benefits in connection with various circumstances in connection with a change in control of the Company. The potential severance payments and benefits payable to these NEOs in the event of termination of employment as of December 31, 2018 pursuant to the terms of their individual change in control and severance agreements, or the CIC Agreements, as applicable, are described below.

The CIC Agreements provide severance protections to Mr. Harrington, Mr. Ball, Ms. Smith and Mr. Kolloway in the event of a resignation by the executive for “Good Reason” or a termination by Parsons without “Cause” (as each such term is defined below) within eighteen months following a change in control or if any successor company fails to assume the CIC Agreement or repudiates or breaches any provision of the CIC Agreement within such eighteen month period (any such event, a “Qualifying Event”).

## [Table of Contents](#)

Under the CIC Agreements, if a Qualifying Event occurs, the executive is eligible to receive the following severance payments and benefits, subject to his or her written notice to the Company of such Qualifying Event, his or her execution of an effective release of claims in favor of the Company and continued compliance with his or her restrictive covenants, payable in a lump sum no later than two and a half months following the Qualifying Event, subject to any delays imposed by Section 409A of the Internal Revenue Code:

- a pro rata portion (based on number of days that elapsed in the calendar year before the Qualifying Event occurred) of the greater of (i) the executive's target annual bonus for the year of the Qualifying Event or (ii) the executive's annual bonus that would have been paid (as determined by the board of directors in its discretion) assuming the year ended on the date of the Qualifying Event and based on actual performance through that date;
- an amount equal to the highest rate of the executive's annualized base salary in effect at any time up to and including the Qualifying Event multiplied by two (2), or for the CEO multiplied by three (3); and
- an amount equal to the greater of (i) the executive's target annual bonus for the year of the Qualifying Event or (ii) the average of the annual bonuses actually paid to the executive for the two (2) years preceding the year of the Qualifying Event, multiplied by two (2), or for the CEO multiplied by three (3); and
- a non-discounted cash lump sum amount equal to the sum of the following: (i) the Company's estimate of the costs for the executive's medical insurance coverage at the level and a cost to the executive comparable to that provided to the executive immediately prior to the Qualifying Event for a period of two (2) years following such Qualifying Event (which, in the company's discretion, may be based on the applicable COBRA rates); (ii) the Company's estimate of the costs for the continuation of that level of the executive's life insurance coverage that is in effect immediately prior to the Qualifying Event, for a period of two (2) years following such Qualifying Event, or, if shorter, the period ending on the last day of the level premium rate guarantee period established by the applicable insurer for such coverage; and (iii) the Company's estimate of the cost for the continuation of the executive's executive supplemental disability coverage under the Company's supplemental disability insurance plan in effect immediately prior to the Qualifying Event for a period of two (2) years following such Qualifying Event (or the date the executive attains age 65, if earlier), but the cash payment in this clause (iii) will only be paid if the terms of the applicable insurance policy under such disability insurance plan provide that the coverage may be continued following the Qualifying Event and such costs to be estimated using the extent of the coverage allowed under the terms such policy at a cost to the Company that is no greater than the cost borne by the Company immediately prior to the Qualifying Event.

For purposes of the CIC Agreements, a "change in control" has the same definition as is given to such term in our 2019 Plan to be adopted in connection with this offering, as described below.

For purposes of the CIC Agreements, (i) "Cause" means the executive's (a) commission of fraud or embezzlement in connection with Parsons; (b) conviction of, or pleading guilty or nolo contendere to, a felony involving fraud, dishonesty or moral turpitude; or (c) willful and continued failure to substantially perform material duties which is not remedied in a reasonable period of time after written notice delivered by the board of directors; and (ii) "Good Reason" means the occurrence of any of the following events without the executive's consent and which is not cured by Parsons within thirty days of such event's occurrence: (a) a material reduction in the nature or status of the executive's authorities, duties and/or responsibilities (viewed in the aggregate) from the level in effect on the day immediately prior to a change in control; (b) a reduction in the executive's base salary as in effect on the day immediately prior to a change in control; (c) a material reduction of the executive's aggregate welfare

## [Table of Contents](#)

benefits and/or the value of the incentive programs provided under Parsons' management incentive and/or other short and/or long-term incentive programs, as such benefits and opportunities existed on the day immediately prior to a change in control; (d) relocation of the executive's principal office by more than fifty miles from the location of the executive's principal office as of the day immediately prior to a change in control; (e) any purported termination of the executive without satisfying the notice requirements in the CIC Agreement; and (f) Parsons' failure to obtain agreement from any successor entity to assume and perform its obligations under the CIC Agreement.

The CIC Agreements provide that in the event that any payments would subject the NEO to the excise taxes applicable under Section 4999 of the Code by reason of being a parachute payment under Section 280G of the Code, then if it would cause a better net-after tax result, the amount of such payments will be reduced so that no excise tax would apply.

Additionally, unless otherwise provided in an award agreement, upon a change in control, the value of (i) any outstanding RAU and SVP awards will vest in connection with the change in control, (ii) LTGP awards will vest at target and (iii) each participant's deferral account, if any, will be paid to eligible participants (and beneficiaries) within 30 days following the change in control.

### **Johnson Separation Agreement**

Michael Johnson, our Chief Development Officer, resigned from Parsons effective as of February 1, 2019. Pursuant to the terms of his Separation Agreement and Release of Claims and related Consulting Services Agreement, Mr. Johnson agreed to provide transition assistance support as an independent contractor until July 31, 2019, or until the agreement may be earlier terminated by the parties. We agreed to pay Mr. Johnson his bonus under our 2018 MIP as well as his long term incentive compensation due for the entire performance cycle for the LTGP, SVP and the RAU 2016-2018 performance cycle, in each case based on actual performance. Mr. Johnson remains subject to general non-disparagement and confidentiality covenants as well as six month post-termination non-competition and non-solicitation of customers covenants. In addition, Mr. Johnson remains subject to a twenty-four month (and in the case of employees in Missouri only, a twelve month) post-termination non-solicitation of employees covenant. In order to receive payments under his Separation Agreement, Mr. Johnson executed a general release of claims.

### **Potential Payments upon Termination or Change in Control Table**

The following table sets forth the estimated payments that would be received by the NEOs in the event of a termination of employment without cause or following a resignation for good reason in connection with a change in control in our Company. The table below reflects amounts payable to the NEOs assuming their employment was terminated on December 31, 2018 and, if applicable, a change in control of our Company also occurred on that date.

<b>Name</b>	<b>Involuntary Termination without a Change in Control (\$)(1)</b>	<b>Involuntary Termination in Connection with Retirement, Death or Disability(\$)(2)</b>	<b>Involuntary Termination in Connection with Change in Control (\$)(3)</b>	<b>Termination with Separation Agreement (\$)(4)</b>
Charles L. Harrington	1,958,661	13,467,501	21,195,027	
George L. Ball	1,758,600	4,279,720	6,632,904	
Carey A. Smith(5)	37,114	2,938,109	2,358,809	
Michael R. Kolloway	21,935	994,506	2,525,616	
Michael W. Johnson				990,262



- (1) Payments include lump sum payment of deferral plan(s).
- (2) Payments include deferral plan(s) in accordance with election, accelerated RAU awards in accordance with the Plan, pro-rated LTGP awards for uncompleted cycles at target performance, using the fair market value of \$72 per share, actual performance payout for LTGP completed cycles, pro-rated SVP awards for uncompleted cycles, using the fair market value of \$72 per share, and actual performance payout for SVP completed cycles.
- (3) Payments include benefits in accordance with a Change in Control for Mr. Harrington, Mr. Ball, Ms. Smith and Mr. Kolloway, and for each of the NEOs, payments include lump sum payment of deferral plan(s), accelerated RAU awards, accelerated LTGP awards for uncompleted cycles at target performance using the fair market value of \$72 per share, and in accordance with the LTGP Plan, actual performance payout for LTGP completed cycles, pro-rated SVP awards for uncompleted cycles using the fair market value of \$72 per share, and actual performance payout for SVP completed cycles.
- (4) Payments in connection with Mr. Johnson's separation agreement in connection with his termination include payment of the 2018 STI award and 2016-2018 LTI awards, earned based on actual performance. Mr. Johnson entered into a Consulting Services Agreement with us, pursuant to which he agreed to provide transition assistance us as an independent contractor until July 31, 2019, unless such agreement is earlier terminated by the parties. Mr. Johnson will be paid \$40,000 per month for these services.
- (5) On March 9, 2019, we entered into a Change in Control Severance Agreement with Ms. Smith, pursuant to which she would receive the same benefits as Mr. Ball and Mr. Kolloway described above under "Change in Control Agreements."

## Director Compensation

Our directors who are also our employees will not receive any additional compensation for their service on our board of directors, but we believe that attracting and retaining qualified non-employee directors is critical to our future growth and governance.

In July 2018, the Compensation Committee reviewed non-employee director pay practices of our peer group that Pearl Meyer and the Compensation Committee determined compete with us for talent and are in the same or related industries with similar revenue size. The Compensation Committee has determined to review non-employee director compensation biennially.

From January 1 to September 30, 2018, independent directors received the following compensation:

- an annual cash retainer of \$80,000;
- annual grants (similar to phantom equity) under the Share Value Retirement Plan, or SVRP, of \$120,000;
- additional annual cash retainers for each of the lead independent director (\$25,000), committee chairs (Audit \$20,000; Compensation \$15,000; and Governance \$10,000); and
- special meeting fees (\$2,000 in person and \$1,000 telephonic, per meeting).

Effective October 1, 2018, independent directors receive the following compensation:

- an annual cash retainer of \$100,000;
- annual grants (similar to phantom equity) under the Share Value Retirement Plan of \$160,000;
- additional annual cash retainers for each of the lead independent directors (\$35,000), committee chairs (Audit \$20,000; Compensation \$18,000; and Governance \$15,000), and committee members (Audit \$11,500; Compensation \$8,000; and Governance \$6,000);
- additional annual cash retainers of \$11,500 for each of the members of the executive committee to reflect the additional time required to address issues related to our initial public offering; and
- special meeting fees (\$2,000 in person and \$1,000 telephonic, per meeting).

## [Table of Contents](#)

Following the completion of this offering, the annual grants previously under the Share Value Retirement Plan will instead be in the form of restricted stock units, or RSUs, under the 2019 Plan, as follows:

- On the first day of each calendar quarter occurring prior to the first annual stockholders' meeting but following the consummation of this offering, each non-employee director will be granted such number of restricted stock units as is equal to (1) \$40,000 (or, if applicable, such prorated amount for the portion of the calendar quarter prior to the consummation of this offering not covered by previous awards under the SVRP) divided by (2) the 60 trading day weighted average of our common stock, up to and including grant date, rounded up to the nearest whole share. In the case where there is not yet 60 days of trading activity, value will be determined using available trading day weighted average of our common stock at the time of grant.
- From and after the first annual stockholders' meeting following the consummation of this offering, on the date of each annual stockholders' meeting, each non-employee director will be granted such number of restricted stock units as is equal to (1) the \$160,000 (plus, with respect to the first annual stockholders' meeting following the consummation of this offering, a prorated quarterly target dollar amount for the portion of the calendar quarter in which such meeting occurs preceding the date of such meeting), divided by (2) the 60 trading day weighted average of our common stock, up to and including grant date, rounded up to the nearest whole share.

The RSUs will vest on the first anniversary of the date of grant. The restricted stock units will also vest upon a change in control (as defined in the 2019 Plan), or a non-employee director's death or disability. The non-employee directors will also be eligible to make deferral elections with respect to such RSUs, with the deferral alternatives generally consistent with those under the SVRP and described below.

The following table contains information concerning the compensation of our non-employee directors in fiscal 2018.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (\$)</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</b>	<b>Total (\$)</b>
Kenneth C. Dahlberg	91,875	130,000	0	221,875
Mark K. Holdsworth	103,125	130,000	0	233,125
Steven F. Leer	91,875	130,000	0	221,875
Tamara L. Lundgren	108,625	130,000	0	238,625
James F. McGovern(1)	120,375	130,000	20,028	270,403
Harry T. McMahon	69,000	130,000	0	199,000
M. Christian Mitchell	113,875	130,000	0	243,875
Major General Suzanne M. Vautrinot, USAF (ret)	91,875	130,000	0	221,875

(1) Mr. McGovern deferred fees earned in fiscal year 2018.

### **Employee Stock Ownership Plan (ESOP)**

Our employees participate in the ESOP, which is a defined contribution stock bonus retirement plan designed to enable eligible employees to obtain an ownership interest in Parsons. The ESOP is funded by contributions made by us which are held in a trust established as part of the ESOP. The contributions are invested in our common stock. Contributions and any earnings or dividends thereon, to the extent such amounts remain in the ESOP, accumulate on a tax deferred basis.

We may make discretionary contributions to the ESOP each year in an amount to be determined by our board of directors and may be made in cash or in shares of our common stock. The annual contributions to the ESOP are allocated to participants' accounts each year, as of the last day of the year, to participants who were eligible employees during the year, and the allocations are made on a basis proportional to compensation. Covered compensation for an eligible employee under the ESOP generally includes base pay, overtime pay, assignment premiums included in base pay and most pre-tax deductions. Bonuses, relocation expenses and most other reimbursements are generally excluded from covered compensation.

The value of vested account balances, subject to eligibility, vesting and distribution rules, are distributed to participants, generally only after their retirement from Parsons after attaining age 65 (or 62 with 6 or more years of service). Distributions will generally be in a series of installment payments over a number of years. Based on ESOP participants' account balances and installment options, we expect distributions in the aggregate will generally be made ratably over three years. The number of installments are based on participant account balances at the time of distribution. Participants with accounts valued over \$40,000 may elect three or five year installments, accounts between \$40,000 and \$20,001 are paid in two annual installments, and accounts less than \$20,001 are paid in a lump sum. Distributions prior to termination of employment or reaching retirement age (65 or 62 with 6 or more years of service) are generally not permitted, unless the participant dies. Participants who die prior to beginning their installments, and participants who receive conflict of interest distributions following termination of employment, are also paid in a lump sum.

The IPO Dividend will be allocated to participant accounts on or before December 31, 2019, with such allocations based proportionately on participant account balances on April 3, 2019, which was the record date for the IPO Dividend. The IPO Dividend, to the extent not applied to cover distributions during the 180-day lock-up period, will be reinvested in our common stock on or before December 31, 2019. The number of shares of our common stock to be allocated and paid will be equal to the sum of (1) any shares purchased by the ESOP from participants who received distributions during the 180-day lock-up period, and (2) any shares purchased by the ESOP following the expiration of the 180-day lock-up period with any of the cash proceeds from the IPO Dividend that were not used to satisfy participant distributions during such period (which purchases will be undertaken by the ESOP Trustee as soon as practicable following the expiration of the 180-day lock-up period).

With respect to cash dividends other than the IPO Dividend, if the board of directors declares and pays a cash dividend on shares of our common stock held in the ESOP and allocated to participant accounts, then this dividend may either be paid currently and directly to the participant or held in the ESOP as determined by the committee that administers the ESOP, or the Policy Committee, in its discretion. Any such cash dividends will be paid in cash. Dividends on shares of unallocated stock will not be distributed to the participant currently but will either be applied to pay off any ESOP loans or held in the ESOP. The ESOP currently does not have any ESOP loans.

Participants who have attained age 55 and who have completed at least 10 years of participation in the ESOP are permitted to diversify a portion of their respective ESOP accounts over a period of six years. For the first five plan years that a participant is allowed to diversify his or her accounts, the participant is permitted to diversify up to 25% of the value (as of the last day of the preceding plan year) of their vested diversification eligible ESOP account. For the sixth plan year the participant is permitted to diversify up to 50% of the value (as of the last day of the preceding plan year) of their vested ESOP diversification eligible account. This diversification election applies only to shares acquired by the ESOP after 1987, or the Diversification Eligible Shares. Shares acquired by the ESOP prior to 1987 are not eligible for this diversification election. In total, as of December 31, 2018, the ESOP held 5,768,117 Diversification Eligible Shares. However, only 323,930 shares are eligible for diversification in 2019. If a participant elects to diversify his or her accounts, historically, we have repurchased such shares for cash.

During the 180-day lock-up period following the date of this prospectus, ESOP distributions will be made in the form of cash. Beginning on the 181<sup>st</sup> day following the date of this prospectus, ESOP distributions will be made in the form of shares of our common stock (other than distributions in respect of fractional shares, which will be made in cash) and will be available for sale into the public market, subject to compliance with applicable federal securities laws. Proceeds from the IPO Dividend will be used to satisfy any qualifying distributions during the 180-day lock-up period. However, if the IPO Dividend is not sufficient to satisfy all qualifying distribution elections owed to participants during the 180-day lock-up period, the ESOP Trustee will have the right to cause us to purchase shares held by the ESOP in order to allow the ESOP to pay participants in cash.

### **Incentive Award Plan**

In connection with this offering, our board of directors adopted our Incentive Award Plan, or the 2019 Plan, pursuant to which we may grant cash and equity incentive awards to eligible service providers in order to attract, motivate and retain the talent for which we compete. The 2019 Plan became effective on the date of this prospectus. The material terms of the 2019 Plan are summarized below.

*Eligibility and administration.* Our employees and the employees of our subsidiaries and individual consultants, as well as our directors are eligible to receive awards under the 2019 Plan. Following our initial public offering, the 2019 Plan will be administered by our board of directors with respect to awards to non-employee directors and by our compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of our directors and/or officers (referred to collectively as the plan administrator below), subject to certain limitations that may be imposed under Section 16 of the Exchange Act, or the rules and standards of any stock exchange on which our common stock is listed. The plan administrator has the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2019 Plan, subject to its express terms and conditions. The plan administrator sets the terms and conditions of all awards under the 2019 Plan, including any vesting and vesting acceleration conditions.

*Limitation on awards and shares available.* The number of \_\_\_\_\_ shares of our common stock initially reserved available for issuance under awards granted pursuant to the 2019 Plan is equal to (1) 3,900,000 shares, less (2) any shares issued pursuant to awards granted during 2019 under the LTGP or the RAU (which number of shares pursuant to this clause (2) will not exceed 347,223 shares). Shares distributed pursuant to an award granted under the 2019 Plan may be authorized but unissued shares, or shares purchased in the open market.

If an award under the 2019 Plan is forfeited, expires, is settled for cash (including shares repurchased by us for the same price paid by the holder), or is converted to shares of another person in connection with certain transactions, any shares subject to such award may, to the extent of such forfeiture, expiration or cash settlement, be used again for new grants under the 2019 Plan. However, the following shares may not be used again for grant under the 2019 Plan: (1) shares tendered or withheld to satisfy grant or exercise price or tax withholding obligations associated with an award; (2) shares subject to a stock appreciation right, or SAR, that are not issued in connection with the stock settlement of the SAR on its exercise; and (3) shares purchased on the open market with the cash proceeds from the exercise of options. Shares that are repurchased by us at the same price paid by the holder of such shares will again be available for grant of awards under the 2019 Plan. The payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the 2019 Plan. Awards granted under the 2019 Plan upon the assumption of, or in substitution for, awards authorized or outstanding under a qualifying equity plan

maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares available for grant under the 2019 Plan.

*Awards.* The 2019 Plan provides for the grant of stock options, including incentive stock options, or ISOs, and non-qualified stock options, or NSOs, restricted stock, dividend equivalents, restricted stock units, or RSUs, other stock or cash based awards and stock appreciation rights. Certain awards under the 2019 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code, which may impose additional requirements on the terms and conditions of such awards.

All awards under the 2019 Plan will be set forth in award agreements, which will detail the terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Awards other than cash awards generally will be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. A brief description of each award type follows.

- *Stock options.* Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other requirements of the Code are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant, or 110% in the case of ISOs granted to certain significant stockholders, except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years, or five years in the case of ISOs granted to certain significant stockholders. Vesting conditions determined by the plan administrator may apply to stock options and may include continued service, performance and/or other conditions. ISOs may be granted only if the 2019 Plan is approved by stockholders within 12 months of the date of the board's initial adoption of the 2019 Plan.
- *SARs.* Stock appreciation rights, or SARs, entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant, except with respect to certain substitute SARs granted in connection with a corporate transaction, and the term of a SAR may not be longer than ten years. Vesting conditions determined by the plan administrator may apply to SARs and may include continued service, performance and/or other conditions.
- *Restricted stock and RSUs.* Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our common stock or cash in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying RSUs may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral. Conditions applicable to restricted stock and RSUs may be based on continuing service, the attainment of performance goals and/or such other conditions as the plan administrator may determine.
- *Other stock or cash based awards.* Other stock or cash based awards are awards of cash, fully vested shares of our common stock and other awards valued wholly or partially by referring to, or otherwise based on, shares of our common stock. Other stock or cash based awards may be available as a payment form in the settlement of other awards, as standalone payments and as payment in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards.
- *Dividend equivalents.* Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with

awards. Dividend equivalents are generally credited as of dividend record dates during the period between the date an award is granted and the date such award vests, is exercised, is distributed or expires, as determined by the plan administrator. Dividend equivalents with respect to any performance vesting award shall only be paid out to the extent that the performance vesting conditions with respect to such award are subsequently satisfied. Dividend equivalents will not be payable with respect to options or SARs.

*Director Award Limits.* The 2019 Plan provides that a director can receive no more than \$900,000, in the aggregate, in awards with a grant date fair value or cash value in any one year.

*Certain transactions.* The plan administrator has broad discretion to take action under the 2019 Plan, as well as make adjustments to the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our stockholders known as "equity restructurings," the plan administrator will make equitable adjustments to the 2019 Plan and outstanding awards.

If an award continues in effect or is assumed or substituted in connection with a change in control of our Company (as defined in the 2019 Plan), and the surviving or successor entity terminates a holder's employment or service for "cause" (as defined by the administrator or as set forth in an applicable award agreement) within twelve months of such change in control (or as otherwise set forth in the applicable award agreement), the such holder's award(s) will become fully vested. In the event of a change in control of our Company, to the extent that the surviving or successor entity declines to continue, convert, assume or replace outstanding awards, then prior to the change in control the plan administrator may cause (i) any or all awards (or portion thereof) to terminate in exchange for cash, rights or other property or (ii) any or all awards (or portion thereof) to become fully vested and exercisable prior to the consummation of such change in control and all forfeiture restrictions will lapse.

For purposes of the 2019 Plan, a "change in control" means each of the following:

- A transaction or series of transactions (other than an offering of our common stock to the general public through a registration statement filed with the SEC) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50 % of the total combined voting power of the Company's securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a change in control: (i) any acquisition by the Company or any of its subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its subsidiaries, (iii) any acquisition which complies with the third bullet below; or (iv) in respect of an award held by a particular holder, any acquisition by the holder or any group of persons including the holder (or any entity controlled by the holder or any group of persons including the holder); or
- The incumbent directors cease for any reason to constitute a majority of the Board;
- The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
  - which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted

into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the Successor Entity)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

- after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and
- after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were members of our board of directors at the time of the board of directors' approval of the execution of the initial agreement providing for such transaction; or
- the date which is 10 business days prior to the completion of a liquidation or dissolution of the Company.

For sake of clarity, a change in control will not occur by reason of the ESOP owning less than 50% of the voting power of the Company's (or any successor thereto) equity securities due to the ESOP making distributions to participants and their beneficiaries, or the ESOP selling equity securities to the public through underwritten registered public offerings.

*Foreign participants, claw-back provisions, transferability, and participant payments.* The plan administrator may modify award terms or establish subplans or procedures, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. All awards will be subject to the provisions of any claw-back policy implemented by us as set forth in such claw-back policy or in the applicable award agreement. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2019 Plan are generally non-transferable prior to vesting, and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2019 Plan, the plan administrator may, in its discretion, accept cash or check, shares of our common stock that meet specified conditions, the surrender of shares of our common stock then issuable upon the stock option's exercise valued at their fair market value on the exercise date, the delivery of a "market sell order" or such other consideration as it deems suitable.

*Plan amendment and termination.* Our board of directors may amend, suspend or terminate the 2019 Plan at any time; however, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available. No award may be granted pursuant to the 2019 Plan after the tenth anniversary of the date on which our board of directors adopted the 2019 Plan. Solely for purposes of permitting the Company to grant ISOs under the 2019 Plan, we may submit the 2019 Plan for the approval of the Company's stockholders within 12 months after the date of the board of directors' initial adoption of the 2019 Plan. ISOs may be granted or awarded prior to such stockholder approval, but no shares of our common stock will be issued upon the exercise, vesting, distribution or payment of any such ISOs prior to the time when the 2019 Plan is approved by the Company's stockholders. If such approval has not been obtained at the end of said 12-month period, the 2019 Plan will continue in effect, but all ISOs previously granted or awarded under the 2019 Plan will cease to be treated as ISOs and will automatically be treated for all purposes NQSOs, and no ISOs may thereafter be granted under the 2019 Plan.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

The following is a description of transactions since January 1, 2016, to which we have been a party, in which the amount involved exceeds or will exceed \$120,000 and in which any of our directors, executive officers or holders of more than 5% of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest.

### **ESOP**

Contributions of treasury stock to the ESOP are made annually in amounts determined by our board of directors and are held in trust for the sole benefit of the ESOP participants. Contributions of 656,027 shares, 596,832 shares and 624,996 shares of our common stock were made to the ESOP in fiscal 2016, 2017 and 2018, respectively. In fiscal 2016, 2017 and 2018, we repurchased 2,480,021 shares, 1,827,737 shares and 1,851,297 shares of our common stock from the ESOP, respectively, in connection with the redemption of ESOP participants' interests in the ESOP for \$148.7 million, \$111.4 million and \$125.8 million, respectively.

### **Unconsolidated Joint Ventures**

We often provide services to our unconsolidated joint ventures and our revenues include amounts related to recovering overhead costs for these services. Our revenues included \$127.7 million in fiscal 2016, \$112.1 million in fiscal 2017 and \$144.7 million in fiscal 2018 related to services we provided to our unconsolidated joint ventures. For the years ended December 30, 2016, December 29, 2017 and December 31, 2018, we incurred approximately \$96.2 million, \$81.8 million and \$111.1 million, respectively, of reimbursable costs.

### **Indemnification Agreements and Directors' and Officers' Liability Insurance**

We have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, penalties fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer. We also maintain directors' and officers' liability insurance.

### **Policies and Procedures for Related Party Transactions**

Our written related person transaction policy, to be effective upon the consummation of this offering, sets forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds \$120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction with an unrelated third party and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.



## PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of December 31, 2018, and as adjusted to reflect the sale of our common stock offered by us in this offering, for:

- each of our NEOs;
- each of our directors;
- all of our current directors and executive officers as a group; and
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding shares common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, which generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security. The information in the table below does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

We have based our calculation of the percentage of beneficial ownership prior to this offering on 26,057,603 shares of common stock outstanding as of December 31, 2018. We have based our calculation of the percentage of beneficial ownership after this offering on shares of common stock outstanding immediately after the completion of this offering.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Parsons Corporation, 5875 Trinity Parkway #300, Centreville, Virginia 20120.

	Shares Beneficially Owned Prior to this Offering		% of Outstanding Shares Beneficially Owned After this Offering
	Shares	%	
<b>Named Executive Officers and Directors:</b>			
Charles L. Harrington(1)	28,618	*	
George L. Ball(1)	19,371	*	
Carey A. Smith(1)	623	*	
Adam W. Taylor(1)	263	*	
Michael R. Kolloway(1)	971	*	
Kenneth C. Dahlberg	—	—	
Mark K. Holdsworth	—	—	
Steven F. Leer	—	—	
Tamara L. Lundgren	—	—	
James F. McGovern	—	—	
Harry T. McMahon	—	—	
M. Christian Mitchell	—	—	
Major General Suzanne M. "Zan" Vautrinot, USAF (ret)	—	—	
All executive officers and directors as a group (14 persons)(2)			
<b>5% Stockholders:</b>			
Parsons Corporation Employee Stock Ownership Plan(3)	26,057,603	100%	

\* less than 1%.

## Table of Contents

- (1) Consists of shares of common stock beneficially owned by such person through the ESOP, rounded to the nearest whole share. Such person shares voting and investment power with the ESOP with respect to such shares beneficially owned through the ESOP.
- (2) Consists of shares of common stock beneficially owned by our executive officers and directors through the ESOP, rounded to the nearest whole share.
- (3) Includes 26,057,603 allocated shares (i.e., shares of our common stock that are held in the ESOP and allocated to an ESOP participant's account), and 0 unallocated shares (i.e., shares of our common stock held in the ESOP but not allocated to any ESOP participant's account). The ESOP Trustee votes allocated shares as directed by such ESOP participant or beneficiary of the ESOP. Under the terms of the ESOP, the ESOP Trustee will vote all of the unallocated shares and all of the allocated shares for which no voting directions are timely received by the ESOP Trustee. In addition, the ESOP Trustee has fiduciary duties under ERISA to the ESOP and its participants which may cause the ESOP Trustee to override participants' voting directions. The ESOP shares voting and investment power with the ESOP participants with respect to the allocated shares.

## DESCRIPTION OF CAPITAL STOCK

### General

As of the closing of this offering, our authorized capital stock will consist of 1,000,000,000 shares of common stock, par value \$1.00 per share, and 100,000,000 shares of preferred stock, par value \$1.00 per share.

The following description of our capital stock and provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to the certificate of incorporation and bylaws that will become effective upon the closing of this offering. Our certificate of incorporation and bylaws will be approved by our pre-IPO stockholders prior to this offering. Copies of these documents will be filed with the Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part. The description of our capital stock reflects changes to our capital structure that will occur upon the closing of this offering.

### Common Stock

Upon completion of this offering, there will be \_\_\_\_\_ shares of our common stock outstanding.

### Voting Rights

Holders of our common stock are entitled to one vote per share of common stock. Holders of shares of common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders. All matters, except the election of directors or as otherwise provided, will be decided by the vote of a majority in interest of the stockholders present and entitled to vote. The persons receiving the greatest number of votes shall be the persons elected as directors. We have not provided for cumulative voting for the election of directors in our certificate of incorporation.

### Economic Rights

*Dividends.* Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. See "Dividend Policy" for more information. Any dividend or distributions paid or payable to the holders of shares of common stock shall be paid pro rata, on an equal priority, pari passu basis.

*Right to Receive Liquidation Distributions.* Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders shall be distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

### Choice of Forum

Our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty by any of our directors, officers, employees or stockholders owed to us or our

stockholders; (3) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws, or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware; or (4) any action asserting a claim governed by the internal affairs doctrine. Our certificate of incorporation also provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to this choice of forum provision. It is possible that a court of law could rule that the choice of forum provision contained in our certificate of incorporation is inapplicable or unenforceable if it is challenged in a proceeding or otherwise. This choice of forum provision has important consequences for our stockholders. See “Risk Factors—Risks Related to Our Common Stock and This Offering—Our certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.”

These provisions do not apply to violations of the federal securities laws of the United States.

### **Preferred Stock**

Under the terms of our certificate of incorporation that will become effective upon the closing of this offering, our board of directors is authorized to direct us to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Upon the closing of this offering, there will be no shares of preferred stock outstanding, and we have no present plans to issue any shares of preferred stock.

### **Anti-takeover Provisions**

#### ***Classified Board of Directors and Removal of Directors***

Our certificate of incorporation will provide that our board of directors will be divided into three classes, with the classes as nearly equal in number as possible and each class serving three-year staggered terms. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board.

Our certificate of incorporation and our bylaws will provide that a director may be removed only for cause. Any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

#### ***Stockholder Action; Special Meeting of Stockholders***

Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of such stockholders and may

## [Table of Contents](#)

not be effected by any consent in writing by such stockholders. Our certificate of incorporation and our bylaws also provide that, except as otherwise required by law, special meetings of our stockholders can only be called by our board of directors or a board committee authorized with the power to call such meetings.

### **Authorized But Unissued Shares**

The authorized but unissued shares of our common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of the NYSE. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

The foregoing provisions of our certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management or delaying or preventing a transaction that might benefit you or other minority stockholders.

In addition, upon the closing of this offering, we will be subject to Section 203 of the Delaware General Corporation Law. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a “business combination” with any “interested stockholder” for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger or consolidation involving us and the “interested stockholder” and the sale of more than 10% of our assets. In general, an “interested stockholder” is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

### **Transfer Agent and Registrar**

Upon completion of this offering, the transfer agent and registrar for our common stock will be . The address of the transfer agent and registrar is .

### **Limitations of Liability and Indemnification**

See the section captioned “Certain Relationships and Related Party Transactions— Indemnification Agreements and Directors’ and Officers’ Liability Insurance.”

### **Listing**

We have applied to list our common stock on the NYSE under the symbol “PSN.”

## SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares of our common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the completion of this offering, \_\_\_\_\_ shares of our common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares. Of these outstanding shares, all of the shares of our common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock not sold in this offering will be deemed "restricted securities" as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. All of our executive officers, directors and the ESOP, which holds all of our capital stock prior to this offering, have entered into lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for 180 days following the date of this prospectus. As a result of these agreements and subject to the provisions of Rule 144 or Rule 701, shares of our common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all \_\_\_\_\_ shares of our common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 181 days after the date of this prospectus, the remaining \_\_\_\_\_ shares of our common stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below.

### Lock-Up Agreements

We, our officers, directors and the ESOP, which holds all of our capital stock prior to this offering, have agreed that, subject to certain exceptions, for a period of 180 days after the date of this prospectus, we and they will not, without the prior written consent of Goldman Sachs & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our capital stock. Goldman Sachs & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated may, in their discretion, release any of the securities subject to lock-up agreements at any time. When determining whether or not to release our common stock and other securities from lock-up agreements, Goldman Sachs & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated will consider, among other factors, the holder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time of the request. In the event of such a release or waiver for one of our directors or officers, Goldman Sachs & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated shall provide us with notice of the impending release or waiver at least three business days before the effective date of such release or waiver and we will announce the impending release or waiver by issuing a press release at least two business days before the effective date of the release or waiver.

## Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares of our common stock on behalf of our affiliates are entitled to sell upon expiration of the market standoff agreements and lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our capital stock then outstanding, which will equal \_\_\_\_\_ shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares of our common stock on behalf of our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

## S-8 Registration Statement

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the completion of this offering to register shares of our common stock currently outstanding, as well as reserved for future issuance, under our equity compensation plans, including shares held by the ESOP. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section captioned “Executive Compensation—Incentive Award Plan” for a description of our equity compensation plans.

## **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances, including the impact of the alternative minimum tax or the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities, currencies or commodities;
- “controlled foreign corporations,” “passive foreign investment companies,” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- “qualified foreign pension funds” as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the stock being taken into account in an “applicable financial statement” (as defined in the Code).

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.



**THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

#### **Definition of a Non-U.S. Holder**

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our common stock that is neither a “U.S. person” nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

#### **Distributions**

As described in the section entitled “Dividend Policy,” other than the IPO Dividend, we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under “Sale or Other Taxable Disposition.”

Subject to the discussion below on effectively connected income, backup withholding and FATCA (as defined below), dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable

withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

### **Sale or Other Taxable Disposition**

Subject to the discussion below on backup withholding and FATCA, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- subject to certain exceptions, our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

### **Information Reporting and Backup Withholding**

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a

United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

#### **Additional Withholding Tax on Payments Made to Foreign Accounts**

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of interest on a note. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of a note on or after January 1, 2019, recently proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

**UNDERWRITING**

The Company and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC are the representatives of the underwriters.

<u>Underwriters</u>	<u>Number of Shares</u>
Goldman Sachs & Co. LLC.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Morgan Stanley & Co. LLC.	
Jefferies LLC	
Wells Fargo Securities, LLC	
Cowen and Company, LLC	
SunTrust Robinson Humphrey, Inc.	
MUFG Securities Americas Inc.	
Scotia Capital (USA) Inc.	
Total	<u>                    </u>

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional \_\_\_\_\_ shares from the Company to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by the Company. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase \_\_\_\_\_ additional shares.

**Paid by the Company**

	<u>No Exercise</u>	<u>Full Exercise</u>
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The Company and its officers, directors and the ESOP, which holds all of our capital stock prior to this offering, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common

## [Table of Contents](#)

stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the Company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the company's historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to list the common stock on the NYSE under the symbol "PSN". In order to meet one of the requirements for listing the common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The Company estimates that its total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$ .

The Company has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

## **Conflicts of Interest**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerages and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to Parsons Corporation and to persons and entities with relationships with Parsons Corporation, for which they received or will receive customary fees and expenses. Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, MUFG Securities Americas Inc. and Scotia Capital (USA) Inc. are each a lender under the Term Loan and the Revolving Credit Facility. A portion of the net proceeds from this offering will be used to repay borrowings under the Term Loan and Revolving Credit Facility. As a result, we expect that more than 5% of the net proceeds from this offering will be paid to affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, MUFG Securities Americas Inc. and Scotia Capital (USA) Inc. Therefore, this offering is being made in compliance with FINRA Rule 5121. Pursuant to that rule, a “qualified independent underwriter,” as defined by the FINRA rules, must have participated in the preparation of the registration statement and performed its usual standard of due diligence with respect to that registration statement. Goldman Sachs & Co. LLC is serving as a qualified independent underwriter and will assume the customary responsibilities of acting as a qualified independent underwriter in conducting due diligence and reviewing and participating in the preparation of this registration statement. Goldman Sachs & Co. LLC will not receive any additional compensation for acting as a qualified independent underwriter. We have agreed to indemnify Goldman Sachs & Co. LLC against certain liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of Parsons Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with Parsons Corporation. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of our common shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of our common shares may be made at any time under the following exemptions under the Prospectus Directive:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

## [Table of Contents](#)

provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to our common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our common shares to be offered so as to enable an investor to decide to purchase our common shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended), including by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State.

This European Economic Area selling restriction is in addition to any other selling restrictions set out below.

### ***United Kingdom***

In the United Kingdom, this prospectus is only addressed to and directed as qualified investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any investment or investment activity to which this prospectus relates is available only to relevant persons and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

### ***Canada***

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption form, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Hong Kong***

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (“Companies (Winding Up and Miscellaneous Provisions) Ordinance”) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the

Laws of Hong Kong) (“Securities and Futures Ordinance”), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

### **Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation’s securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (“Regulation 32”).

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.



### **Japan**

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

### **Dubai**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

### **Switzerland**

We have not and will not register with the Swiss Financial Market Supervisory Authority ("FINMA") as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended ("CISA"), and accordingly the securities being offered pursuant to this prospectus have not and will not be approved, and may not be licensable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to "qualified investors," as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended ("CISO"), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

## LEGAL MATTERS

Latham & Watkins LLP, Los Angeles, California will pass upon the validity of the shares of our common stock being offered by this prospectus. Certain legal matters will be passed upon for the underwriters by Gibson, Dunn & Crutcher LLP, Los Angeles, California. Gibson, Dunn & Crutcher LLP has represented us from time to time in unrelated matters.

## EXPERTS

The financial statements as of December 29, 2017 and December 31, 2018 and for each of the three years in the period ended December 31, 2018 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the public reference facilities and website of the SEC referred to above. We also maintain a website at [www.parsons.com](http://www.parsons.com) where, upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information on or that can be accessed through our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

PARSONS CORPORATION AND SUBSIDIARIES  
Index  
December 30, 2016, December 29, 2017 and December 31, 2018

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<b>Consolidated Financial Statements</b>	
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-3
<a href="#">Consolidated Statements of Income (Loss)</a>	F-4
<a href="#">Consolidated Statements of Comprehensive Income (Loss)</a>	F-5
<a href="#">Consolidated Statements of Changes in Redeemable Common Stock and Shareholder's Deficit</a>	F-6
<a href="#">Consolidated Statements of Cash Flows</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-8
<a href="#">Schedule II—Valuation and Qualifying Accounts</a>	F-45

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholder of Parsons Corporation

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheets of Parsons Corporation and its subsidiaries (the "Company") as of December 31, 2018 and December 29, 2017, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in redeemable common stock and shareholder's deficit and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and December 29, 2017 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue from contracts with customers in 2018.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Los Angeles, California

March 8, 2019, except for the effects of the revision discussed in Note 2 to the consolidated financial statements, as to which the date is March 22, 2019

We have served as the Company's auditor since at least 1969. We have not been able to determine the specific year we began serving as the auditor of the Company.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**As of December 29, 2017 and December 31, 2018**

<i>(in thousands, except shares and par value)</i>	<b>2017</b>	<b>2018</b>	<b>Pro Forma 2018 (Note 2) (unaudited)</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents (including \$68,796 and \$73,794 Cash of consolidated joint ventures)	\$ 445,164	\$ 280,221	\$ 228,101
Restricted cash and investments	980	974	974
Accounts receivable, net (including \$149,191 and \$180,325 Accounts receivable of consolidated joint ventures, net)	1,063,638	623,286	623,286
Contract Assets (including \$0 and \$21,270 Contract assets of consolidated joint ventures)	—	515,319	515,319
Prepaid expenses and other current assets (including \$13,054 and \$11,837 Prepaid expenses and other current assets of consolidated joint ventures)	52,182	69,007	69,007
Total current assets	1,561,964	1,488,807	1,436,687
Property and equipment, net (including \$4,201 and \$2,561 Property and equipment of consolidated joint ventures, net)	87,578	91,849	91,849
Goodwill	496,786	736,938	736,938
Investments in and advances to unconsolidated joint ventures	71,578	63,560	63,560
Intangible assets, net	17,699	179,519	179,519
Deferred tax assets	8,459	5,680	76,728
Other noncurrent assets	28,654	46,225	46,225
Total assets	<u>\$ 2,272,718</u>	<u>\$ 2,612,578</u>	<u>\$ 2,631,506</u>
<b>Liabilities, Redeemable Common Stock, and Shareholder's Deficit</b>			
<b>Current liabilities</b>			
Accounts payable (including \$80,151 and \$87,914 Accounts payable of consolidated joint ventures)	\$ 207,080	\$ 226,345	\$ 226,345
Accrued expenses and other current liabilities (including \$58,211 and \$73,209 Accrued expenses and other current liabilities of consolidated joint ventures)	504,150	559,700	559,700
Billings in excess of costs (including \$43,616 and \$0 Billings in excess of costs of consolidated joint ventures)	145,151	—	—
Contract liabilities (including \$0 and \$38,706 Contract liabilities of consolidated joint ventures)	—	208,576	208,576
Provision for contract losses (including \$129,916 and \$0 Provision for contract losses of consolidated joint ventures)	143,666	—	—
Income taxes (including \$181 and \$5 Income taxes of consolidated joint ventures)	7,671	11,540	11,540
Total current liabilities	1,007,718	1,006,161	1,006,161
Long-term employee incentives	41,888	41,913	41,913
Deferred gain resulting from sale-leaseback transactions	53,342	46,004	46,004
Long-term debt	249,407	429,164	429,164
Deferred tax liabilities	8,540	6,240	6,625
Other long-term liabilities	106,434	127,863	127,863
Total liabilities	1,467,329	1,657,345	1,657,730
<b>Commitments and contingencies (Note 14)</b>			
Redeemable common stock held by Employee Stock Ownership Plan (ESOP), \$1 par value; authorized 50,000,000 shares; 41,699,228 shares issued; 27,283,904 and 26,059,848 shares outstanding, recorded at redemption value	1,855,305	1,876,309	1,876,309
<b>Shareholder's deficit</b>			
Common stock, \$1 par value; authorized 50,000,000 shares; 41,699,228 shares issued, 27,283,904 and 26,059,848 shares outstanding	—	—	—
Treasury stock, 14,415,324 and 15,639,380 shares at cost	(876,372)	(957,025)	(957,025)
Additional paid-in capital	—	—	30,988
(Accumulated deficit) retained earnings	(186,035)	12,445	—
Accumulated other comprehensive loss	(15,003)	(22,957)	(22,957)
Total Parsons Corporation shareholder's deficit	(1,077,410)	(967,537)	(948,994)
Noncontrolling interests	27,494	46,461	46,461
Total shareholder's deficit	(1,049,916)	(921,076)	(902,533)
Total liabilities, redeemable common stock and shareholder's deficit	<u>\$ 2,272,718</u>	<u>\$ 2,612,578</u>	<u>\$ 2,631,506</u>

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

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Income (Loss)**  
**Years Ended December 30, 2016, December 29, 2017 and December 31, 2018**

<i>(in thousands, except for per share data)</i>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenue	\$3,039,191	\$3,017,011	\$3,560,508
Direct costs of contracts	2,431,193	2,400,140	2,795,005
Equity in earnings of unconsolidated joint ventures	35,462	40,086	36,915
Indirect, general and administrative expenses	522,920	506,255	597,410
Impairment of goodwill, intangible and other assets	85,133	—	—
Operating income	<u>35,407</u>	<u>150,702</u>	<u>205,008</u>
Interest income	1,190	2,465	2,710
Interest expense	(16,509)	(15,798)	(20,842)
Other income (expense), net	1,340	5,658	(1,651)
(Interest and other expense) gain associated with claim on long-term contract	(9,422)	(10,026)	74,578
Total other (expense) income	<u>(23,401)</u>	<u>(17,701)</u>	<u>54,795</u>
Income before income tax expense	12,006	133,001	259,803
Income tax expense	<u>(13,992)</u>	<u>(21,464)</u>	<u>(20,367)</u>
Net (loss) income including noncontrolling interests	(1,986)	111,537	239,436
Net income attributable to noncontrolling interests	<u>(11,161)</u>	<u>(14,211)</u>	<u>(17,099)</u>
Net (loss) income attributable to Parsons Corporation	<u>\$ (13,147)</u>	<u>\$ 97,326</u>	<u>\$ 222,337</u>
(Loss) earnings per share:			
Basic and diluted	<u>\$ (0.45)</u>	<u>\$ 3.49</u>	<u>\$ 8.34</u>
Weighted average shares outstanding:			
Basic and diluted	<u>29,499</u>	<u>27,858</u>	<u>26,671</u>
<b>Pro Forma Net Income Information (Note 2) (unaudited)</b>			
Historical income before income tax expense			\$ 259,803
Pro forma provision for income taxes			(74,755)
Pro forma net income including noncontrolling interests			185,048
Pro forma net income attributable to Parsons Corporation			<u>167,949</u>
Pro forma net income attributable to Parsons Corporation per share, basic and diluted			\$ 6.30
Pro forma weighted average shares outstanding, basic and diluted			<u>26,671</u>

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

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**Years Ended December 30, 2016, December 29, 2017 and December 31, 2018**

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<i>(in thousands)</i>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net (loss) income including noncontrolling interests	\$ (1,986)	\$111,537	\$239,436
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment, net of tax	(61)	4,793	(7,800)
Pension adjustments, net of tax	189	(95)	(56)
Comprehensive (loss) income including noncontrolling interests, net of tax	(1,858)	116,235	231,580
Comprehensive income attributable to noncontrolling interests, net of tax	(11,195)	(14,210)	(17,197)
Comprehensive (loss) income attributable to Parsons Corporation, net of tax	<u>\$ (13,053)</u>	<u>\$102,025</u>	<u>\$214,383</u>

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

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Redeemable Common Stock and Shareholder's Deficit**  
**Years Ended December 30, 2016, December 29, 2017 and December 31, 2018**

<i>(in thousands)</i>	Redeemable Common Stock	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Parsons Deficit	Noncontrolling Interests	Total Shareholder's Deficit
<b>Balances at December 26, 2015</b>	\$ 1,818,576	\$(704,715)	\$ (227,373)	\$ (19,797)	\$ (951,885)	\$ 82,476	(869,409)
Comprehensive loss							
Net (loss) income	—	—	(13,147)	—	(13,147)	11,161	(1,986)
Foreign currency translation (loss) gain	—	—	—	(94)	(94)	34	(60)
Pension adjustments	—	—	—	189	189	—	189
Purchase of treasury stock	(148,715)	(148,715)	148,715	—	—	—	—
Contributions of treasury stock to ESOP	41,796	47,311	(47,311)	—	—	—	—
Distributions, net of contributions	—	—	—	—	—	(36,502)	(36,502)
ESOP shares at redemption value	27,774	—	(27,774)	—	(27,774)	—	(27,774)
<b>Balances at December 30, 2016</b>	<u>\$ 1,739,431</u>	<u>\$(806,119)</u>	<u>\$ (166,890)</u>	<u>\$ (19,702)</u>	<u>\$ (992,711)</u>	<u>\$ 57,169</u>	<u>\$ (935,542)</u>
Comprehensive income							
Net income	—	—	97,326	—	97,326	14,211	111,537
Foreign currency translation gain (loss)	—	—	—	4,794	4,794	(1)	4,793
Pension adjustments	—	—	—	(95)	(95)	—	(95)
Purchase of treasury stock	(111,403)	(111,403)	111,403	—	—	—	—
Contributions of treasury stock to ESOP	40,553	41,150	(41,150)	—	—	—	—
Distributions, net of contributions	—	—	—	—	—	(43,885)	(43,885)
ESOP shares at redemption value	186,724	—	(186,724)	—	(186,724)	—	(186,724)
<b>Balances at December 29, 2017</b>	<u>\$ 1,855,305</u>	<u>\$(876,372)</u>	<u>\$ (186,035)</u>	<u>\$ (15,003)</u>	<u>\$(1,077,410)</u>	<u>\$ 27,494</u>	<u>\$ (1,049,916)</u>
Comprehensive income							
Net income	—	—	222,337	—	222,337	17,099	239,436
Foreign currency translation loss	—	—	—	(7,898)	(7,898)	98	(7,800)
Pension adjustments	—	—	—	(56)	(56)	—	(56)
Adoption of ASC 606	—	—	(4,735)	—	(4,735)	—	(4,735)
Purchase of treasury stock	(125,814)	(125,814)	125,814	—	—	—	—
Contributions of treasury stock to ESOP	47,043	45,161	(45,161)	—	—	—	—
Contributions, net of distributions	—	—	—	—	—	1,770	1,770
ESOP shares at redemption value	99,775	—	(99,775)	—	(99,775)	—	(99,775)
<b>Balances at December 31, 2018</b>	<u>\$ 1,876,309</u>	<u>\$(957,025)</u>	<u>\$ 12,445</u>	<u>\$ (22,957)</u>	<u>\$ (967,537)</u>	<u>\$ 46,461</u>	<u>\$ (921,076)</u>

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



**PARSONS CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 30, 2016, December 29, 2017 and December 31, 2018**

<i>(in thousands)</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Cash flows from operating activities</b>			
Net (loss) income including noncontrolling interests	\$ (1,986)	\$ 111,537	\$ 239,436
Adjustments to reconcile net (loss) income to net cash provided by operating activities			
Depreciation and amortization	42,156	35,198	69,869
Amortization of deferred gain	(7,283)	(7,283)	(7,253)
Amortization of debt costs	487	504	721
Gain associated with claim on long-term contract	—	—	(129,674)
(Gain) loss on disposal of property and equipment	(830)	1,184	780
Provision for doubtful accounts	13,142	12,530	5,255
Deferred taxes	(1,127)	5,465	(1,451)
Asset impairment	85,133	—	—
Foreign currency transaction gains and losses	(6)	(5,121)	5,224
Equity in earnings of unconsolidated joint ventures	(35,462)	(40,086)	(36,915)
Return on investments in unconsolidated joint ventures	33,669	33,377	35,192
Contributions of treasury stock	41,796	40,553	45,161
Changes in assets and liabilities, net of acquisitions and newly consolidated joint ventures			
Accounts receivable	105,572	(2,958)	461,304
Contract assets	—	—	(480,090)
Prepaid expenses and other current assets	(5,009)	(10,850)	(23,668)
Accounts payable	(43,183)	27,334	5,566
Accrued expenses and other current liabilities	(26,863)	26,091	30,396
Contract liabilities	—	—	205,047
Billings in excess of costs	(2,257)	7,900	(150,873)
Provision for contract losses	6,491	19,431	(13,795)
Income taxes	(2,827)	2,518	3,911
Other long-term liabilities	(3,054)	7,705	20,491
Net cash provided by operating activities	<u>198,559</u>	<u>265,029</u>	<u>284,634</u>
<b>Cash flows from investing activities</b>			
Capital expenditures	(30,079)	(27,939)	(29,283)
Proceeds from sale of property and equipment	1,902	2,250	439
Payments for acquisitions, net of cash acquired	—	(25,737)	(481,163)
Investments in unconsolidated joint ventures	(5,167)	(3,502)	(4,720)
Return of investments in unconsolidated joint ventures	4,042	1,967	11,432
Net cash used in investing activities	<u>(29,302)</u>	<u>(52,961)</u>	<u>(503,295)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings under credit agreement	—	—	260,000
Repayments of borrowings under credit agreement	—	—	(80,000)
Payments for debt costs and credit agreement	—	(1,949)	(545)
(Distributions) contributions to noncontrolling interests, net	(36,502)	(43,885)	1,770
Purchase of treasury stock	(148,715)	(111,403)	(125,814)
Deferred payments for acquisition	—	(2,934)	—
Net cash (used in) provided by financing activities	<u>(185,217)</u>	<u>(160,171)</u>	<u>55,411</u>
Effect of exchange rate changes	(1,200)	1,235	(1,699)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(17,160)</u>	<u>53,132</u>	<u>(164,949)</u>
<b>Cash, cash equivalents and restricted cash</b>			
Beginning of year	<u>410,172</u>	<u>393,012</u>	<u>446,144</u>
End of year	<u>\$ 393,012</u>	<u>\$ 446,144</u>	<u>\$ 281,195</u>
<b>Cash paid during the year for</b>			
Interest	\$ 13,342	\$ 12,905	\$ 16,805
Income taxes (net of refunds)	16,270	14,364	17,054

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

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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**1. Description of Operations**

Parsons Corporation, a Delaware corporation, and its subsidiaries (collectively, the "Company") provide sophisticated design, engineering and technical services, and smart and agile software to the United States federal government and Critical Infrastructure customers worldwide. The Company performs work in various foreign countries through local subsidiaries, joint ventures and foreign offices maintained to carry out specific projects. Parsons Employee Stock Ownership Plan ("ESOP") is the sole shareholder of the Company.

**2. Summary of Significant Accounting Policies**

**Financial Statement Revisions**

During the preparation of the Form S-1 filing, the Company identified errors in the disclosure in the previously issued consolidated financial statements. The Company revised Note 4 in the accompanying notes to the consolidated financial statements to correct an error in the calculation of the remaining unsatisfied performance obligations. This resulted in a \$103.6 million decrease of remaining unsatisfied performance obligations in 2018 for Critical Infrastructure, including \$55.8 million within one year, \$36.1 million within one to two years, and \$11.8 million thereafter. In addition, the Company revised Note 20 in the accompanying notes to the consolidated financial statements to correct the omission of the segment disclosure for revenue by business line. Management evaluated these errors and concluded that they were not material to the previously issued financial statements.

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of Parsons Corporation and its subsidiaries and affiliates which it controls. Interests in joint ventures that are controlled by the Company, or for which the Company is otherwise deemed to be the primary beneficiary, are consolidated. For joint ventures in which the Company does not have a controlling interest, but exerts significant influence, the Company applies the equity method of accounting. Intercompany accounts and transactions are eliminated in consolidation.

**Unaudited Pro Forma Balance Sheet**

The unaudited pro forma balance sheet information gives effect to the termination of our "S" Corporation status in connection with the Company's anticipated initial public offering and the Company's election to be treated as a "C" Corporation under the Internal Revenue Code, assuming such termination occurred on December 31, 2018. Additionally, the pro forma balance sheet information gives effect to a cash dividend to the Company's existing shareholder in the amount of \$2.00 per share, or \$52.1 million, which is conditional upon closing of the anticipated initial public offering. The pro forma effect of the conversion to a "C" Corporation results in an increase in net deferred tax assets of \$70.7 million, and the termination of the Company's "S" Corporation status results in the reclassification of undistributed retained earnings, inclusive of the effects of the pro forma deferred tax and cash dividend adjustments, to additional paid-in capital. As all ESOP shares are contingently redeemable for cash during the 180-day lock up period, pro forma adjustments have not been made to reflect a reclassification of redeemable

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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common stock held by the ESOP from temporary equity to permanent equity, as such reclassification is not expected until the 180-day lock-up period lapses and the interests redeemed by ESOP participants will be settled in shares of the public company.

***Unaudited Pro Forma Income Statement***

The unaudited pro forma net income information gives effect to the anticipated conversion of the Company to a C corporation. Prior to such anticipated conversion, the Company was an S corporation and generally not subject to federal income taxes within the United States. The pro forma net income, therefore, includes an adjustment for income tax expense on the income attributable to controlling interest as if the Company had been a C corporation as of December 30, 2017 at an assumed combined federal, state, local and foreign effective income tax rate of 28.77%.

The unaudited pro forma basic and diluted net income per share is computed using unaudited pro forma net income.

**Fiscal Year**

The Company reports results of operations based on a calendar year end date of December 31 starting in 2018. Prior to 2018, the Company reported results of operations based on a 52- or 53-week periods ending the last Friday on or before December 31. For 2016 and 2017, these dates were December 30, 2016 and December 29, 2017, respectively. 2016 was comprised of 53 weeks and 2017 was comprised of 52 weeks.

**Use of Estimates**

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The Company's most significant estimates and judgments involve revenue recognition with respect to the determination of the costs to complete contracts and transaction price; determination of self-insurance reserves; valuation of the Company's fair value of common stock; useful lives of property and equipment and intangible assets; calculation of allowance for doubtful accounts; valuation of deferred income tax assets and uncertain tax positions, among others.

**ESOP**

The Company maintains a non-leveraged ESOP for eligible employees, for which the Company contributes shares of its own stock to the ESOP trust each year. Shares held by the trust or committed to be contributed to the trust are presented as temporary equity as they include a cash redemption feature that is not solely within the control of the Company. Throughout the year, as employee services are rendered, the Company records compensation expense based on salaries of eligible employees. At each reporting period, the shares held within the ESOP or committed to be contributed to the ESOP are adjusted to their redemption value through an offsetting charge or credit to accumulated deficit.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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### **Treasury Stock**

The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. The Company records the reissuance of treasury stock using the first-in, first-out method of accounting. Contributions of 656,027 shares, 596,832 shares and 627,241 shares of common stock were made to the ESOP in fiscal 2016, 2017 and 2018, respectively. In fiscal 2016, 2017 and 2018 the Company repurchased 2,480,021 shares, 1,827,737 shares and 1,851,297 shares of common stock from the ESOP, respectively, in connection with the redemption of ESOP participants' interests in the ESOP for \$148.7 million, \$111.4 million and \$125.8 million, respectively.

### **Earnings per Share**

Basic earnings per common share ("EPS") is calculated by dividing Net income by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by dividing net income by adjusted weighted average outstanding shares, assuming conversion of all potentially dilutive securities. Upon contribution to the ESOP, the shares become outstanding and are included within the earnings per share computations.

### **Revenue Recognition**

On December 30, 2017, the Company adopted ASU 2014-09, "*Revenue from Contracts with Customers*" and related ASU's subsequently issued by the Financial Accounting Standards Board ("ASC 606") using the modified retrospective method. As a result, the Company revised its accounting policy on revenue recognition and the results for reporting periods beginning after December 29, 2017 are presented under ASC 606. In accordance with ASC 606, the Company follows the five-step process in ASC 606 to recognize revenue:

1. Identify the contract
2. Identify performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

*Contracts*—Revenue is derived from long-term contracts with customers whereby the Company provides planning, design, engineering, technical, and construction and program management services. The Company has contracts with the United States federal government that contain provisions requiring compliance with the United States Federal Acquisition Regulation ("FAR") and the United States Cost Accounting Standards ("CAS"). These regulations are generally applicable to all of the Company's federal government contracts and are partially or fully incorporated in some local and state agency contracts. Most of the Company's federal government contracts are subject to termination at the convenience of the client. These contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

The Company enters into the following types of contracts with its customers:

*Cost-Plus*—Under cost-plus contracts, the Company is reimbursed for allowable or otherwise defined costs incurred, plus a fee. The contracts may also include incentives for

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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various performance criteria, including quality, timeliness, safety and cost-effectiveness. In addition, costs are generally subject to review by clients and regulatory audit agencies, and such reviews could result in costs being disputed as nonreimbursable under the terms of the contract.

*Time-and-Materials*—Under time-and-materials contracts, hourly billing rates are negotiated and charged to clients based on the actual time spent on a project. In certain cases, these contracts may be subject to maximum contract values. In addition, clients reimburse actual out-of-pocket costs for materials and other direct incidental expenditures that are incurred in connection with the performance under the contract.

*Fixed-Price*—The Company enters into two types of fixed-price contracts: firm fixed-price (“FFP”) and fixed-price per unit (“FPPU”). Under FFP contracts, clients pay an agreed fixed-amount negotiated in advance for a specified scope of work.

*Contract Costs*—Contract costs consist of direct costs on contracts, including labor and materials, amounts payable to subcontractors, direct overhead costs and equipment expense (primarily depreciation, fuel, maintenance and repairs). All contract costs are recorded as incurred. Changes to estimated contract costs, either due to unexpected events or revisions to management’s initial estimates, for a given project are recognized in the period in which they are determined as estimated at the contract level. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the client, generate or enhance resources that will be used in satisfying performance obligations in the future and directly relate to an existing or anticipated contract. Costs to mobilize equipment and labor to a job site, prior to substantive work beginning (“mobilization costs”) are capitalized as incurred and amortized over the expected duration of the contract. Additionally, the Company may incur incremental costs to obtain certain contracts, such as selling and market costs, bid and proposal costs, sales commissions, and legal fees, certain of which can be capitalized if they are recoverable under the contract. Capitalized contract costs are included in other current assets on the consolidated balance sheets and were not material as of December 29, 2017 and December 31, 2018.

*Performance Obligations*—A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To the extent a contract is deemed to have multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The Company determines the relative standalone selling price utilizing observable prices for the sale of the underlying goods or services. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts or is not distinct in the context of the contract, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability. Engineering and construction contracts are generally accounted for as a single performance obligation while our engineering and construction supervision contracts are accounted for as two separate performance obligations. Customers are generally billed as the Company satisfies its performance obligations and payment terms typically range from 30 to 120 days from the invoice date. Billings under certain fixed-price contracts may be based upon the achievement of specified milestones, while some arrangements may require advance customer payment. The Company’s contracts generally do not include a significant financing component.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

*Variable Consideration*—Transaction price for the Company's contracts may include variable consideration, which includes increases to transaction price for approved and unpriced change orders, claims and incentives, and reductions to transaction price for liquidated damages. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the total loss in the quarter it is identified. The Company estimates variable consideration for a performance obligation utilizing one of the two prescribed methods, depending on which method better predicts the amount of consideration to which the Company will be entitled (or the amount the Company expects to incur in the case of liquidated damages). Such methods include: (a) the expected value method, whereby the amount of variable consideration to be recognized represents the sum of probability weighted amounts in a range of possible consideration amounts, and (b) the most likely amount method, whereby the amount of variable consideration to be recognized represents the single most likely amount in a range of possible consideration amounts. When applying these methods, the Company considers all information that is reasonably available, including historical, current and estimates of future performance. The expected value method is utilized in situations where a contract contains a large number of possible outcomes while the most likely amount method is utilized in situations where a contract has only two possible outcomes.

The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis.

*Change Orders*—Change orders, which are a normal and recurring part of our business, may include changes in specifications or design, manner of performance, facilities, equipment, materials, sites and period of completion of the work. The Company or customer may initiate change orders. Most of our change orders are not distinct from the existing contract and are accounted for as part of that existing contract. The effect of a change order on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenues (either as an increase in or a reduction of revenues) on a cumulative catch-up basis. Revenues from unpriced change orders are recognized to the extent of the amounts the Company expects to recover, consistent with our variable consideration policy discussed above. If it is probable that a reversal of revenues will occur, the costs attributable to change orders are treated as contract costs without incremental revenues. To the extent change orders included in the price are not resolved in our favor, there could be reductions in, or reversals of previously reported amounts of, revenues and profits, and charges against current earnings, which could be material.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

*Claims Revenue*—Claims are amounts in excess of agreed contract prices that the Company seeks to collect from clients or others for customer-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute, or other causes of unanticipated additional contract costs, including factors outside of our control, therefore the Company believe is entitled to additional compensation. Claims revenue, when recorded, is only recorded to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. The Company includes certain claims in the transaction price when the claims are legally enforceable, the Company considers collection to be probable and believe the Company can reliably estimate the ultimate value. The Company continues to engage in negotiations with our customers on our outstanding claims. However, these claims may be resolved at amounts that differ from our current estimates, which could result in increases or decreases in future estimated contract profits or losses.

*Warranties*—In most cases, our contracts include assurance-type warranties that the Company's performance is free from material defect and consistent with the specifications of the Company's contracts, which do not give rise to a separate performance obligation. To the extent the warranty terms provide the customer with an additional service, such as extended maintenance services, such warranty is accounted for as a separate performance obligation.

*Revenue recognized over time*—The Company's performance obligations are generally satisfied over time as work progresses because of continuous transfer of control to the customer and the Company has the right to bill the customer as costs are incurred. Typically, revenue is recognized over time using an input measure (i.e. costs incurred to date relative to total estimated costs at completion) to measure progress. The Company generally uses the cost-to-cost measure of progress method because it best depicts the transfer of control to the customer which occurs as the Company incurs costs on our contracts. Under the cost-to-cost measure of progress method, the extent of progress towards completion is measured based on the ratio of total costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Any expected losses on construction-type contracts in progress are charged to earnings, in total, in the period the losses are identified.

*Right to invoice practical expedient*—For performance obligations satisfied over time where the Company has a right to consideration from a customer in an amount that corresponds directly with the value of the Company's performance to date, the Company recognizes revenue in the amount to which it has a right to invoice. For the Company's reimbursable services contracts, revenue is recognized using the right to invoice practical expedient, or on a cost-to-cost measure of progress method. The Company will select the method that best represents progress on a project.

*Revenue recognized at a point in time*—For performance obligations satisfied at a point in time, revenue is recognized when the services are performed, control is transferred and the performance obligation is complete. The Company recognizes revenue at a point in time for vehicle inspection services. Revenue related to the inspection service is recognized for each vehicle inspection at the point the Company has completed the inspection.

In the Company's industry, recognition of profit on long-term contracts requires the use of assumptions and estimates related to total contract revenue, total cost at completion, and the measurement of progress towards completion. Estimates, to the extent probable, are continually evaluated as work progresses and are revised when necessary. When a change in estimate is

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

determined to have an impact on contract profit, the Company records a positive or negative adjustment to the consolidated statements of income (loss). For the years ended December 30, 2016, December 29, 2017 and December 31, 2018, the Company recognized net operating income decreases related to changes in estimates at completion of \$(22.4) million, \$(23.8) million and \$(2.3) million, respectively, in the consolidated statements of income (loss) resulting from changes in estimates.

Refer to the Recently Adopted Accounting Pronouncements for discussion of the differences between the current revenue recognition criteria under ASC 606 and the Company's previous recognition practices under ASC 605, *Revenue Recognition*.

**Cash Equivalents**

The Company considers all highly liquid investments with original maturities of less than three months to be cash equivalents. Cash equivalent investments are carried at cost, which approximates fair value, and consist primarily of United States Treasuries, time deposits, and other forms of short-term fixed income investments.

**Restricted Cash and Investments**

Restricted cash and investments held in trust accounts represent collateral for certain incentive programs.

**Accounts Receivable, Net**

Accounts receivable includes billed and unbilled amounts and are recognized in the period when the Company's rights to receive consideration are unconditional.

The Company establishes an allowance for doubtful accounts based on the assessment of the clients' ability to pay. In addition to such allowances, there are often items in dispute or being negotiated that may require us to make an estimate as to the ultimate outcome. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amounts due.

**Contract Assets and Contract Liabilities**

In connection with the adoption of ASC 606 on December 30, 2017, the Company revised its policy related to contract assets and contract liabilities.

Projects with performance obligations recognized over time that have revenue recognized to date in excess of cumulative billings and unbilled accounts receivable, are reported on our consolidated balance sheets as "Contract assets". Contract retentions, included in contract assets, represent amounts withheld by clients, in accordance with underlying contract terms, until certain conditions are met or the project is completed. The operating cycle for certain long-term contracts may extend beyond one year, and accordingly, collection of retainage on those contracts may extend beyond one year. Contract assets are reclassified to accounts receivable when the right to consideration becomes unconditional.

Contract liabilities on uncompleted contracts represent the amounts of cash collected from clients, billings to clients on contracts in advance of work performed and revenue recognized and provisions for losses. The majority of these amounts are expected to be earned within 12 months and are classified as current liabilities.



**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

Refer to the Recently Adopted Accounting Pronouncements for further discussion of the impact of adopting ASC 606.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, and accounts receivables. The Company's cash is primarily held with major banks and financial institutions throughout the world. At times, cash balances may be in excess of the amount insured.

The Company is involved in a significant volume of contracts with the United States federal government and state and local governments. Approximately 35%, 36% and 42% of consolidated revenues for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively, and approximately 25% and 29% of accounts receivable as of December 29, 2017 and December 31, 2018, respectively, were derived from contracts with the United States federal government. No other customers represented 10% or more of consolidated revenues or accounts receivable in any of the periods presented.

In order to mitigate the credit risk associated with customers, the Company performs periodic credit evaluations of its customers' financial condition.

**Property and Equipment**

Property and equipment are stated at cost and are shown net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful lives or the remaining term of the lease.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any gain or loss thereon is included in net income. Expenditures for maintenance and repairs are expensed as incurred. Property and equipment are reviewed for impairment when events or circumstances change that indicate they may not be recoverable. Impairment losses are recognized when estimated future cash flows expected to result from the use of the assets and their eventual disposition are less than their carrying amount, in which case the asset is written down to its fair value.

**Business Combinations**

The Company accounts for business combinations using the acquisition method, under which the purchase price of an acquired company is allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their fair values at the date of acquisition. Any excess of purchase price over the fair value of tangible and intangible assets acquired and liabilities assumed is allocated to goodwill. The determination of fair values of assets acquired and liabilities assumed requires the Company to make estimates and use valuation techniques when a market value is not readily available. The Company adjusts the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as the Company obtains more information as to facts and circumstances existing at the acquisition date. Acquisition-related costs are recognized separate from the acquisition and are expensed as incurred.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

**Consolidation of Joint Ventures and Variable Interest Entities**

The Company participates in joint ventures, which include partnerships and partially-owned limited liability corporations, to bid, negotiate and complete specific projects. The Company is required to consolidate these joint ventures if it holds the majority voting interest or if the joint venture is determined to be a variable interest entity ("VIE") for which the Company is the primary beneficiary, as described below.

A VIE is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (b) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation to absorb expected losses or the right to receive expected residual returns; or (c) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor with disproportionately low voting rights. The Company's VIEs may be funded through contributions, loans and/or advances from the joint venture partners or by advances and/or letters of credit provided by clients. Certain VIEs are directly governed, managed, operated and administered by the joint venture partners. Others have no employees and, although these entities own and hold the contracts with the clients, the services required by the contracts are typically performed by the joint venture partners or by other subcontractors.

The Company is considered the primary beneficiary and required to consolidate a VIE if it has the power to direct the activities that most significantly impact that VIE's economic performance, and the obligation to absorb losses or the right to receive benefits of that VIE that could potentially be significant to the VIE. In determining whether the Company is the primary beneficiary, significant assumptions and judgments include the following: (1) identifying the significant activities and the parties that have the power to direct them; (2) reviewing the governing board composition and participation ratio; (3) determining the equity, profit and loss ratio; (4) determining the management-sharing ratio; (5) reviewing employment terms, including which joint venture partner provides the project manager; and (6) reviewing the funding and operating agreements. Examples of significant activities currently being performed by the Company's significant consolidated and unconsolidated joint ventures include engineering and design services; management consulting services; procurement and construction services; program management; construction management; and operations and maintenance services. If the Company determines that the power to direct the significant activities is shared by two or more joint venture parties, then there is no primary beneficiary and no party consolidates the VIE. In making the shared-power determination, the Company analyzes the key contractual terms, governance, related party and de facto agency as they are defined in the accounting standard, and other arrangements.

**Goodwill**

Goodwill is tested annually for impairment as of the end of November or on an interim basis if indicators of potential impairment exist. For purposes of impairment testing, goodwill is allocated to the applicable reporting units based on the current reporting structure. The Company's reporting units are operating segments or components of operating segments where discrete financial information is available and segment management regularly reviews the operating results. When evaluating goodwill for impairment, the Company may decide to first perform a qualitative assessment, or "step zero" impairment test, to determine whether it is more likely than not that impairment has occurred. If the Company does not perform a qualitative assessment, or

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

if the Company determines that it is not more likely than not that the fair value of its reporting units exceeds their carrying amounts, the Company performs a quantitative assessment and calculates the estimated fair value of the respective reporting unit. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in the amount the carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

The Company's decision to perform a qualitative impairment assessment in a given year is influenced by a number of factors, including the significance of the excess of the Company's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments, and the date of its acquisitions, if any.

#### **Intangible Assets**

Intangible assets with finite lives arise from business acquisitions and are amortized based on the period over which the contractual or economic benefit of the intangible assets are expected to be realized or on a straight-line basis over the useful lives of the underlying assets, ranging from one to ten years. These primarily consist of customer relationships, developed technology, backlog, and covenants not to compete. When indicators of a potential impairment exist, the Company assesses the recoverability of the unamortized balance of its intangible assets by first comparing undiscounted expected cash flows associated with the asset, or the asset group they are part of, to its carrying value. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

#### **Income Taxes**

The Company calculates its provision for income tax using the liability method of accounting. This approach requires the recognition of deferred tax liabilities and assets to reflect the tax effects of temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. Deferred tax balances are adjusted, as appropriate, to reflect changes in tax rates and other factors that cause changes in the amounts the Company estimates eventually will become payable. The Company converted to S corporation status in 1999 and generally is not subject to federal income tax and certain state income tax on its income.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits ("UTB") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company believes its estimates for uncertain tax positions are appropriate and sufficient for any assessments that may result from examinations of our tax returns. The Company recognizes both accrued interest and penalties, where appropriate, related to UTBs in income tax expense.

#### **Foreign Currency Translation**

The Company's reporting currency is the U.S. Dollar. The functional currency of the Company's foreign entities is typically the currency of the primary environment in which they operate. For

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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foreign entities whose functional currency is not the U.S. dollar, the assets and liabilities are translated based on exchange rates in effect at the balance sheet date, while the income and expense accounts are translated using the average exchange rates during the period. Translation gains or losses, net of income tax effects, are reflected in accumulated other comprehensive loss on the consolidated balance sheets. Transaction gains and losses due to movements in exchange rates between the functional currency and the currency in which a foreign currency transaction is denominated are recognized as "Other income (expense), net" in the Company's consolidated statements of income (loss).

**Self-Insurance**

The Company typically utilizes third-party insurance subject to varying retention levels or self-insurance. The Company is self-insured for a portion of the losses and liabilities primarily associated with workers' compensation, general, professional, automobile, employee matters, certain medical plans, and project-specific liability claims. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using historical experience and certain actuarial assumptions, as provided by an independent actuary. The estimate of self-insurance liability includes an estimate of incurred but not reported claims, based on data compiled from historical experience.

**Restructuring**

The Company began implementing a restructuring program in late 2015 to reorganize its business operations to better serve its customers, streamline its reporting structure and simplify layers of management with the objective of improving operational efficiency, reduce costs and better position the Company to achieve future organic growth. Actions included involuntary terminations and exiting operations in certain geographical regions. The Company recognized \$12.4 million of restructuring expenses in "Indirect, general and administrative expenses" during the year ended December 30, 2016. As of December 30, 2016, the Company accrued \$1.6 million for restructuring costs in accrued expenses and other current liabilities, which were fully paid during the year ended December 29, 2017. As of December 29, 2017 and December 31, 2018, there were no accrued amounts related to the restructuring program.

**Recently Adopted Accounting Pronouncements**

The Company adopted ASC 606 on December 30, 2017, using the modified retrospective method, which provides for a cumulative effect adjustment to beginning 2018 retained earnings for those uncompleted contracts impacted by the adoption of the new standard. For contracts that were modified before the beginning of the earliest reporting period presented in accordance with ASC 606 the Company has not retrospectively restated the contract for those modifications. The Company instead reflected the aggregate effect of all modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price. The core principle of ASC 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services.

Additionally, the Company began to separately present contract assets and liabilities on the consolidated balance sheets. Contract assets include amounts due under contractual retainage

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

provisions as well as revenue recognized to date in excess of cumulative billings and unconditional unbilled accounts receivable that were previously presented as unbilled accounts receivable. Contract liabilities include billings in excess of costs and estimated earnings as well as provisions for losses that were previously separately presented. The difference between the recognition criteria under ASC 606 and the Company's previous recognition practices under the revenue recognition guidance, ASC Topic 605-35, was recognized through a cumulative effect adjustment that was made to the opening balance sheet of accumulated deficit as of December 30, 2017. Consistent with the modified retrospective transition approach, the comparative 2016 and 2017 periods were not adjusted to conform to the current period presentation.

The cumulative effect of adopting ASC 606 was primarily due to combining certain deliverables that were previously considered separate deliverables into a single performance obligation and the transition of certain cost-type contracts into the cost-to-cost measure of progress method.

The cumulative effect adjustment was an increase to accumulated deficit of \$4.7 million as of December 30, 2017 as well as the following cumulative effect adjustments:

- An increase to contract assets of \$2.5 million;
- An increase to deferred tax assets of \$0.1 million;
- An increase to contract liabilities of \$7.2 million; and
- An increase to non-controlling interests of \$0.1 million

The following table presents how the adoption of ASC 606 affected certain line items in the consolidated statement of income (loss) (in thousands):

<b>For the year ended December 31, 2018</b>	<b>Balances Without Adoption of ASC 606</b>	<b>Adjustments Due to ASC 606</b>	<b>As Reported</b>
Revenue	\$ 3,560,930	\$ (422)	\$3,560,508
Direct costs of contracts	2,794,644	361	2,795,005
Income before income tax expense	260,586	(783)	259,803
Income tax expenses	20,329	38	20,367
Net income including noncontrolling interests	240,257	(821)	239,436
Net income attributable to noncontrolling interest	17,112	(13)	17,099
Net income attributable to Parsons Corporation	223,145	(808)	222,337

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

The following table presents how the adoption of ASC 606 affected certain line items in the consolidated balance sheet (in thousands):

<b>As of December 31, 2018</b>	<b>Balances Without Adoption of ASC 606</b>	<b>Adjustments Due to ASC 606</b>	<b>As Reported</b>
Accounts receivable, net	\$ 1,137,411	\$ (514,125)	\$623,286
Contract assets	—	515,319	515,319
Deferred tax assets	5,655	25	5,680
Contract liabilities	—	208,576	208,576
Billings in excess of costs	186,696	(186,696)	—
Provision for contract losses	15,206	(15,206)	—
Retained earnings	17,990	(5,545)	12,445
Noncontrolling interests	46,371	90	46,461

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows, Classification of Certain Receipts and Cash Payments. ASU 2016-15 addresses eight specific cash flow issues to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company adopted this ASU in 2018 and retrospectively applied to all years presented in the consolidated statements of cash flows, and its adoption did not have a material impact on the consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force). ASU 2016-18 requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The Company adopted this ASU in 2018 and retrospectively applied to all years presented in the consolidated statements of cash flows, and its adoption did not have a material impact on the consolidated statements of cash flows.

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfer of Assets Other than Inventory. This ASU requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The updated guidance also requires entities to disclose a comparison of income tax expense or benefit with statutory expectations and disclose the types of temporary differences and carryforwards that give rise to a significant portion of deferred income taxes. The Company adopted this guidance as of the beginning of fiscal 2018 and its adoption did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the test for goodwill impairment by removing the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and should be applied prospectively with early adoption permitted. The Company early adopted the new standard as of the beginning of fiscal 2018 and its adoption did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations: Clarifying the Definition of a Business. This ASU clarifies the definition of a business with the objective of

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company adopted this ASU as of the beginning of fiscal 2018 and its adoption did not have an impact on the consolidated financial statements.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 provides revised guidance related to the accounting and reporting of leases, including a requirement for lessees to recognize most leases on the balance sheet. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is effective for the annual and interim periods beginning January 1, 2019, with early adoption permitted. The Company will adopt this ASU during the first quarter of 2019 using the modified retrospective method that will result in a cumulative effect adjustment to retained earnings as of the date of adoption. The new guidance will be applied to leases that exist or are entered into on or after January 1, 2019 without adjusting comparative periods in the financial statements. While the Company is currently assessing the impact this update will have to the consolidated financial statements, the standard requires lessees to record the rights and obligations created by leases with terms of more than 12 months on its consolidated balance sheets as right of use assets and lease liabilities. Our current minimum commitments under noncancelable operating leases are disclosed in Note 14.

**3. Acquisitions**

**Polaris Alpha**

On May 31, 2018, the Company acquired a 100% ownership interest in Polaris Alpha, a privately owned, advanced technology-focused provider of innovative mission solutions for complex defense, intelligence, and security customers, as well as other U.S. federal government customers, for \$489.1 million paid in cash. The Company borrowed \$260 million under the credit agreement, as described in Note 11, to partially fund the acquisition. In connection with this acquisition, the Company recognized \$6.2 million of acquisition related expenses in "Indirect, general and administrative expense" in the consolidated statements of income (loss) for the period ended December 31, 2018, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition. Polaris Alpha enhances the Company's artificial intelligence and data analytics expertise with new technologies and solutions. Customers of both companies will benefit from existing, complementary technologies and increased scale, enabling end-to-end solutions under the shared vision of rapid prototyping and agile development.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed based on preliminary purchase price allocation as of the date of acquisition (in thousands):

	<u>Polaris Alpha</u>
Cash and cash equivalents	\$ 7,914
Accounts receivable	29,688
Contract assets	35,229
Prepaid expenses and other current assets	9,295
Property and equipment	9,024
Goodwill	243,471
Intangible assets	199,520
Other noncurrent assets	2,203
Accounts payable	(13,942)
Accrued expenses and other current liabilities	(26,419)
Contract liabilities	(3,529)
Deferred tax liabilities	(2,231)
Other long-term liabilities	(1,146)
Net assets acquired	<u>\$ 489,077</u>

Of the total purchase price, the following values were assigned to intangible assets (in thousands, except for years):

	<u>Gross Carrying Amount</u>	<u>Amortization Period (in years)</u>
Developed technology	\$84,900	4
Customer relationships	76,000	8
Backlog	34,900	2
Trade name	3,600	1
Leases	120	6

The Company is still in the process of finalizing its valuation of developed technology acquired.

Amortization expense of \$30.3 million related to these intangible assets was recorded for the year ended December 31, 2018. The entire value of goodwill of \$243.5 million was assigned to the Parsons Federal reporting unit and represents synergies expected to be realized from this business combination. The goodwill is deductible for tax purposes.

The amount of revenue generated by Polaris Alpha since the acquisition and included within consolidated revenues for 2018 is \$227.3 million. The Company has determined that the presentation of net income from the date of acquisition is impracticable due to the integration of general corporate functions upon acquisition.



**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

**Supplemental Pro Forma Information (Unaudited)**

Supplemental information on an unaudited pro forma basis, as if the acquisition executed during the fiscal years ended December 29, 2017 and December 31, 2018, had been consummated as of the beginning of the comparative period as follows (in thousands):

	<u>2017</u> <u>(unaudited)</u>	<u>2018</u> <u>(unaudited)</u>
Pro forma Revenue	\$ 3,361,626	\$ 3,713,804
Pro forma Net Income	44,145	208,762

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, pro forma impact of reflecting acquisition costs, which consisted of legal, advisory and due diligence fees and expenses, as of the assumed acquisition date, and the additional pro forma interest expense related to the borrowings under the credit agreement, for the years ended December 29, 2017 and December 31, 2018. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

**Williams Electric**

On October 6, 2017, the Company acquired a 100% ownership interest in the equity of Williams Electric Company, Inc. (WEC), a specialty contractor delivering global control system integration and energy infrastructure solutions to U.S. Government customers, for \$26.4 million, the entirety of which was paid in cash at closing. WEC aligns with the Company's strategy to grow its leadership position in protecting critical infrastructure assets from threats targeting connected operational technologies, including control systems.

In connection with this acquisition, the Company recognized \$0.3 million of acquisition-related expenses in "Indirect, general and administrative expense" in the consolidated statements of income (loss) for the period ended December 29, 2017, including legal fees, consultation fees, and other miscellaneous direct expenses associated with the acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the date of acquisition (in thousands):

	<u>WEC</u>
Cash and cash equivalents	\$ 650
Accounts receivable	10,398
Prepaid expenses and other current assets	4
Property and equipment	267
Goodwill	11,199
Intangible and other assets	7,820
Accounts payable	(1,585)
Accrued expenses and other current liabilities	(2,258)
Deferred tax liabilities	(108)
Net assets acquired	<u>\$26,387</u>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

Of the total purchase price, the following values were assigned to intangible assets (in thousands, except for years):

	<u>Gross Carrying Amount</u>	<u>Amortization Period (in years)</u>
Customer relationships	\$ 5,320	4 to 7
Backlog	2,500	1

The entire value of goodwill of \$11.2 million was assigned to the Parsons Federal reporting unit and represents synergies expected to be realized from this business combination. During 2018, the Company finalized the valuation of assets and liabilities of WEC in the third quarter of 2018. In doing so, measurement period adjustments were made to reflect changes to facts and circumstances that existed as of the acquisition date, which resulted in a net increase in goodwill of \$0.9 million. These adjustments related to a decrease in accounts receivable. The goodwill is deductible for tax purposes.

#### 4. Contracts with Customers

##### *Disaggregation of Revenue*

The Company's contracts contain both fixed price and cost reimbursable components. Contract types are based on the component that represents the majority of the contract. The following table presents revenue disaggregated by contract type (in thousands):

	<u>December 31, 2018</u>
Fixed price	\$ 1,124,934
Time-and-Materials	961,759
Cost plus	1,473,815
Total	<u>\$ 3,560,508</u>

Refer to Note 20 for the Company's revenues by business lines.

##### *Contract Assets and Contract Liabilities*

These contract assets and contract liabilities balances at December 29, 2017 and December 31, 2018 were as follows (in thousands):

in thousands of US dollars (\$)	<u>December 29, 2017</u>	<u>December 31, 2018</u>	<u>\$ change</u>	<u>% change</u>
Contract assets	\$ 506,963	\$ 515,319	\$ 8,356	1.6%
Contract liabilities	298,657	208,576	(90,081)	(30.2)%
Net contract assets (liabilities)(1)	<u>\$ 208,306</u>	<u>\$ 306,743</u>	<u>\$ 98,437</u>	<u>47.3%</u>

- (1) Total contract retentions included in net contract assets (liabilities) were \$89.7 as of December 30, 2017. Total contract retentions included in net contract assets (liabilities) were \$89.6 as of December 31, 2018, of which \$46.3 million are not expected to be paid in

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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fiscal 2019. Contract assets at December 31, 2018 include approximately \$47.1 million related to unapproved change orders, claims, and requests for equitable adjustment. For the year ended December 31, 2018, no material losses were recognized related to the collectability of claims, unapproved change orders, and requests for equitable adjustment.

During the year ended December 31, 2018, the Company recognized revenue of approximately \$168.6 million that was included in the corresponding contract liability balance at December 30, 2017. The change in contract assets and contract liabilities was the result of normal business activity and not significantly impacted by other factors, except as follows:

- Acquired contract assets of \$35.2 million
- Acquired contract liabilities of \$3.5 million
- Reversal of provision for contract losses of \$133.1 million, of which \$55.1 million was recorded as an increase in revenue with the remainder recorded as other income

There was no significant impairment of contract assets recognized during the year ended December 31, 2018.

During the year ended December 31, 2018, the Company recognized revenues of \$34.2 million and \$12.9 million due to change orders and claims, respectively, related to changes in transaction price associated with performance obligations that were satisfied or partially satisfied. These amounts represent management's estimates of additional contract revenues that had been earned and were probable of collection. The amount ultimately realized by the Company cannot currently be determined but could be significantly higher or lower than the estimated amount.

*Transaction Price Allocated to the Remaining Unsatisfied Performance Obligations*

The Company's remaining unsatisfied performance obligations ("RUPO") as of December 31, 2018 represent a measure of the total dollar value of work to be performed on contracts awarded and in progress. The Company had \$5.3 billion in RUPO as of December 31, 2018.

RUPO will increase with awards of new contracts and decrease as the Company performs work and recognize revenue on existing contracts. Projects are included within RUPO at such time the project is awarded and agreement on contract terms has been reached. The difference between RUPO and backlog relates to unexercised option years that are included within backlog and the value of IDIQ contracts included in backlog for which delivery orders have not been issued for the Federal Solutions segment.

Our RUPO are comprised of: (a) original transaction price, (b) change orders for which written confirmations from our customers have been received, (c) pending change orders for which the Company expects to receive confirmations in the ordinary course of business, and (d) claim amounts that the Company has made against customers for which it has determined that it has a legal basis under existing contractual arrangements and a significant reversal of revenue is not probable, less revenue recognized to date.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

The Company expects to satisfy its RUPO as of December 31, 2018 over the following periods (in thousands):

	Within One Year	Within One to Two Years	Thereafter
Federal solutions	\$ 1,158,414	\$ 366,009	\$ 404,411
Critical infrastructure	1,443,502	720,206	1,168,173
	<u>\$ 2,601,916</u>	<u>\$ 1,086,215</u>	<u>\$ 1,572,584</u>

#### 5. Accounts Receivable, Net

Accounts receivable, net consisted of the following as of December 29, 2017 and December 31, 2018 (in thousands):

	2017	2018
Billed	\$ 516,736	\$538,808
Unbilled	510,127	135,180
Contract retentions	89,687	—
Total accounts receivable, gross	1,116,550	673,988
Allowance for doubtful accounts	(52,912)	(50,702)
Total accounts receivable, net	<u>\$1,063,638</u>	<u>\$623,286</u>

Billed accounts receivable represent amounts billed to clients that have not been collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or billed after the period end date. Substantially all unbilled receivables as of December 31, 2018 are expected to be billed and collected within 12 months. Unbilled accounts receivable at December 29, 2017 include approximately \$50.8 million related to unapproved change orders, claims, and requests for equitable adjustment. The Company regularly evaluates these amounts and records adjustments to operating income when recoverability is deemed to have changed. For the year ended December 29, 2017, no material losses were recognized related to the collectability of claims, unapproved change orders, and requests for equitable adjustment.

The allowance for doubtful accounts was determined based on consideration of trends in actual and forecasted credit quality of clients, including delinquency and payment history, type of client, such as a government agency or commercial sector client, and general economic conditions and particular industry conditions that may affect a client's ability to pay.

#### 6. Goodwill

The following table summarizes the changes in the carrying value of goodwill by reporting segment for fiscal years ended December 29, 2017 and December 31, 2018 (in thousands):

	December 30, 2016	Acquisitions	Impairment	Foreign Exchange	December 29, 2017
Federal Solutions	\$ 412,168	\$ 10,271	\$ —	\$ —	\$ 422,439
Critical Infrastructure	70,528	—	—	3,819	74,347
<b>Total</b>	<u>\$ 482,696</u>	<u>\$ 10,271</u>	<u>\$ —</u>	<u>\$ 3,819</u>	<u>\$ 496,786</u>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

	December 29, 2017	Acquisitions	Impairment	Foreign Exchange	December 31, 2018
Federal Solutions	\$ 422,439	\$ 244,402	\$ —	\$ —	\$ 666,841
Critical Infrastructure	74,347	—	—	(4,250)	70,097
<b>Total</b>	<b>\$ 496,786</b>	<b>\$ 244,402</b>	<b>—</b>	<b>\$ (4,250)</b>	<b>\$ 736,938</b>

The Company performs a goodwill impairment test on an annual basis for each reporting unit that requires certain assumptions and estimates be made regarding industry economic factors and future profitability. The Company recorded an impairment charge of \$84.7 million in the year ended December 30, 2016 associated with goodwill and intangible assets of its legacy Parsons Environment and Infrastructure reporting unit.

For the years ended December 29, 2017 and December 31, 2018, the Company performed a quantitative analysis for all reporting units. It was determined that the fair value of all reporting units exceeded their carrying values. As a result, no goodwill impairments were identified for those periods.

## 7. Intangible Assets

The gross amount and accumulated amortization of acquired identifiable intangible assets with finite useful lives included in "Intangible assets, net" on the consolidated balance sheets, were as follows (in thousands except for years):

	December 29, 2017			December 31, 2018			Weighted Average Amortization Period (in years)
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Backlog	\$45,854	\$ (42,386)	\$ 3,468	\$ 80,754	\$ (58,295)	\$ 22,459	3.2
Customer relationships	45,629	(32,268)	13,361	121,629	(38,974)	82,655	7.7
Leases	593	(593)	—	670	(561)	109	4.7
Developed technology	2,939	(2,204)	735	87,839	(15,174)	72,665	4.0
Trade name	—	—	—	3,600	(2,100)	1,500	1.0
Total intangible assets	<u>\$95,015</u>	<u>\$ (77,451)</u>	<u>\$17,564</u>	<u>\$294,492</u>	<u>\$ (115,104)</u>	<u>\$179,388</u>	

The Company also has non-acquired other intangibles of \$0.1 million as of December 29, 2017 and December 31, 2018.

The aggregate amortization expense of intangible assets was \$9.7 million, \$5.6 million and \$37.4 million for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively. The Company recorded an impairment of \$22.0 million related to its acquired customer relationships in the year ended December 30, 2016.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

Estimated amortization expense in each of the next five years and beyond is as follows (in thousands):

2019	\$ 58,796
2020	48,743
2021	46,502
2022	14,627
2023	4,579
Thereafter	6,244
	<u>\$ 179,491</u>

#### 8. Property and Equipment, Net

Property and equipment consisted of the following at December 29, 2017 and December 31, 2018 (in thousands):

	2017	2018	Useful lives (years)
Building and leasehold improvements	\$ 45,275	\$ 54,348	1-15
Furniture and equipment	62,979	81,705	3-10
Computer systems and equipment	144,114	148,255	3-10
Construction equipment	11,969	12,074	5-7
	<u>264,337</u>	<u>296,382</u>	
Less: Accumulated depreciation	(176,759)	(204,533)	
Property and equipment, net	<u>\$ 87,578</u>	<u>\$ 91,849</u>	

Depreciation expense of \$32.2 million, \$29.4 million and \$32.4 million was recorded for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively.

#### 9. Sale-Leasebacks

During fiscal 2011, the Company consummated two sale-leaseback transactions associated with the sale of two office buildings from which the Company recognized a total gain in the consolidated statements of income (loss) of approximately \$106.7 million and a total deferred gain of approximately \$107.8 million. The current and long-term portion of the deferred gain has been recorded in "Accrued expenses and other current liabilities" and "Deferred gain resulting from sale-leaseback transactions" on the consolidated balance sheet, respectively, and is being recognized ratably over the minimum lease terms to which they relate, as an offset to rental expense in "Indirect, general and administrative expenses" in the consolidated statements of income (loss). Amortization of the deferred gain was \$7.3 million for each of the years ended December 30, 2016, December 29, 2017 and December 31, 2018.

Refer to Note 14 for the future minimum lease payments for operating leases.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

**10. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following (in thousands):

	2017	2018
Salaries and wages	\$ 49,504	\$ 50,991
Employee benefits	194,760	214,008
Self-insurance liability	25,406	29,682
Project cost accruals	150,874	183,362
Other accrued expenses	83,606	81,657
Total accrued expenses and other current liabilities	<u>\$ 504,150</u>	<u>\$ 559,700</u>

**11. Debt and Credit Facilities**

Long-term debt consisted of the following (in thousands):

	2017	2018
Revolving credit facility	\$ —	\$180,000
Senior notes	250,000	250,000
Debt issuance costs	(593)	(836)
Long-term debt	<u>\$249,407</u>	<u>\$429,164</u>

In November 2017, the Company entered into an amended and restated Credit Agreement. The Company incurred approximately \$2.0 million of costs in connection with this amendment. Under the agreement, the Company's revolving credit facility was increased from \$500 million to \$550 million and the term of the agreement was extended through November 2022. The borrowings under the Credit Agreement bear interest, at the Company's option, at either the Base Rate (as defined in the Credit Agreement), plus an applicable margin, or Libor plus an applicable margin. The applicable margin for Base Rate loans is a range of 0.125% to 1.00% and the applicable margin for Libor loans is a range of 1.125% to 2.00%, both based on the leverage ratio of the Company at the end of each fiscal quarter. The rates at December 29, 2017 and December 31, 2018 were 3.067% and 4.253%, respectively. Borrowings under this Credit Agreement are guaranteed by certain of the Company's operating subsidiaries. Letters of credit commitments outstanding under this agreement aggregated approximately \$69.4 million and \$49.8 million at December 29, 2017 and December 31, 2018, respectively, which reduced borrowing limits available to the Company.

On July 1, 2014, the Company finalized a private placement whereby the Company raised an aggregate amount of \$250.0 million in debt repayable as follows (in thousands):

Tranche	Debt Amount	Maturity Date	Interest Rate
Senior Note, Series A	\$ 50,000	July 15, 2021	4.44%
Senior Note, Series B	100,000	July 15, 2024	4.98%
Senior Note, Series C	60,000	July 15, 2026	5.13%
Senior Note, Series D	40,000	July 15, 2029	5.38%

The Company incurred approximately \$1.1 million of debt issuance costs in connection with the private placement. On August 10, 2018, the Company finalized an amended and restated intercreditor agreement related to this private placement to more closely align certain covenants

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

and definitions with the terms under the 2017 amended and restated Credit Agreement and incurred approximately \$0.5 million of additional issuance costs. These costs are presented as a direct deduction from the debt on the face of the balance sheet. Amortization of debt issuance costs approximated \$0.1 million for the years ended December 30, 2016, December 29, 2017 and December 31, 2018. Interest expense related to the Senior Notes approximated \$12.6 million, \$12.4 million and \$12.4 million for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively. The amortization of debt issuance costs and interest expense are recorded in "Interest expense" on the consolidated statements of income (loss). The Company made interest payments related to the Senior Notes of approximately \$12.4 million during the periods ended December 30, 2016, December 29, 2017 and December 31, 2018. Interest payable of approximately \$5.7 million is recorded in "Accrued expenses and other current liabilities" on the consolidated balance sheets at December 29, 2017 and December 31, 2018, respectively, related to the Senior Notes.

The Credit Agreement and private placement includes various covenants, including restrictions on indebtedness, liens, acquisitions, investments or dispositions, payment of dividends and maintenance of certain financial ratios and conditions. The Company was in compliance with these covenants at December 29, 2017 and December 31, 2018.

The Company also has in place several secondary bank credit lines for issuing letters of credit, principally for foreign contracts, to support performance and completion guarantees. Letters of credit commitments outstanding under these bank lines aggregated approximately \$200.6 million and \$223.0 million at December 29, 2017 and December 31, 2018, respectively.

Using a discounted cash flow technique that incorporates a market interest yield curve with adjustments for duration, optionality, and risk profile, the Company has determined that the fair value (level 2) of its debt approximates the carrying value.

## 12. Other Long-term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	<u>2017</u>	<u>2018</u>
Self-insurance liability	\$ 83,293	\$ 99,813
Deferred rent	14,059	15,966
Reserve for uncertain tax positions	9,082	9,890
Capital lease obligations	—	935
Other long term liabilities	—	1,259
Total other long-term liabilities	<u>\$ 106,434</u>	<u>\$ 127,863</u>

Refer to Note 13 for further discussion of the Company's reconciliation of the beginning and ending balances of uncertain tax positions.

## 13. Income Taxes

In 1999, the Company filed a voluntary election to change its tax status from a C corporation to an S corporation for federal and certain state income tax purposes. The election is retroactive to the beginning of fiscal year 1999 and allows the Company to pass income or losses directly to its shareholder, the ESOP, without assessment of federal and certain states' income taxes.



**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

The following table presents the components of our consolidated earnings before taxes (in thousands):

	2016	2017	2018
United States earnings	\$ (20,718)	\$ 85,913	\$ 205,418
Foreign earnings	32,724	47,088	54,386
	<u>\$ 12,006</u>	<u>\$ 133,001</u>	<u>\$ 259,804</u>

The income tax provision for the years ended December 30, 2016, December 29, 2017 and December 31, 2018 consisted of the following (in thousands):

	2016	2017	2018
<b>Current</b>			
State	\$ (839)	\$ (1,579)	\$ (1,536)
Foreign	(14,690)	(14,482)	(20,253)
Total current income tax expense	<u>(15,529)</u>	<u>(16,061)</u>	<u>(21,789)</u>
<b>Deferred</b>			
State	1,833	569	(2,329)
Foreign	(296)	(5,972)	3,751
Total deferred income tax benefit (expense)	<u>1,537</u>	<u>(5,403)</u>	<u>1,422</u>
Total income tax expense	<u><u>\$ (13,992)</u></u>	<u><u>\$ (21,464)</u></u>	<u><u>\$ (20,367)</u></u>

Total income tax expense was different from the amount computed by applying the United States federal statutory rate to pre-tax income as follows (in thousands):

	2016		2017		2018	
Income before income tax expense	\$ 12,006		\$ 133,001		\$ 259,804	
Tax at federal statutory rate	(4,202)	(35)%	(46,550)	(35)%	(54,559)	(21)%
S- Corporation exclusion	(7,251)	(60)%	30,069	23%	43,137	17%
State tax	994	8%	(1,010)	(1)%	(3,865)	(1)%
Foreign withholding tax on US operations	(2,216)	(18)%	(3,392)	(3)%	(3,667)	(1)%
Valuation allowance	(5,253)	(44)%	(1,438)	(1)%	2,215	1%
Uncertain tax positions	(1,883)	(16)%	34	0%	(629)	(0)%
Return to provision and other adjustments	2,209	18%	(84)	(0)%	1,169	0%
Foreign tax rate differential	3,610	30%	907	1%	(4,168)	(2)%
Total income tax expense	<u><u>\$ (13,992)</u></u>	<u><u>(117)%</u></u>	<u><u>\$ (21,464)</u></u>	<u><u>(16)%</u></u>	<u><u>\$ (20,367)</u></u>	<u><u>(8)%</u></u>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

The components of deferred tax assets and liabilities consisted of the following (in thousands):

	<u>2017</u>	<u>2018</u>
<b>Deferred tax assets</b>		
Contract reserves	\$ 3,600	\$ 3,359
Accrued compensation	1,718	1,685
Deferred gain	860	677
Legal reserves	1,845	1
Net operating losses	11,180	14,855
Fixed assets	737	684
Intangible assets	1,251	—
Capital loss	701	647
Other	930	950
Total deferred tax assets	<u>22,822</u>	<u>22,858</u>
<b>Deferred tax liabilities</b>		
Deferred Income	(11,335)	(10,854)
Remittance taxes	(2,686)	(3,367)
Intangible assets	—	(2,529)
Total deferred tax liabilities	<u>(14,021)</u>	<u>(16,750)</u>
Net deferred tax assets before valuation allowance	8,801	6,108
Valuation allowance	(8,882)	(6,668)
Net deferred tax liabilities	<u>\$ (81)</u>	<u>\$ (560)</u>

The Company assesses the realizability of its deferred tax assets each reporting period through an analysis of potential sources of future taxable income, including prior year taxable income available to absorb a carryback of tax losses, reversals of existing taxable temporary differences, tax planning strategies, and forecasts of taxable income. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if valuation allowances against deferred tax assets are required.

In 2018, the Company adjusted valuation allowances to reflect the net reversal of certain foreign deferred tax assets totaling approximately \$(2.2) million with respect to certain net operating losses and intangible assets. A valuation allowance was recorded to reduce deferred tax assets to the amount that is more likely than not to be realized based on the assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts. The valuation allowance was \$6.7 million at December 31, 2018.

As of December 31, 2018, foreign operating loss and capital loss carryforwards were approximately \$64.0 million, of which approximately \$28.0 million do not expire and approximately \$36.0 million expire if not used between 2019 and 2038.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

A reconciliation of the beginning and ending balances of uncertain tax positions is as follows (in thousands):

	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Beginning of year</b>	<b>\$6,497</b>	<b>\$ 7,827</b>	<b>\$ 7,137</b>
Increases—tax positions in current year	1,476	1,134	1,094
Increases—tax positions in prior periods	124	319	1,301
Reductions—tax positions in prior periods	(1)	(1,629)	(1,656)
Settlements	(39)	(361)	—
Lapse of statute limitations	(230)	(153)	(31)
	<u>7,827</u>	<u>7,137</u>	<u>7,845</u>
Interest and penalties	1,732	1,945	2,045
<b>End of year</b>	<b><u>\$9,559</u></b>	<b><u>\$ 9,082</u></b>	<b><u>\$ 9,890</u></b>

In the next twelve months, it is reasonably possible that a reduction of unrecognized tax benefits and related interest may occur due to a resolution of certain tax matters, which could include payments on those tax matters, and as a result of the expiration of certain statutes of limitations. An estimate of that possible reduction cannot be made at this time. The statutory periods for examining the Company's federal income tax returns through fiscal year 2014 have expired. The Company remains subject to examination by the Internal Revenue Service for the years 2015 – 2018 and certain state and foreign jurisdictions for the years 2010 – 2018. The Company files income tax returns in numerous tax jurisdictions, including the U.S., and numerous U.S. states and non-U.S. jurisdictions around the world. The statute of limitations varies by jurisdiction in which the Company operates. Because of the number of jurisdictions in which the Company files tax returns, in any given year the statute of limitations in certain jurisdictions may expire without examination within the 12-month period from the balance sheet date.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act ("Act"). The Act incorporates several new provisions into the law that will not have any meaningful impact on the Company's consolidated financial statements since the Company is currently not subject to Federal income tax as an ESOP owned S Corporation.

**14. Commitments and Contingencies**

**Commitments**

The Company's principal noncancelable operating lease agreements, primarily for office space and automation equipment, provide for minimum rentals as follows (in thousands):

2019	\$ 67,879
2020	50,959
2021	42,509
2022	35,864
2023	29,429
Thereafter	50,025
	<u>\$ 276,665</u>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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Rental expense for the years ended December 30, 2016, December 29, 2017 and December 31, 2018 was \$76.0 million, \$73.3 million and \$ 79.8 million, respectively, and is recorded in "Indirect, general and administrative expenses" in the consolidated statements of income (loss).

### **Contingencies**

During the second half of fiscal 2013, a California state court issued a number of preliminary judgments with the final judgment being rendered in early fiscal 2014 in favor of the plaintiff in a lawsuit against a joint venture in which the Company is the managing partner and the only other partner is bankrupt. The Company recorded a loss of \$98.8 million for the year ended December 27, 2013 as a result of these judgments, which included the reversal of \$55.1 million in previously recognized revenue. For each of the years ended December 30, 2016 and December 29, 2017, the Company recorded post-judgment interest of \$9.3 million in "(Interest and other expense) gain associated with claim on long-term contract" in the consolidated statements of income (loss). In addition, for the years ended December 30, 2016 and December 29, 2017, the Company recorded other expenses of \$0.1 million and \$0.7 million, respectively, in "Interest and other expense associated with claim on long-term contract". \$129.9 million is accrued for this matter in "Provision for contract losses" on the consolidated balance sheet as of December 29, 2017. Post judgment interest was accrued through May 2018 when a total of \$133.1 million was accrued in "Provision for contract losses of consolidated joint ventures" on the consolidated balance sheet. On February 28, 2018, the California Court of Appeals vacated the judgement, and in doing so, the appellate court remanded the case to the trial court for the sole purpose of entering a new and final judgement in favor of the Company. On April 9, 2018, the appellate court ruling was appealed by the counterparty to the California Supreme Court. On June 13, 2018, the California Supreme Court denied the counterparty's appeal. As a result, in the second quarter of 2018 the Company reversed \$133.1 million accrued in "Provision for contract losses on consolidated joint ventures" on the consolidated balance sheet, resulting in a net gain of \$129.7 million on the consolidated statements of income, of which \$55.1 million was recorded as an increase in revenue with the remainder recorded as other income.

On or about March 1, 2017, the Peninsula Corridor Joint Powers Board, or the JPB, filed a lawsuit against Parsons Transportation Group, Inc., or PTG, in the Superior Court of California, County of San Mateo, in connection with a positive train control project on which PTG was engaged prior to termination of its contract by the JPB. PTG had previously filed a lawsuit against the JPB for breach of contract and wrongful termination. The JPB seeks damages in excess of \$100.0 million, which the Company is currently disputing. In addition to filing a complaint for breach of contract and wrongful termination, the Company has denied the allegations raised by the JPB and, accordingly, filed affirmative defenses. The Company is currently defending against the JPB's claims and the parties are still engaged in discovery. The Company also has a professional liability insurance policy to the extent the JPB proves any errors or omissions occurred. At this time, it is too soon to determine the outcome of the litigation or assess the potential range of exposure, if any. The Company has also filed a third party claim against a subcontractor for indemnification in connection with this matter.

In September 2015, a former Parsons employee filed an action in the United States District Court for the Northern District of Alabama against us as a qui tam relator on behalf of the United States (the "Relator") alleging violation of the False Claims Act. The United States government did not intervene in this matter as it is allowed to do so under the statute. The Company filed a motion to

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

dismiss the lawsuit on the grounds that the Relator did not meet the applicable statute of limitations. The District Court granted the motion to dismiss. The Relator's attorney appealed the decision to the United States Court of Appeals of the Eleventh Circuit, which ultimately ruled in favor of the Relator, and the Company petitioned the United States Supreme Court to review the decision. The Supreme Court accepted the petition and the case has been briefed and is scheduled for hearing on March 19, 2019. At this time, it is too soon to determine the outcome of the litigation or assess the potential range of exposure, if any.

Federal government contracts are subject to audits, which are performed for the most part by the Defense Contract Audit Agency ("DCAA"). Audits by the DCAA and other agencies consist of reviews of our overhead rates, operating systems and cost proposals to ensure that we account for such costs in accordance with the CAS. If the DCAA determines we have not accounted for such costs in accordance with the CAS, the DCAA may disallow these costs. The disallowance of such costs may result in a reduction of revenue and additional liability for the Company. Historically, the Company has not experienced any material disallowed costs as a result of government audits. However, the Company can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. All audits of costs incurred on work performed through 2009 have been closed, and years thereafter remain open.

The Company is subject to various lawsuits, claims and assessments which are routine to the nature of its business. Additionally, the Company has been named as a defendant in lawsuits alleging personal injuries as a result of contact with asbestos products at various project sites. The Company believes that any significant costs relating to these claims will be reimbursed by applicable insurance. Although there can be no assurance that these matters will be resolved favorably, management believes that their ultimate resolution will not have a material adverse impact on the Company's consolidated financial position, results of operations, or cash flows. The Company accrues a liability when management believes it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company records a corresponding receivable for costs covered under the insurance policies.

**15. Retirement and Other Benefit Plans**

The Company's principal retirement benefit plan is the ESOP, a stock bonus plan, established in 1975 to cover eligible employees of the Company and certain affiliated companies. Contributions of treasury stock to ESOP are made annually in amounts determined by the Company's board of directors and are held in trust for the sole benefit of the participants. Shares allocated to a participant's account are fully vested after six years of credited service, or in the event(s) of reaching age 65, death or disability while an active employee of the Company. All of the Company's common stock was acquired by the ESOP in conjunction with a reorganization in 1984, which was financed by the Company.

Upon retirement, death, termination due to permanent disability, a severe financial hardship, or the exercise of diversification rights, participants' interests in their ESOP accounts are redeemable at the current price per share of the stock. Such per share prices are established by the ESOP trustee, taking into account, among other things, the advice of a third-party valuation consultant for the ESOP trustee as well as the ESOP trustee's knowledge of the Company, as of the end of the plan year preceding distribution.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

---

Under the terms of the ESOP plan, when participants hold shares that are not readily tradeable, the Company is obligated to redeem eligible participants' interests in their ESOP accounts for cash upon an employee's election. All shares held by the ESOP are eventually redeemable in the future for cash at the option of the holder once vesting and eligibility requirements have been met. The Company presents all shares held by the ESOP as temporary equity on the consolidated balance sheet at their redemption value.

Total ESOP contribution expense was approximately \$41.8 million, \$40.6 million and \$47.0 million for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively, and is recorded in "Direct costs of contracts" and "Indirect, general and administrative expense" in the consolidated statements of income (loss).

At December 29, 2017 and December 31, 2018, 27,283,904 shares and 26,059,848 shares of the Company's stock were held by the ESOP which the Company recorded at their redemption value of \$1.9 billion. During the years ended December 30, 2016, December 29, 2017 and December 31, 2018, the Company did not declare any dividends.

The Company also maintains a defined contribution plan (the "401(k) Plan"). Substantially all domestic employees are entitled to participate in the 401(k) Plan, subject to certain minimum requirements. The Company's contribution to the 401(k) Plan for the years ended December 30, 2016, December 29, 2017 and December 31, 2018 amounted to \$14.2 million, \$15.8 million and \$17.1 million, respectively.

As part of an acquisition in 2014, the Company acquired a defined contribution pension plan, a defined benefit pension plan, and supplemental retirement plan. For the defined contribution pension plan, the Company contributes a base amount plus an additional amount based upon a predetermined formula. At December 29, 2017 and December 31, 2018, the defined benefit pension plan was in a net asset position of \$1.6 million and \$1.7 million, respectively, which is recorded in "Other noncurrent assets" on the consolidated balance sheet.

**16. Investments in and Advances to Joint Ventures**

The Company participates in joint ventures to bid, negotiate and complete specific projects. The Company is required to consolidate these joint ventures if it holds the majority voting interest or if the Company meets the criteria under the consolidation model, as described below.

The Company performs an analysis to determine whether its variable interests give the Company a controlling financial interest in a VIE for which the Company is the primary beneficiary and should, therefore, be consolidated. Such analysis requires the Company to assess whether it has the power to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The Company analyzed all of its joint ventures and classified them into two groups: (1) joint ventures that must be consolidated because they are either not VIEs and the Company holds the majority voting interest, or because they are VIEs and the Company is the primary beneficiary; and (2) joint ventures that do not need to be consolidated because they are either not VIEs and the Company holds a minority voting interest, or because they are VIEs and the Company is not the primary beneficiary.

Many of the Company's joint venture agreements provide for capital calls to fund operations, as necessary; however, such funding is infrequent and is not anticipated to be material.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

Letters of credit outstanding described in Note 11 that relate to project ventures are approximately \$80.6 million and \$76.8 million at December 29, 2017 and December 31, 2018, respectively.

In the table below, aggregated financial information relating to the Company's joint ventures is provided because their nature, risk and reward characteristics are similar. None of the Company's current joint ventures that meet the characteristics of a VIE are individually significant to the consolidated financial statements.

### **Consolidated Joint Ventures**

The following represents financial information for consolidated joint ventures included in the consolidated financial statements (in thousands):

	<u>2017</u>	<u>2018</u>
Current assets	\$ 231,041	\$ 287,227
Noncurrent assets	4,201	2,689
Total assets	<u>235,242</u>	<u>289,916</u>
Current liabilities	<u>312,075</u>	<u>199,833</u>
Total liabilities	<u>312,075</u>	<u>199,833</u>
Total joint venture (deficit) equity	<u>\$ (76,833)</u>	<u>\$ 90,083</u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenue	\$ 381,437	\$ 446,506	\$ 540,345
Costs	367,208	426,245	376,628
Net income	<u>\$ 14,229</u>	<u>\$ 20,261</u>	<u>\$ 163,717</u>
Net income attributable to noncontrolling interests	\$ 11,161	\$ 14,211	\$ 17,099

The assets of the consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the Company's general operations.

Refer to Note 14 for discussion of liabilities, interest and other expenses recorded in connection with the 2013 judgment related to one of the Company's consolidated joint ventures.

### **Unconsolidated Joint Ventures**

The Company accounts for its unconsolidated joint ventures using the equity method of accounting. Under this method, the Company recognizes its proportionate share of the net earnings of these joint ventures as "Equity in earnings (loss) of unconsolidated joint ventures" in the consolidated statements of income (loss). The Company's maximum exposure to loss as a result of its investments in unconsolidated VIEs is typically limited to the aggregate of the carrying value of the investment and future funding commitments.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

The following represents the financial information of the Company's unconsolidated joint ventures as presented in their unaudited financial statements (in thousands):

	2017	2018
Current assets	\$ 756,197	\$ 707,457
Noncurrent assets	761,067	876,385
Total assets	<u>1,517,264</u>	<u>1,583,842</u>
Current liabilities	524,972	560,306
Noncurrent liabilities	683,142	813,269
Total liabilities	<u>1,208,114</u>	<u>1,373,575</u>
Total joint venture equity	<u>\$ 309,150</u>	<u>\$ 210,267</u>
Investments in and advances to unconsolidated joint ventures	\$ 71,578	\$ 63,560

	2016	2017	2018
Revenue	\$ 1,908,151	\$ 2,114,903	\$ 1,773,037
Costs	1,776,216	1,988,569	1,661,232
Net income	<u>\$ 131,935</u>	<u>\$ 126,334</u>	<u>\$ 111,805</u>
Equity in earnings of unconsolidated joint ventures	\$ 35,462	\$ 40,086	\$ 36,915

The Company received net distributions from its unconsolidated joint ventures of \$32.5 million, \$31.8 million and \$41.9 million for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively.

#### 17. Related Party Transactions

The Company often provides services to unconsolidated joint ventures and revenues include amounts related to recovering overhead costs for these services. For the years ended December 30, 2016, December 29, 2017 and December 31, 2018, revenues included \$127.7 million, \$112.1 million and \$144.7 million, respectively, related to services the Company provided to unconsolidated joint ventures. For the years ended December 30, 2016, December 29, 2017 and December 31, 2018, the Company incurred approximately \$96.2 million, \$81.8 million and \$111.1 million, respectively, of reimbursable costs. Amounts included in the consolidated balance sheet related to services the Company provided to unconsolidated joint ventures is as follows (in thousands):

	2017	2018
Accounts receivable	\$39,414	\$36,050
Billings in excess of costs	\$ 7,662	\$ 5,567

#### 18. Fair Value of Financial Instruments

The authoritative guidance on fair value measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). At December 29, 2017 and December 31, 2018, the Company's financial instruments include cash, cash equivalents, accounts receivable, accounts payable, and other liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term maturities.



**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

Investments measured at fair value are based on one or more of the following three valuation techniques:

- *Market approach*—Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach*—Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach*—Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

In addition, the guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities;
Level 2	Pricing inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the derivative instrument; and
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurements and unobservable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth assets associated with the pension plan in Note 15 that are accounted for at fair value by Level within the fair value hierarchy.

Fair value as of December 29, 2017 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$2,829	\$ —	\$ —	\$ 2,829
Fixed income	—	12,114	—	12,114
Cash and cash equivalents	85	—	—	85
	<u>\$2,914</u>	<u>\$12,114</u>	<u>\$ —</u>	<u>\$15,028</u>

Fair value as of December 31, 2018 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$2,539	\$ —	\$ —	\$ 2,539
Fixed income	—	10,168	—	10,168
Cash and cash equivalents	361	—	—	361
	<u>\$2,900</u>	<u>\$10,168</u>	<u>\$ —</u>	<u>\$13,068</u>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

As described in Note 15, the Company acquired a defined contribution pension plan, a defined benefit pension plan, and supplemental retirement plans. At December 29, 2017 and December 31, 2018, the Company measured the mutual funds held within the defined benefit pension plan at fair value using unadjusted quoted prices in active markets that are accessible for identical assets. The Company measured the fixed income securities using market bid and ask prices. The inputs that are significant to valuation of fixed income securities are generally observable and therefore have been classified as Level 2.

The following table sets forth redeemable common stock associated with the ESOP in Note 15 that is accounted for at fair value by Level within the fair value hierarchy.

Fair value as of December 29, 2017 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Redeemable Common Stock	\$ —	\$ —	\$1,855,305	\$1,855,305
	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,855,305</u>	<u>\$1,855,305</u>

Fair value as of December 31, 2018 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Redeemable Common Stock	\$ —	\$ —	\$1,876,309	\$1,876,309
	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,876,309</u>	<u>\$1,876,309</u>

As described in Note 15, the Company is obligated to redeem eligible participants' interests in their ESOP accounts for cash upon an employee's election. All shares held by the ESOP are eventually redeemable in the future for cash at the option of the holder once vesting and eligibility requirements have been met. The Company presents all shares held by the ESOP as temporary equity on the consolidated balance sheet at their redemption value. At December 29, 2017 and December 31, 2018, approximately 27,283,904 shares and 26,059,848 shares of the Company's stock were held by the ESOP which the Company recorded at their redemption values of \$1.9 billion. The redemption values are based on a share price established by the ESOP trustee, taking into account, among other things, the advice of a third party valuation consultant for the ESOP trustee as well as the ESOP trustee's knowledge of the Company. The share price valuation was determined using a combination of income and market based methods that utilized unobservable Level 3 inputs, including significant assumptions such as forecasted revenue and operating margins, working capital requirements, and weighted average cost of capital.

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) (in thousands):

	<u>2017</u>	<u>2018</u>
Balance at beginning of year	\$ 1,739,431	\$ 1,855,305
Purchases of treasury stock	(111,403)	(125,814)
Contributions of treasury stock to ESOP	40,553	47,043
Share price adjustment	186,724	99,775
Balance at end of year	<u>\$ 1,855,305</u>	<u>\$ 1,876,309</u>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

**19. Earnings Per Share**

Basic earnings per common share is computed using the weighted average number of shares outstanding during the period and income available to shareholders.

Diluted EPS is computed similar to basic EPS, except the weighted average number of shares outstanding is increased to include the dilutive effects of outstanding stock options and other stock-based awards. There were no dilutive securities outstanding during 2016, 2017 and 2018.

The weighted average number of shares used to compute basic and diluted EPS were (in thousands):

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Basic weighted average number of shares outstanding	29,499	27,858	26,671
Dilutive common share equivalents	—	—	—
Diluted weighted average number of shares outstanding	<u>29,499</u>	<u>27,858</u>	<u>26,671</u>

**20. Segments Information**

The Company operates in two reportable segments: Federal Solutions and Critical Infrastructure.

The Federal Solutions segment is a high-end services provider to the U.S. government, delivering timely, cost-effective solutions for mission-critical projects. The segment provides advanced technologies, including cybersecurity, missile defense systems, and subsurface munitions detection, as well as military facility modernization, logistics support, chemical weapon remediation and engineering services.

The Critical Infrastructure segment provides integrated design and engineering services for complex physical and digital infrastructure around the globe. The Critical Infrastructure segment is a technology innovator focused on next generation infrastructure. Industry leading capabilities in design and project management allow the Company to deliver significant value to customers by employing cutting edge technologies, improving timelines and reducing costs.

The Company defines its reportable segments based on the way the chief operating decision maker ("CODM"), currently its Chairman and Chief Executive Officer, evaluates the performance of each segment and manages the operations of the Company for purposes of allocating resources among the segments. The CODM evaluates segment operating performance using segment Revenue and segment Adjusted EBITDA attributable to Parsons Corporation.

The following table summarizes business segment information for the periods presented (in thousands):

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:			
Federal Solutions	\$ 1,066,740	\$ 1,079,906	\$ 1,479,007
Critical Infrastructure	<u>1,972,451</u>	<u>1,937,105</u>	<u>2,081,501</u>
Total revenues	<u>\$ 3,039,191</u>	<u>\$ 3,017,011</u>	<u>\$ 3,560,508</u>

The Company defines Adjusted EBITDA attributable to Parsons Corporation as Adjusted EBITDA excluding Adjusted EBITDA attributable to noncontrolling interests. The Company defines Adjusted EBITDA as net income (loss) attributable to Parsons Corporation, adjusted to include net income (loss) attributable to noncontrolling interests and to exclude interest expense (net of

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

interest income), provision for income taxes, depreciation and amortization and certain other items that are not considered in the evaluation of ongoing operating performance. These other items include net income (loss) attributable to noncontrolling interests, asset impairment charges, income and expense recognized on litigation matters, expenses incurred in connection with acquisitions and other non-recurring transaction costs and expenses related to our prior restructuring. The following table summarizes business segment information for the periods presented (in thousands):

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Adjusted EBITDA attributable to Parsons Corporation			
Federal Solutions	\$ 79,376	\$ 89,269	\$114,571
Critical Infrastructure	<u>81,206</u>	<u>86,471</u>	<u>97,779</u>
Adjusted EBITDA attributable to Parsons Corporation	160,582	175,740	212,350
Adjusted EBITDA attributable to noncontrolling interests	12,570	14,891	17,407
Depreciation and amortization	(42,156)	(35,198)	(69,869)
Interest expense, net	(15,319)	(13,333)	(18,132)
Income tax expense	(13,992)	(21,464)	(20,367)
Impairment of goodwill and other intangible assets	(85,133)	—	—
Litigation related expenses(a)	(9,422)	(10,026)	129,674
Amortization of deferred gain resulting from sale-leaseback transactions	7,283	7,283	7,253
Transaction related costs(c)	(2,552)	(1,190)	(12,942)
Restructuring(d)	(12,407)	—	—
HCM software implementation costs(e)	—	—	(5,369)
Other(f)	<u>(1,440)</u>	<u>(5,166)</u>	<u>(569)</u>
Net (loss) income including noncontrolling interests	\$ (1,986)	\$111,537	\$239,436
Net income attributable to noncontrolling interests	<u>(11,161)</u>	<u>(14,211)</u>	<u>(17,099)</u>
Net (loss) income attributable to Parsons Corporation	<u>\$ (13,147)</u>	<u>\$ 97,326</u>	<u>\$222,337</u>

- (a) For the years ended December 30, 2016 and December 29, 2017, the Company recorded post-judgment interest expense in “(Interest and other expenses) gain associated with claim on long-term contract” in our results of operations related to the judgment entered against us in 2014 in connection with a lawsuit by the Los Angeles Metropolitan Transportation Authority. For the year ended December 31, 2018, due to the judgment being vacated, the Company reversed \$133.1 million accrued in “Provision for contract losses on consolidated joint ventures” on the consolidated balance sheet, resulting in a net gain of \$129.7 million on the consolidated statements of income, of which \$55.1 million was recorded as an increase in revenue with the remainder recorded in “(Interest and other expenses) gain associated with claim on long-term contract”. See Note 14.
- (b) Reflects recognized deferred gains related to sales-leaseback transactions described in Note 9.
- (c) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, including primarily fees paid for professional services and employee retention.
- (d) Reflects costs associated with and related to our corporate restructuring initiatives, including expenses incurred in connection with a restructuring program we began implementing in 2015 as described in Note 2.
- (e) Reflects implementation costs incurred in connection with a new human resources and payroll application.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

- (f) Other includes a combination of loss from sale of a subsidiary, gain/loss related to sale of fixed assets, gain/loss related to disposed businesses and other individually insignificant items that are non-recurring, infrequent or unusual in nature.

Asset information by segment is not a key measure of performance used by the CODM.

The following table presents revenues and property and equipment, net by geographic area (in thousands):

	2016	2017	2018
<b>Revenues:</b>			
North America	\$ 2,330,806	\$ 2,348,527	\$ 2,780,264
Middle East	658,393	634,069	715,290
Rest of World	49,992	34,415	64,954
<b>Total revenues</b>	<b><u>\$ 3,039,191</u></b>	<b><u>\$ 3,017,011</u></b>	<b><u>\$ 3,560,508</u></b>
<b>Property and equipment, net</b>			
North America		\$ 80,852	\$ 86,847
Middle East		6,726	5,002
<b>Total property and equipment, net</b>		<b><u>\$ 87,578</u></b>	<b><u>\$ 91,849</u></b>

North America revenue includes \$2.1 billion, \$2.1 billion and \$2.5 billion of United States revenue for the years ended December 30, 2016, December 29, 2017 and December 31, 2018, respectively. North America property and equipment, net includes \$76.2 million and \$79.9 million of property and equipment, net in the United States at December 29, 2017 and December 31, 2018, respectively.

The following table presents revenues by business lines (in thousands):

	2016	2017	2018
<b>Revenues:</b>			
<b>Federal Solutions</b>			
Cyber & Intelligence	\$ 142,094	\$ 184,771	\$ 255,447
Defense	300,310	291,358	431,059
Mission Solutions	284,454	291,933	360,969
Engineered Systems	339,882	311,844	431,532
Geospatial	—	—	—
<b>Federal Solutions revenues</b>	<b>1,066,740</b>	<b>1,079,906</b>	<b>1,479,007</b>
<b>Critical Infrastructure</b>			
Connected Communities	537,545	602,975	656,513
Mobility Solutions	1,107,101	1,102,725	1,183,863
Industrial	327,805	231,405	241,125
<b>Critical Infrastructure revenues</b>	<b>1,972,451</b>	<b>1,937,105</b>	<b>2,081,501</b>
<b>Total revenues</b>	<b><u>\$ 3,039,191</u></b>	<b><u>\$ 3,017,011</u></b>	<b><u>\$ 3,560,508</u></b>

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2016, December 29, 2017 and December 31, 2018**

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**21. Subsequent Events**

The Company evaluated subsequent events through March 8, 2019, the date on which the financial statements were available to be issued.

On January 7, 2019, the Company acquired a 100% ownership interest in OGSystems, an innovative solutions provider with advanced technologies in geospatial intelligence, big data analytics, and threat mitigation, for approximately \$300.3 million paid in cash. The Company borrowed \$110.0 million under the Credit Agreement as described in Note 11 and \$150.0 million on a short-term loan. The Company is in the process of finalizing its purchase price allocation.

***Events subsequent to Original Issuance of Financial Statements (unaudited)***

The Company has evaluated subsequent events through March 22, 2019 and April 12, 2019, the date on which the financial statements were available to be reissued.

On March 19, 2019, the United States Supreme Court heard the case between the Company and the Relator. The plaintiff alleges that, as a result of the Company's actions, the United States paid in excess of \$1 million per month between February and September 2006 that it should have paid to another contractor, plus \$2.9 million to acquire vehicles for the contractor defendant to perform its security services. The lawsuit sought (i) that the Company cease and desist from violating the False Claims Act, (ii) monetary damages equal to three times the amount of damages that the United States has sustained because of the Company's alleged violations, plus a civil penalty of not less than \$5,500 and not more than \$11,000 for each alleged violation of the False Claims Act, (iii) monetary damages equal to the maximum amount allowed pursuant to §3730(d) of the False Claims Act, and (iv) Relator's costs for this action, including recovery of attorneys' fees and costs incurred in the lawsuit. At this time, it is too soon to determine the outcome of the litigation or assess the potential range of exposure, if any, and a ruling is not expected until the second quarter of 2019.

On April 3, 2019, the Company's board of directors declared a cash dividend to the Company's existing shareholder in the amount of \$2.00 per share, or \$52.1 million in the aggregate (the "IPO Dividend"). The payment of the IPO Dividend is conditional upon the closing of the Company's anticipated initial public offering, and payable to the Company's existing shareholder on the day immediately following the closing of the anticipated initial public offering.

**PARSONS CORPORATION AND SUBSIDIARIES**  
**Schedule II—Valuation and Qualifying Accounts**

<u>Description</u>	<u>Balance at beginning of period</u>	<u>Additions</u>	<u>Deductions</u>	<u>Other and foreign exchange impact</u>	<u>Balance at end of period</u>
<b>2016</b>					
Allowance for doubtful accounts	\$ 31,155	\$ 14,255	\$ (3,028)	\$ (2,014)	\$ 40,368
Valuation allowance on deferred tax assets	2,192	5,264	(12)	—	7,444
<b>2017</b>					
Allowance for doubtful accounts	40,368	12,530	(2,730)	2,743	52,911
Valuation allowance on deferred tax assets	7,444	3,493	(2,055)	—	8,882
<b>2018</b>					
Allowance for doubtful accounts	52,911	5,254	(6,085)	(1,378)	50,702
Valuation allowance on deferred tax assets	8,882	627	(2,841)	—	6,668



**PARSONS**

AGILE. INNOVATIVE.  
DISRUPTIVE.



Shares

**Parsons Corporation**

Common Stock

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**PARSONS**

---

**Goldman Sachs & Co. LLC**

**BofA Merrill Lynch**

**Morgan Stanley**

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**Jefferies**

**Wells Fargo Securities**

**Cowen**

**SunTrust Robinson Humphrey**

**MUFG**

**Scotiabank**

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Through and including \_\_\_\_\_, 2019 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, upon completion of this offering. All amounts shown are estimates except for the SEC registration fee and the FINRA filing fee.

SEC registration fee	\$ 12,120
FINRA filing fee	15,500
Exchange listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	\$ *

\* To be provided by amendment.

**ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Section 145 of the Delaware General Corporation Law authorizes the board of directors of a corporation to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

We expect to adopt an certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"),

## [Table of Contents](#)

by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred. Our bylaws will also provide that we must pay the expenses (including attorneys' fees) incurred by a director or officer in defending any proceeding in advance of its final disposition, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in any such action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding. We believe that these provisions and agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our certificate of incorporation, bylaws and in indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

## [Table of Contents](#)

### **ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.**

We have contributed 1,880,100 shares of our common stock to the ESOP since January 1, 2016. We claimed exemption from registration under the Securities Act for such contributions in that the contributions were not sales of securities under the Securities Act.

### **ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a) *Exhibits.* The following exhibits are filed as part of this registration statement:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
1.1*	Form of Underwriting Agreement.
3.1	<a href="#">Form of Certificate of Incorporation, effective upon the consummation this offering.</a>
3.2*	Form of Bylaws, effective upon the consummation of this offering.
5.1*	Opinion of Latham & Watkins LLP.
10.1	<a href="#">2012 Amendment and Restatement of Parsons Employee Stock Ownership Plan (including all amendments to date), currently in effect.</a>
10.2*	Form of Amendment and Restatement of Parsons Employee Stock Ownership Plan, to be in effect prior to the consummation of this offering.
10.3	<a href="#">Parsons Corporation Employee Stock Ownership Trust Agreement, effective as of December 31, 2005.</a>
10.4+	<a href="#">Parsons Corporation Restricted Award Plan.</a>
10.5+	<a href="#">Form of Restricted Award Units agreement under the Parsons Corporation Restricted Award Plan.</a>
10.6+	<a href="#">Parsons Corporation Annual Incentive Plan.</a>
10.7+	<a href="#">Parsons Corporation Shareholder Value Plan.</a>
10.8+	<a href="#">Parsons Corporation Long Term Growth Plan.</a>
10.9+	<a href="#">Parsons Corporation Share Value Retirement Plan.</a>
10.10+*	Parsons Corporation Incentive Award Plan.
10.11+*	Form of Restricted Stock Unit Agreement under the Parsons Corporation Incentive Award Plan.
10.12+*	Parsons Corporation Non-Employee Director Compensation Policy.
10.13+	<a href="#">Change in Control Severance Agreement, dated as of February 7, 2019, by and between Parsons Corporation and George L. Ball.</a>
10.14+	<a href="#">Change in Control Severance Agreement, dated as of April 5, 2019, by and between Parsons Corporation and Charles L. Harrington.</a>
10.15+	<a href="#">Change in Control Severance Agreement, dated as of February 7, 2019, by and between Parsons Corporation and Michael R. Kolloway.</a>
10.16+	<a href="#">Change in Control Severance Agreement, dated as of March 9, 2019, by and between Parsons Corporation and Carey A. Smith.</a>
10.17+*	Form of Indemnification Agreement between Parsons Corporation and certain of its directors and officers.

## Table of Contents

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.18	<a href="#">Note Purchase Agreement, dated as of May 9, 2014, among Parsons Corporation and the purchasers party thereto, and the forms of Senior Notes.</a>
10.19	<a href="#">Subsidiary Guaranty, dated as of July 1, 2014, by each of Parsons Constructors Inc., Parsons Engineering of New York, Inc., Parsons Environment &amp; Infrastructure Group Inc., Parsons Government Services Inc., Parsons Government Services International Inc., Parsons International Limited, Parsons Technical Services Inc., Parsons Transportation Group Inc., Parsons Water &amp; Infrastructure Inc., PTSI Managed Services Inc., Parsons RCI Inc. and each entity that may from time to time become a Guarantor thereunder.</a>
10.20	<a href="#">First Amendment to the Note Purchase Agreement, dated as of August 10, 2018, by and between Parsons Corporation and the purchasers party thereto.</a>
10.21	<a href="#">Fifth Amended and Restated Credit Agreement, dated as of November 15, 2017, by and among Parsons Corporation, the lenders from time to time party thereto, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent, swing line bank and co-lead arranger, Wells Fargo Bank, National Association, as syndication agent, The Bank of Nova Scotia, JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation and U.S. Bank National Association, as documentation agents, and Wells Fargo Securities, LLC, as co-lead arranger.</a>
10.22	<a href="#">First Amendment to the Fifth Amended and Restated Credit Agreement, dated as of January 4, 2019, by and among Parsons Corporation, the Banks party thereto and MUFG Bank Ltd, as administrative agent.</a>
10.23	<a href="#">Term Loan Agreement, dated as of January 4, 2019, among Parsons Corporation, MUFG Union Bank, N.A., as administrative agent, The Bank of Nova Scotia, as syndication agent, the other financial institutions party thereto and MUFG Union Bank, N.A. and The Bank of Nova Scotia, as co-lead arrangers.</a>
10.24+	<a href="#">Michael Johnson Separation Agreement (including related Consulting Services Agreement).</a>
21.1	<a href="#">List of Subsidiaries of the Registrant.</a>
23.1	<a href="#">Consent of PricewaterhouseCoopers LLP.</a>
23.2*	Consent of Latham & Watkins LLP (included in Exhibit 5.1).
24.1	<a href="#">Power of Attorney (see page II-6).</a>

\* To be filed by amendment.

+ Indicates a management contract or compensatory plan or arrangement.

- (b) *Financial Statement Schedules.* All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

### **ITEM 17. UNDERTAKINGS.**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange

## [Table of Contents](#)

Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.



[Table of Contents](#)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JAMES F. MCGOVERN</u> James F. McGovern	Director	April 12, 2019
<u>/s/ HARRY T. MCMAHON</u> Harry T. McMahon	Director	April 12, 2019
<u>/s/ M. CHRISTIAN MITCHELL</u> M. Christian Mitchell	Director	April 12, 2019
<u>/s/ SUZANNE M. VAUTRINOT</u> Suzanne M. Vautrinot	Director	April 12, 2019



**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
PARSONS CORPORATION**

**FIRST:** The name of the Corporation is Parsons Corporation (the "Corporation").

**SECOND:** The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle, Delaware, 19801, and the name of its registered agent at such address is The Corporation Trust Company.

**THIRD:** The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL"), as it now exists or may hereafter be amended and supplemented.

**FOURTH:** The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of capital stock which the Corporation shall have authority to issue is 1,100,000,000. The total number of shares of Common Stock that the Corporation is authorized to issue is 1,000,000,000, having a par value of \$1.00 per share, and the total number of shares of Preferred Stock that the corporation is authorized to issue is 100,000,000, having a par value of \$1.00 per share.

**FIFTH:** The designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation are as follows:

**A. COMMON STOCK.**

1. General. The voting, dividend, liquidation, conversion and stock split rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors of the Corporation (the "Board of Directors") upon any issuance of the Preferred Stock of any series.

2. Voting. Each holder of Common Stock shall be entitled to one (1) vote for each share of Common Stock held by such holder. Each holder of Common Stock shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Corporation (as in effect at the time in question) (the "Bylaws") and applicable law on all matters put to a vote of the stockholders of the Corporation.

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

3. Dividends. Subject to the rights of any holders of any shares of Preferred Stock which may from time to time come into existence and be outstanding, the holders of Common Stock shall be entitled to the payment of dividends when and as declared by the Board of Directors in accordance with applicable law and to receive other distributions from the Corporation. Any dividends declared by the Board of Directors to the holders of the then outstanding Common Stock shall be paid to the holders thereof pro rata in accordance with the number of shares of Common Stock held by each such holder as of the record date of such dividend.

4. Liquidation. Subject to the rights of any holders of any shares of Preferred Stock which may from time to time come into existence and be outstanding, in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the funds and assets of the Corporation that may be legally distributed to the Corporation's stockholders shall be distributed among the holders of the then outstanding Common Stock pro rata in accordance with the number of shares of Common Stock held by each such holder.

#### B. PREFERRED STOCK

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors as hereinafter provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by adopting a resolution or resolutions providing for the issuance of the shares thereof and by filing a certificate of designations relating thereto in accordance with the DGCL, to determine and fix the number of shares of such series and such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the fullest extent now or hereafter permitted by the DGCL. Without limiting the generality of the foregoing, the resolution or resolutions providing for the issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law.

The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the DGCL.

SIXTH: Subject to the rights of the holders of any series of Preferred Stock then outstanding, for as long as this Amended and Restated Certificate of Incorporation provides for a classified Board of Directors, any director, or the entire Board of Directors, may be removed only for cause, at a meeting called for that purpose.

SEVENTH: The Board of Directors shall be and is divided into three classes, Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of directors by three, and if a fraction is also contained in such quotient, then if such fraction is one-third, the extra director shall be a member of Class I, and if such fraction is two-thirds, one of the extra Directors shall be a member of Class I and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the date of the annual meeting next following the end of the calendar year 2019, the directors first elected to Class II shall serve for a term ending on the date of the second annual meeting next following the end of the calendar year 2019, and the directors first elected to Class III shall serve for a term ending on the date of the third annual meeting next following the end of the calendar year 2019. Notwithstanding the foregoing formula provisions, in the event that, as a result of any change in the authorized number of directors, the number of directors in any class would differ from the number allocated to that class under the formula provided in this Article Seventh immediately prior to such change, the following rules shall govern:

(a) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of his or her current term, or his or her prior death, resignation or removal; and

(b) in the event of any increase or decrease in the authorized number of directors, the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors to such class or classes as shall, so far as possible, cause the classes to be equal in number; provided, that if after any change in the number of directors there results in a number of directors not divisible evenly by three, thus requiring classes with different numbers of directors, the designations of directorships shall be affected so that (i) in the case only one class is required to have one less director, the class whose term of office is due to expire next following such designation shall contain one less director than the other classes and (ii) in the case two classes are required to have one less director, the classes whose terms of office are due to expire next following such designation shall each contain one less director than the other class.

Notwithstanding any of the foregoing provisions of this Article Seventh, each director shall serve until his or her successor is elected and qualified or until his or her death, resignation or removal.

EIGHTH: Elections of directors at an annual or special meeting of stockholders need not be by written ballot unless the Bylaws of the Corporation shall so provide.

NINTH: No action shall be taken by the stockholders except at an annual or special meeting of stockholders.

TENTH: Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Board of Directors or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the Bylaws of the Corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

ELEVENTH: The personal liability of the directors of the Corporation, to the Corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as director, is hereby eliminated to the fullest extent permitted by the DGCL, as the same may be amended and supplemented. Any amendment, repeal or modification of this Article Eleventh, or the adoption of any provision of the Amended and Restated Certificate of Incorporation inconsistent with this Article Eleventh, shall not adversely affect any right or protection of a director of the Corporation existing immediately prior to such amendment, repeal or modification. If the DGCL is amended after approval by the stockholders of this Article Eleventh to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended.

TWELFTH: The Corporation shall, through the Bylaws or otherwise, to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended and supplemented, indemnify, advance expenses and hold harmless any person who was or is a director or officer of the Corporation or its subsidiaries. The Corporation may, by action of the Board of Directors, provide rights to indemnification and to advancement of expenses to such other employees or agents of the Corporation or its subsidiaries to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by the DGCL. Any amendment, repeal or modification of this Article Twelfth shall not adversely affect any rights or protection existing hereunder immediately prior to such repeal or modification.

THIRTEENTH: The Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or this Amended and Restated Certificate of Incorporation or the Bylaws, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein, unless the Corporation provides written consent to the selection of an alternative forum. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article Thirteenth.

FOURTEENTH: From time to time any of the provisions of this Amended and Restated Certificate of Incorporation may be amended, altered, changed or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this Amended and Restated Certificate of Incorporation are granted subject to the provisions of this Article Fourteenth.

FIFTEENTH: In furtherance and not in limitation of the rights, powers, privileges and discretionary authority granted or conferred by the DGCL or other statutes or laws of the State of Delaware, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws, without any action on the part of the stockholders, but the stockholders may make additional Bylaws and may alter, amend or repeal any Bylaw whether adopted by them or

otherwise. The Corporation may in its Bylaws confer powers upon its Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

*[Signature Page to Follow.]*

IN WITNESS WHEREOF, the Corporation has executed this Amended and Restated Certificate of Incorporation on this [ th] day of [ • ], 2019.

/s/ \_\_\_\_\_  
[ ]

[Signature Page to [ ] Certificate of Incorporation]

**PARSONS EMPLOYEE STOCK OWNERSHIP PLAN**

**2012 AMENDMENT AND RESTATEMENT (including Amendments 1-7)**

## TABLE OF CONTENTS

	<b>Page</b>
ARTICLE I GENERAL	1
1.1 Nature of Plan	1
1.2 Effective Date	2
1.3 Defined Terms	2
ARTICLE II DEFINITIONS	2
2.1 Account	2
2.2 Affiliated Company	2
2.3 Anniversary Date	3
2.4 Approved Absence	3
2.5 Beneficiary	3
2.6 Board of Directors	3
2.7 Break in Service	3
2.8 Capital Accumulation	4
2.9 Code	4
2.10 Committee	4
2.11 Company	4
2.12 Company Stock	4
2.13 Compensation	4
2.14 Early Retirement Date or Early Retirement	5
2.15 Eligible Employee	5
2.16 Employee	6
2.17 Employee Contribution Account	6
2.18 ERISA	6
2.19 ESOP Account	6
2.20 ESOP Fund	6
2.21 ESOP Suspense Subfund	7
2.22 Exempt Loan	7
2.23 Forfeiture	7
2.24 Highly Compensated Employee	7
2.25 Hour of Service	8
2.26 Member Company	8
2.27 Normal Retirement Date	8
2.28 Parsons Corporation Eligible Employee	8
2.29 Parsons E&C Eligible Employee	9
2.30 Parsons E&C Stock	9
2.31 Parsons Stock	9
2.32 Participant	9
2.33 PAYSOP Account	9
2.34 PAYSOP Fund	9
2.35 Plan	9



2.36	Plan Administrator	9
2.37	Plan Year	9
2.38	Predecessor Plan	9
2.39	Retirement Account	9
2.40	Retirement Fund	9
2.41	Sponsor	10
2.42	Trust	10
2.43	Trust Agreement	10
2.44	Trustee	10
2.45	Trust Fund	10
2.46	Valuation Date	10
2.47	Year of Cumulative Service	10
ARTICLE III PARTICIPATION IN THE PLAN		11
3.1	Commencement of Participation	11
3.2	Members of the Board	12
3.3	Re-employment as Eligible Employees	12
3.4	Former Participants	12
ARTICLE IV COMPANY CONTRIBUTIONS		12
4.1	Contributions to ESOP Fund	12
4.2	Reserved	13
4.3	Company Not Responsible for Adequacy of Trust Fund	13
4.4	Conditions of Contributions	13
4.5	Reserved	13
ARTICLE V TRUST FUND		13
5.1	Plan Assets	13
5.2	Division of Assets	13
5.3	Investment of Trust Fund	14
5.4	Exempt Loan	14
5.5	Securities Law Limitation	16
5.6	Accounting and Valuations	16
ARTICLE VI ALLOCATION OF CONTRIBUTIONS TO THE ESOP FUND		16
6.1	Allocation of Contributions	16
6.2	Suspense Subfund	17
6.3	Release from ESOP Suspense Subfund	17
6.4	Allocation of Shares Released from ESOP Suspense Subfund	18
6.5	Stock Dividends, Splits, Recapitalizations, Etc.	18
6.6	Allocation of Amounts Transferred From Defined Benefit Plans	19
6.7	Special Limitations for Disqualified Persons	19

ARTICLE VII RESERVED	21
ARTICLE VIII VESTING AND INTERIM WITHDRAWALS	21
8.1 No Vested Rights Except as Herein Specified	21
8.2 Full Vesting of Participants' Accounts	21
8.3 Partial Vesting of Participants' Accounts	22
8.4 Termination Prior to Full Vesting	23
8.5 Treatment of Forfeitures	23
8.6 Interim Withdrawals	24
8.7 Diversification Rule	24
8.8 No Title	25
ARTICLE IX RETIREMENT BENEFITS	26
9.1 Distribution Timing	26
9.2 Method of Distribution	26
9.3 Change of Method of Distribution	29
9.4 Form of Distribution of Capital Accumulation	29
9.5 Benefit Commencement Deadline	29
9.6 Application for Determination of Benefits	36
9.7 Forfeiture on Failure to Locate Participant or Beneficiary	38
9.8 Special Rule For Money Purchase Plans	38
9.9 Direct Transfers	40
ARTICLE X DEATH BENEFITS	41
10.1 Methods of Distribution	41
10.2 Death After Termination of Employment	41
10.3 Designation of Beneficiary	42
10.4 Incapacity of Participant or Beneficiary	42
10.5 Additional Documents	42
10.6 Special Rule	42
10.7 Special Rule for Money Purchase Plans	43
ARTICLE XI DISABILITY BENEFITS	44
11.1 Method of Distribution	44
11.2 Determination of Disability	44
11.3 Disability After Termination of Employment	44
ARTICLE XII LIMITATION ON ALLOCATIONS	44
12.1 General Rule	44
12.2 Annual Additions	46
12.3 Other Defined Contribution Plans	46
12.4 Defined Benefit Plans	47
12.5 Adjustments for Excess Annual Additions	47
12.6 Adjustment for Excessive Combined Plan Fraction	48

12.7	Affiliated Company	48
12.8	Compensation	48
ARTICLE XIII ADMINISTRATION		49
13.1	Named Fiduciary	49
13.2	Reserved	49
13.3	Policy Committee	49
13.4	Committee Procedure	50
13.5	Notices	50
13.6	Reliance on Information	50
13.7	Authority	51
13.8	Expenses and Fees	52
13.9	Resignation	52
13.10	Liability of Committee	52
13.11	Voting Rights of Company Stock	52
ARTICLE XIV AMENDMENT OR MERGER OF THE PLAN		54
14.1	Right to Amend	54
14.2	Merger and Consolidation	54
ARTICLE XV TERMINATION OF THE PLAN		54
15.1	Right to Terminate Plan	54
15.2	Termination	55
ARTICLE XVI TOP-HEAVY PROVISIONS		55
16.1	Application of Top-Heavy Rules	55
16.2	Minimum Contribution Requirement	55
16.3	Minimum Vesting Requirement	55
16.4	Reserved	56
16.5	Impact on Maximum Allocations	56
16.6	Definitions	56
16.7	Special Rules	58
ARTICLE XVII MISCELLANEOUS		59
17.1	Dividends	59
17.2	Annual Statement	59
17.3	No Right to Employment Hereunder	59
17.4	Limitation on Company Liability	59
17.5	Exclusive Benefit	60
17.6	No Alienation	60
17.7	PAYSOP Account Assets Not Subject To Company Withdrawal	60
17.8	Rights Pursuant to USERRA	60
17.9	Redetermination of Tax Credits	61

17.10	Addresses	61
17.11	Data	61
17.12	Gender and Number	62
17.13	Headings	62
17.14	Counterpart	62
17.15	Governing Law	62

PARSONS EMPLOYEE STOCK OWNERSHIP PLAN

2012 AMENDMENT AND RESTATEMENT

**ARTICLE I**

**GENERAL**

1.1 Nature of Plan.

(a) The Plan, formerly known as The Ralph M. Parsons Company Employee Stock Ownership and Retirement Plan, was originally effective as of December 28, 1974. It was amended several times, and on January 1, 1984 it became known as The Parsons Corporation Employee Stock Ownership Plan. The Plan has been amended several times since then, including amendment and restatement in 1989, 1993, 1995, 1997, 1999, 2004 and 2006. Effective as of January 1, 2002, the Plan became known as the Parsons Employee Stock Ownership Plan. The Plan is hereby again amended and republished in its entirety in this 2012 Restatement, generally effective January 1, 2012, except as otherwise provided herein, by applicable law, or by any resolution or other instrument adopting a particular provision. Neither the Plan nor any Predecessor Plan shall be deemed to have terminated as a result of the consolidation of such Predecessor Plan with this Plan. The rights of an Employee terminating employment after December 31, 2011, shall be governed by the terms of the Plan, as in effect on the date of such termination. The rights of an Employee under a Predecessor Plan which is merged with and into this Plan shall be governed by the terms of this Plan, as in effect from time to time on and after the effective date of the merger of such Predecessor Plan with and into the Plan. It is intended, however, that neither this amendment and republication nor any prior amendment and republication will enlarge the rights of Participants in the Plan or a Predecessor Plan, as the case may be, whose employment with a Company terminated prior to January 1, 2012 or the effective date of a merger of a Predecessor Plan with and into the Plan, as the case may be, except as required by applicable law or as expressly provided herein.

(b) The Plan is a combination stock bonus plan (and, for the period set forth in Section 4.1(d), a money purchase pension plan) qualified under Section 401(a) of the Code and consists of two separate and distinct programs which are designed to complement each other. The first program is an employee stock ownership plan, as defined by Section 4975(e)(7) of the Code, designed to invest primarily in Company Stock. The second program is a tax credit employee stock ownership plan, as defined by Sections 41 and 409 of the Code, designed to invest primarily in Company Stock.

(c) The Plan, as amended and republished herein, is designed to enable Eligible Employees indirectly to participate in stock ownership of the Company through participation in the Plan and the Accounts maintained thereunder to the extent that the assets of the Plan and such Accounts are invested in Company Stock and to the extent that distributions with respect to such Stock, whether in Stock or cash, represent the value of such Stock.

(d) The funding policy of the Plan and Trust is as set forth in Article V hereof.

(e) All Trust assets acquired under the Plan as a result of Company and Participant contributions, income and other additions to the Trust shall be administered, distributed, forfeited and otherwise governed by the provisions of the Plan.

(f) The Plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”) in good faith compliance, and is to be construed in accordance with EGTRRA and guidance issued thereunder.

(g) Effective as of January 1, 2003, certain provisions of the Plan are revised to provide separate contribution allocations for Eligible Employees of the Sponsor and its subsidiaries and Eligible Employees of Parsons E&C Corporation and its subsidiaries.

1.2 Effective Date. The original effective date of this Plan is December 28, 1974, and the general effective date of this 2012 Amendment and Restatement is January 1, 2012 except as otherwise specifically stated.

1.3 Defined Terms. All capitalized terms used in this Plan shall have the meaning set forth in Article II, unless the context clearly indicates otherwise or such terms are not defined in Article II.

## **ARTICLE II**

### **DEFINITIONS**

2.1 Account. “Account” shall mean each of the following accounts (including any subaccounts established from time to time under each such account) maintained to record the interest of an Employee in the Plan:

- (a) Employee Contribution Account
- (b) ESOP Account
- (c) PAYSOP Account
- (d) Retirement Account

2.2 Affiliated Company. “Affiliated Company” shall mean (except as modified by Section 12.7 for purposes of Article XII) (a) any corporation which is included in a controlled group of corporations (within the meaning of Section 414(b) of the Code), of which a Member Company is a member, other than such Member Company, (b) any trade or business which is under common control with a Member Company (within the meaning of Section 414(c) of the Code), other than such Member Company, (c) any member of an affiliated service group (within the meaning of Section 414(m) of the Code) that includes a Member Company, other than such Member Company; and (d) any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code.

The term “Affiliated Company” shall also mean and include RMP International, Ltd., a Cayman Islands Corporation, its subsidiaries and affiliates.

2.3 Anniversary Date. “Anniversary Date” shall mean the last day of each Plan Year.

2.4 Approved Absence. “Approved Absence” shall mean a leave of absence approved for an Employee under the uniform leave of absence policy maintained by the Company employing such Employee.

2.5 Beneficiary. “Beneficiary” shall mean the person or estate of a deceased Participant, entitled to benefits hereunder upon the death of a Participant as designated pursuant to Section 10.3.

2.6 Board of Directors. “Board of Directors” shall mean the Board of Directors of the Sponsor, as such Board may be constituted from time to time.

2.7 Break in Service. “Break in Service” or “Break” shall mean with respect to an Employee whose employment with all Companies terminates, starting with the 1984 calendar year:

(a) the calendar year in which his employment terminates if such termination occurs prior to March 1 of such year and the Employee does not return to employment with a Company prior to November 1 of such year.

(b) each calendar year following the calendar year in which his employment terminates, except for a calendar year in which the Employee returns to employment with a Company prior to November 1 of such calendar year.

Notwithstanding the foregoing, no Employee shall have a Break in Service with respect to a calendar year if he completes more than five hundred (500) Hours of Service during such calendar year. Further, for Employees with fewer than three Years of Cumulative Service as of January 1, 1994, an Employee shall only have a Break in Service in respect of any Calendar Year beginning on or after January 1, 1994 if he completes five hundred (500) or fewer Hours of Service during such calendar year. For purposes of this Section 2.7, an Employee who leaves work on an Approved Absence and returns to work on or before the end of such Approved Absence shall not be deemed to have terminated employment; if such person does not return to work by the end of an Approved Absence, he shall be treated as having terminated employment immediately prior to leaving work on such Approved Absence.

Solely for purposes of determining whether a Break in Service for eligibility or vesting purposes has occurred in a computation period beginning after December 31, 1984, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such Hours cannot be determined, eight (8) Hours of Service per day of such absence, except that the total number of Hours of Service to be credited shall not exceed five hundred one (501). For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of a birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this Section shall be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or (2) in all other cases, in the following computation period.

Notwithstanding the foregoing, a period of absence from employment shall not be regarded as maternity or paternity leave if the Employee shall fail to comply with a request by the Company to furnish the Plan Administrator such timely information as may be reasonably required to establish that the absence from employment was for a reason set forth above and the number of days for which there was such an absence.

In addition, in the case of an individual who is absent from work during an approved leave of absence granted to an Employee on or after August 5, 1993, pursuant to the Family and Medical Leave Act, the twelve (12) consecutive month period beginning on the first anniversary of the first day of such absence shall not constitute a Break in Service if the Employee returns to work for the Company at the end of such leave of absence. Uniformed services Employees will not incur a Break in Service because of their military leave in accordance with the terms set forth in Section 17.8.

2.8 Capital Accumulation. "Capital Accumulation" shall mean the vested portion of a Participant's Accounts under Article VIII hereof.

2.9 Code. "Code" shall mean the Internal Revenue Code of 1986 and the regulations thereunder. Reference to a specific section of the Code shall be deemed also to refer to any applicable regulations under such section, and also shall include any comparable provisions of future legislation that amend, supplement or supersede that specific section.

2.10 Committee. "Committee" shall mean the Policy and Advisory Committee established under the provisions of Article XIII.

2.11 Company. "Company" shall mean the Sponsor or any Affiliated Company.

2.12 Company Stock. "Company Stock" shall mean the stock issued by the Sponsor or any Affiliated Company, provided such stock is a "qualifying employer security" within the meaning of Section 409(1) of the Code.

2.13 Compensation. "Compensation" means all amounts received in cash by an Employee from a Company including salary, wages, shift differential, overtime pay, vacation, holiday and sick pay, and any differential wage payments under Code Section 3401(h), if any, commissions, or jury or military duty pay. However, Compensation shall not include amounts included in the Employee's gross income with respect to bonuses, the grant or exercise of stock options, grant of restricted stock, lapse of restrictions on restricted stock, dividends paid on restricted stock, dividends paid on Company Stock held by the Plan, amounts included in the Employee's gross income in respect of group term life insurance exceeding \$50,000, automobile allowances, moving expense allowances, tax differentials, cost of living differentials and other expense reimbursements. Compensation shall include amounts that would be received in cash and included in gross income by the Employee but for an election to defer and contribute such amounts pursuant to a flexible benefit program or other arrangement described in Section 125 of the Code or a cash or deferred arrangement under Section 402(g) of the Code and qualified transportation fringe benefits described in Code Section 132(f)(4). Severance pay is also



“Compensation” if it is paid within the later of (i) 2½ months of separation from employment, or (ii) the end of the year that includes the date of severance, but only to the extent that, absent a severance, such amounts would have been paid to the Employee as an active Employee as regular compensation for services during the Employee’s regular working hours.

In addition to other applicable limitations set forth in the Plan, and notwithstanding any other provision of the Plan to the contrary, the annual Compensation of each Employee taken into account under the Plan shall not exceed \$220,000 (\$250,000 for the 2012 Plan Year), as adjusted by the Commissioner of the Internal Revenue for increases in the cost of living in accordance with Code Section 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which Compensation is determined (“determination period”) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA ‘93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

2.14 Early Retirement Date or Early Retirement. “Early Retirement Date” or “Early Retirement” shall mean the date that is the later of (a) the date upon which the termination of employment with all Companies of a Participant who is 100% vested in his ESOP Account occurs and (b) the first day of the month in which the Participant attains age sixty-two (62).

2.15 Eligible Employee.

(a) “Eligible Employee” shall mean an Employee who is employed by a Member Company as an active employee on a full- or part-time basis (without regard to his or her treatment under the Fair Labor Standards Act or any successor provision thereto, including any such Eligible Employee who is on sick leave or vacation; provided that the Employee’s salary or wages are subject to employment taxes under Section 3121(b) of the Code.

(b) The term “Eligible Employee” shall also include (i) any citizen or resident of the United States of America who is an Employee of a corporation which is a “domestic subsidiary,” as defined in Section 407 of the Code, of a Company which is a “domestic parent corporation” within the meaning of Section 407 of the Code, and which has been specifically designated as such for purposes of the Plan by resolution of the Board of Directors, and (ii) any citizen or resident of the United States of America who is an Employee of a corporation which is a “foreign subsidiary,” as defined in Section 3121(1)(8) of the Code, of a Company which is a “domestic corporation” within the meaning of Section 406 of the Code, provided the Company has entered into an agreement under Section 3121(1) of the Code with respect to such foreign subsidiary; unless such individual would otherwise be an Employee under the Plan.

(c) The term “Eligible Employee” shall exclude any Employee (i) who is on an Approved Absence, (ii) who is covered by a collective bargaining agreement to which any Company is a party if there is evidence that retirement benefits were the subject of good faith bargaining between the Company and the collective bargaining representative, unless the collective bargaining agreement provides for participation in this Plan, (iii) who is employed by Parsons Infrastructure and Technology Services Division of Parsons Infrastructure & Technology Group Inc., or, prior to January 1, 2007, by the Parking Division of Parsons Facility Management Company, or (iv) a “leased employee,” within the meaning of Section 414(n) of the Code.

(d) The term “Eligible Employee” shall also exclude an individual recorded on the books and records of a Member Company as an independent contractor, a worker provided by a temporary staffing agency, or an individual with respect to whom a written agreement governing the relationship between such person and a Member Company provides in substance that such person shall not be an Eligible Employee hereunder.

(e) The preceding provisions of this Section 2.15 shall be given effect notwithstanding any classification or reclassification of an individual as an employee or common law employee of a Member Company or as a member of any other category of individuals not excluded under the preceding provisions of this Section by reason of action taken by any tax, or other governmental authority. In the event that an individual rendering services to a Member Company in an excluded category is classified or reclassified by reason of action taken by any tax, or other governmental authority, or by a Member Company, such individual shall continue to be excluded under this Plan unless specifically included hereunder by the terms of an amendment to this Plan or by the terms of a written instrument executed by such individual and a Member Company.

2.16 Employee. “Employee” shall mean any individual employed by a Company.

2.17 Employee Contribution Account. “Employee Contribution Account” shall mean an Employee’s Account, including subaccounts, if any, established thereunder from time to time, in which amounts formerly held in Predecessor Plans attributable to the Employee’s contributions are held. The Employee Contribution Account shall also hold amounts held in any Predecessor Plan attributable to contributions made under Section 401(k) of the Code and amounts held in any Predecessor Plan as rollover contributions within the meaning of Section 402(c) of the Code. The Committee reserves the right to obtain information and satisfy itself that such amounts do qualify as contributions under Section 401(k) or as rollover contributions within the meaning of Section 402(c), as the case may be, or that the receipt or retention of such amounts by this Plan will not in any way jeopardize the qualified status of this Plan under Section 401 of the Code. Effective on or about March 1, 1997, all such accounts were transferred to and thereafter maintained under the Parsons Corporation Retirement Savings Plan, although such accounts (and earnings thereon) shall continue to be treated as part of a Participant’s Capital Accumulation to the extent provided herein.

2.18 ERISA. “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

2.19 ESOP Account. “ESOP Account” shall mean an Employee’s account, including subaccounts, if any, established thereunder from time to time, representing his interest in the ESOP Fund.

2.20 ESOP Fund. “ESOP Fund” shall mean that portion of the Trust Fund to which are allocated assets attributable to all ESOP Accounts, contributions under Section 4.1 hereof and the Proceeds of any Exempt Loan.

2.21 ESOP Suspense Subfund. “ESOP Suspense Subfund” shall mean the subfund established under Section 6.2 hereof as part of the ESOP Fund to hold Company Stock purchased with the proceeds of an Exempt Loan pending the allocation of such Stock to individual ESOP Accounts.

2.22 Exempt Loan. “Exempt Loan” shall mean any loan that satisfies the provisions of the term “Loan” as described in Treasury Regulations Section 54.4975-7(b)(1)(ii) and as defined below. “Loan” refers to a loan made to an ESOP by a disqualified person or a loan to an ESOP which is guaranteed by a disqualified person. It includes a direct loan of cash, a purchase-money transaction, and an assumption of the obligation of an ESOP. “Guarantee” includes an unsecured guarantee and the use of assets of a disqualified person as collateral for a loan, even though the use of assets may not be a guarantee under applicable state law. An amendment of a loan in order to qualify as an exempt loan is not a refinancing of the loan or the making of another loan. A “Non-Exempt Loan” shall mean any loan that fails to satisfy the “Loan” provisions described above.

2.23 Forfeiture. “Forfeiture” shall mean the portion of a Participant’s Accounts which does not become part of his Capital Accumulation.

2.24 Highly Compensated Employee.

(a) “Highly Compensated Employee” shall mean any Employee who

(i) was a 5% owner (as defined in Section 416(i)(1) of the Code) at any time during the Plan Year or the preceding Plan Year, or

(ii) for preceding Plan Year, received compensation (within the meaning of Section 415(c)(3) of the Code) from a Company in excess of \$100,000 (as adjusted in the same time and in the same manner as under Section 415(d) of the Code) during the preceding Plan Year and was in the “top-paid group” of Employees (as defined in regulations under Section 414(q)(3) of the Code) for such preceding year.

(b) Determination of a Highly Compensated Employee shall be in accordance with the following definitions and special rules:

(i) An Employee shall be treated as a 5% owner for any Plan Year if at any time during such Year such Employee was a 5% owner.

(ii) A former Employee shall be treated as a Highly Compensated Employee if such Employee was a Highly Compensated Employee when such Employee incurred a severance, or such Employee was a Highly Compensated Employee at any time after attaining age fifty-five (55).

(iii) Code Sections 414(b), (c), (m), and (o) shall be applied before the application of this Section.

(iv) To the extent permissible under Code Section 414(q), the Committee may determine which Employees shall be categorized as Highly Compensated Employees by applying a simplified method prescribed by the Internal Revenue Service.

2.25 Hour of Service.

(a) "Hour of Service" shall mean, with respect to an Employee:

(1) Each hour for which the Employee is paid, or entitled to payment for the performance of duties for a Company. These hours shall be credited to the Employee for the computation period in which the duties are performed.

(2) Each hour for which an Employee is paid, or entitled to payment, by a Company on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than five hundred one (501) Hours of Service shall be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period).

(3) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by a Company. The same Hours of Service shall not be credited both under Paragraph (1) or (2), as the case may be, and under this Paragraph (3).

(b) Hours of Service under Sections 2.25(a)(2) and (3) hereof shall be determined and credited in accordance with Paragraphs (b) and (c) of Department of Labor Regulation Section 2530.200b-2 or any successor Regulation thereto.

(c) An "Hour of Service" shall include service performed for an Affiliated Company prior to the date such Company becomes an Affiliated Company, as required by Code Section 414(a).

2.26 Member Company. "Member Company" shall mean the Sponsor or each Affiliated Company that, as a whole or only with respect to certain units or divisions thereof, has adopted the Plan or a portion thereof, with the permission of the Board of Directors. Notwithstanding the foregoing, in no event may, effective April 1, 1992, Parsons International Limited, a Delaware Corporation, or, effective January 1, 1995, Parsons International, a California corporation, or effective January 1, 2005, De Leuw Cather International Limited, a Delaware corporation, be considered Member Companies under this Plan. A Member Company shall automatically terminate its status as such when it ceases to be an Affiliated Company unless the Board of Directors expressly provides otherwise.

2.27 Normal Retirement Date. "Normal Retirement Date" shall mean the first day of the month in which the Participant attains age sixty-five (65).

2.28 Parsons Corporation Eligible Employee. "Parsons Corporation Eligible Employee" shall mean an Eligible Employee who is employed by the Sponsor or a subsidiary thereof that is a Member Company.

2.29 Parsons E&C Eligible Employee. “Parsons E&C Eligible Employee” shall mean an Eligible Employee who is employed by Parsons E&C Corporation or a subsidiary thereof that is a Member Company.

2.30 Parsons E&C Stock. “Parsons E&C Stock” shall mean the Company Stock issued by Parsons E&C Corporation.

2.31 Parsons Stock. “Parsons Stock” shall mean the Company Stock issued by the Sponsor.

2.32 Participant. “Participant” shall mean any Employee (or former Employee) who has satisfied the requirements for participation under Article III hereof or on whose behalf Accounts are maintained under this Plan.

2.33 PAYSOP Account. “PAYSOP Account” shall mean an Employee’s Account, including subaccounts, if any, established thereunder from time to time, representing his interest in the PAYSOP Fund.

2.34 PAYSOP Fund. “PAYSOP Fund” shall mean that portion of the Trust Fund to which are allocated assets attributable to all PAYSOP Accounts and contributions under Section 4.2 hereof.

2.35 Plan. “Plan” shall mean the Parsons Employee Stock Ownership Plan, and includes the Trust Agreement.

2.36 Plan Administrator. “Plan Administrator” shall mean the Sponsor.

2.37 Plan Year. “Plan Year” shall mean, starting January 1, 1985, each calendar year. Prior to January 1, 1985, “Plan Year” shall mean each fiscal year of the Sponsor and the period beginning on December 29, 1984 and ending on December 31, 1984.

2.38 Predecessor Plan. “Predecessor Plan” shall mean each retirement plan listed in Schedule A hereof, as amended from time to time by resolution of the Board of Directors.

2.39 Retirement Account. “Retirement Account” shall mean an Employee’s Account, including subaccounts, if any, established thereunder from time to time, in which amounts formerly held in Predecessor Plans attributable to employer contributions are held. Effective on or about March 1, 1997, all portions of such accounts invested in assets other than Company Stock were transferred to and thereafter maintained under the Parsons Corporation Retirement Savings Plan, although such transferred amounts (and earnings thereon) shall continue to be treated as part of a Participant’s Capital Accumulation to the extent provided herein.

2.40 Retirement Fund. “Retirement Fund” shall mean that portion of the Trust Fund to which are allocated assets attributable to all Employee Contribution Accounts and Retirement Accounts. Effective on or about March 1, 1997, all portions of the Retirement Fund invested in assets other than Company Stock were transferred to and thereafter maintained under the Parsons Corporation Retirement Savings Plan, although such transferred amounts (and earnings thereon) shall continue to be treated as part of a Participant’s Capital Accumulation to the extent provided herein.

2.41 Sponsor. “Sponsor” shall mean Parsons Corporation.

2.42 Trust. “Trust” shall mean the Parsons Corporation Employee Stock Ownership Trust, created by the Trust Agreement entered into between the Sponsor and the Trustees.

2.43 Trust Agreement. “Trust Agreement” shall mean the Agreement by and between the Sponsor and the Trustees, as said Agreement may from time to time be amended.

2.44 Trustee. “Trustee” shall mean each person serving as Trustee under the Trust Agreement. Any person serving as Trustee may also serve as a member of the Committee, as a member of the Board of Directors, or as an officer, employee or director of a Company or in any other fiduciary or other capacity with respect to either the Plan or a Company.

2.45 Trust Fund. “Trust Fund” shall mean all cash and securities and all other assets deposited with or acquired by the Trustees in their capacity as such hereunder, together with accumulated income.

2.46 Valuation Date. “Valuation Date” shall mean the date upon which the assets of the Trust Fund are valued, as prescribed by Section 5.6 hereof. The Valuation Date of Company Stock assets shall be each December 31 (the “Anniversary Date”). Notwithstanding the foregoing, in the event that the Plan purchases Company Stock from certain disqualified persons, as defined in Code Section 4975(e)(2), that Company Stock will be valued as of the date of the transaction as required by Treasury Regulation Section 54.4975-11(d)(5).

2.47 Year of Cumulative Service.

(a) “Year of Cumulative Service” shall mean, with respect to an Employee:

(1) For calendar years starting with the calendar year ending December 31, 1984:

(i) the calendar year in which such Employee is hired or rehired by a Company if the date of hire or rehire is prior to September 1 of such calendar year; or the calendar year in which the entity employing the Employee becomes a Company, so long as the entity becomes a Company prior to September 1 of such calendar year and the Employee is an employee of such entity as of such date; provided that for Employees hired or rehired after 1993 or for entities becoming a Company after December 31, 1993, the calendar year of hire or rehire or acquisition, as the case may be, shall be counted as a “Year of Cumulative Service” in accordance with Section 2.47(a)(1)(iii) hereof;

(ii) the calendar year in which such Employee’s employment with all Companies terminates if the date of termination occurs after April 30 of such calendar year; provided that, for Employees with fewer than three Years of Cumulative Service as of January 1, 1994, the calendar year of employment termination shall be counted as a “Year of Cumulative Service” in accordance with Section 2.47(a)(1)(iii) hereof;

(iii) any calendar year in which the Employee completes 1,000 or more Hours of Service; provided, that, an Employee shall not receive credit for more than one Year of Cumulative Service under this Section 2.47(a)(1) with respect to any calendar year.

Notwithstanding the foregoing, an Employee who was a participant in the Engineering-Science Companies Employees' Pension Plan prior to January 1, 1984, or the Brian Watt Associates, Inc. Employee Retirement Plan prior to February 2, 1985, shall receive credit solely for vesting purposes for services performed during such periods even though such service was not required to be credited under such Predecessor Plans because (i) such Predecessor Plans utilized the rule set forth in Section 411(a)(4)(B) of the Code (pertaining to non-recognition of service during periods for which the Employee declined to contribute); (ii) he was ineligible to contribute to such Predecessor Plan due to the imposition of a penalty for making a withdrawal of contributions made thereunder; or (iii) he failed to meet any minimum age required for eligibility for participation thereunder. An Employee shall not receive credit under this paragraph for more than one year of service with respect to any calendar year.

### ARTICLE III

#### PARTICIPATION IN THE PLAN

3.1 Commencement of Participation. Except as provided in Section 3.3 hereof, an Eligible Employee shall become a Participant in the Plan in accordance with the following rules:

(a) An Eligible Employee who was a Participant on December 31, 2001 shall be a Participant on January 1, 2002.

(b) An Eligible Employee hired in any calendar year after 2001, or employed by an entity on the date such entity becomes a Member Company in any calendar year after 2001, shall become a Participant in the Plan on the January 1 coinciding with or immediately preceding the date such Employee completes 1,000 Hours of Service in a computation period, provided he is an Eligible Employee on the last day of such computation period. For purposes of this Section 3.1(b), the initial computation period shall be the period of 12 consecutive calendar months commencing on the date the Employee first Performs an Hour of Service following or coinciding with his employment with a Company and successive computation periods shall be each calendar year starting with the calendar year in which the initial computation period ends.

(c) If an Employee, who is not an Eligible Employee, has completed the requisite Hours of Service with the Company (in (b) above) and subsequently becomes an Eligible Employee as defined in the Plan, such Eligible Employee shall become a Participant as of the January 1 coinciding with or immediately preceding the date he became an Eligible Employee.

3.2 Members of the Board. Any Employee who was a member of the board of directors of The Ralph M. Parsons Company on January 1, 1974 shall not be eligible to participate in the Plan.

3.3 Re-employment as Eligible Employees.

(a) In the case of an Employee who was not a Participant as of the date of his termination of employment, if such Employee is re-employed as an Eligible Employee in any calendar after 2001 and following the occurrence of a Break in Service, he shall become a Participant in the Plan on the January 1 coinciding with or immediately preceding the date he completes 1000 Hours of Service in a computation period, provided he is an Eligible Employee on the last day of such computation period. For purposes of this Section 3.3(a), the initial computation period shall mean the period of 12 consecutive calendar months commencing on the date such Employee completes an Hour of Service following or coinciding with his re-employment with a Company and successive computation periods shall be each calendar year starting with the calendar year in which the initial computation period ends.

(b) In the case of an Eligible Employee who was a Participant as of the date of his termination of employment, if such individual is re-employed by a Member Company as an Eligible Employee, he shall become a Participant as of his date of rehire.

3.4 Former Participants. Employees who have commenced participation in the Plan, but cease active participation because their employer, though still a Company, has ceased to be a Member Company, shall continue to accrue Years of Cumulative Service, but shall no longer be entitled to additional contributions or allocations of Forfeitures under the Plan unless hired or rehired by a Member Company.

**ARTICLE IV**

**COMPANY CONTRIBUTIONS**

4.1 Contributions to ESOP Fund.

(a) Subject to Article XII hereof, the Member Companies shall contribute in cash or Company Stock to the ESOP Fund for each Plan Year such sum as the Board of Directors (and, with respect to Parsons E&C Eligible Employees, the board of directors of Parsons E&C Corporation) may, in its sole discretion, determine. In any Plan Year, the contribution on behalf of the Eligible Employees of a Member Company, when expressed as a percentage of the aggregate Compensation of such Eligible Employees, will be in the same proportion as the contribution on behalf of Eligible Employees of another Member Company. The contribution under this Section 4.1 for any given Plan Year shall be fixed by resolution of the Board of Directors and shall be paid to the Trustees not later than the due date (including any extensions thereof) for filing the federal income tax return of the Member Companies for their fiscal year ending with or within the Plan Year.

(b) Some or all of a contribution under Section 4.1(a) hereof made in cash or property other than Company Stock may be applied to repay any outstanding Exempt Loan. The Committee may, subject to any pledge or similar agreement, direct or determine the proportions by which contributions are applied to repay each of the one or more Exempt Loans.



(c) Some or all of a contribution under Section 4.1(a) hereof made in cash or property other than Company Stock may be applied to purchase the shares of Company Stock including shares allocated to the Accounts of any Participant (or Beneficiary) in order to make a distribution under Articles VIII, IX, X, or XI hereof to such Participant (or Beneficiary).

(d) For calendar quarters ending prior to July 1, 2004, notwithstanding the foregoing provisions of this Section 4.1, the Board of Directors shall authorize each calendar quarter a contribution on behalf of each Eligible employee entitled to an allocation under Article VI hereof equal to not less than 10 percent of such Employee's Compensation for such calendar quarter.

4.2 Reserved

4.3 Company Not Responsible for Adequacy of Trust Fund. Except as required by applicable law, neither the Board of Directors, any Company, any member of the Committee nor any Trustee shall be responsible for the adequacy of the Trust Fund to meet and discharge any or all payments and liabilities hereunder.

4.4 Conditions of Contributions. All contributions by a Company to the ESOP Fund are conditioned on the qualification of the Plan under Section 401 of the Code and their deductibility under Section 404 of the Code.

4.5 Reserved

**ARTICLE V**

**TRUST FUND**

5.1 Plan Assets. The Sponsor has entered into the Trust Agreement providing for the establishment of a single Trust to hold the assets of the Plan. All Company contributions shall be paid over to the Trustees and held pursuant to the provisions of the Plan and the Trust Agreement, which, as amended from time to time, shall constitute a part of the Plan. The Board of Directors may at any time, in accordance with the terms of the Trust Agreement, remove an incumbent Trustee and designate a successor Trustee.

5.2 Division of Assets. Assets of the Trust Fund shall be held in separate funds which initially shall consist of the ESOP Fund, PAYSOP Fund and Retirement Fund and thereafter shall consist of such funds as the Committee may establish from time to time. Individual Participant interests in the Trust Fund shall be reflected in the Accounts maintained for each Participant. Notwithstanding the foregoing, the Trust Fund shall be treated as a single trust for purposes of investment and administration, and nothing contained herein shall require a physical segregation of assets for any fund or for any Account maintained under the Plan.

### 5.3 Investment of Trust Fund.

(a) The ESOP Fund shall be invested primarily in Company Stock except for cash or cash equivalent investments for the limited purposes of making Plan distributions to participants or paying Plan administrative expenses, or pending the investment of contributions or other cash receipts in Company Stock. Neither any Company nor the Committee nor any Trustee shall have any responsibility or duty to time any transaction involving Company Stock, in order to anticipate market conditions or changes in stock value, nor shall any such person have any responsibility or duty to sell Company Stock held in the ESOP Fund (or otherwise to provide investment management for Company Stock held in the ESOP Fund) in order to maximize return or minimize loss. The Committee may direct the Trustees to have the ESOP enter into one or more Exempt Loans to finance the acquisition of Company Stock. Company contributions in cash, and other cash received by the Trustees, may be used to acquire shares of Company Stock from Company shareholders or directly from the Company.

(b) The PAYSOP Fund shall be invested primarily in Company Stock except for cash or cash equivalent investments for the limited purpose of making Plan distributions to Participants or paying Plan administrative expenses, or pending the investment of contributions or other cash receipts in Company Stock. Neither any Company nor the Committee nor any Trustee shall have any responsibility or duty to time any transaction involving Company Stock, in order to anticipate market conditions or changes in stock value, nor shall any such person have any responsibility or duty to sell Company Stock held in the PAYSOP Fund (or otherwise to provide investment management for Company Stock held in the PAYSOP Fund) in order to maximize return or minimize loss.

(c) In the case of the De Leuw, Cather Current Service Retirement Plan, amounts invested in ordinary life insurance policies as of September 11, 1984 shall remain so invested in accordance with Article XII of that plan as in effect immediately prior to that date; provided that no application for investment in such policies under said Article XII may be accepted on or after September 11, 1984.

5.4 Exempt Loan. Notwithstanding anything contained herein to the contrary, proceeds of an Exempt Loan shall be used, within a reasonable time after receipt by the Trust, only for the following purposes:

- (a) to acquire Company Stock;
- (b) to repay the same Exempt Loan; or
- (c) to repay any previous Exempt Loan.

An Exempt Loan shall be repaid only from amounts loaned to the Trust and the proceeds of such loans, from Member Company contributions in cash and earnings attributable thereto, from any collateral given for the loan, and from dividends paid on shares of unallocated Company Stock acquired with proceeds of the loan.

No Company Stock acquired with the proceeds of an Exempt Loan may be subject to a put, call, or other option, or buy-sell or similar arrangement while held by the Plan and when distributed by the Plan whether or not the Plan is then an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code.

In addition, and in accordance with Treasury Regulations Sections 54.4975-7 and 54.4975-11, the following provisions shall apply to an Exempt Loan under the Plan:

(i) An Exempt Loan must be for a specific term, and must not be payable at the demand of any person.

(ii) An Exempt Loan must be primarily for the benefit of the Plan participants and their beneficiaries.

(iii) The Plan must not obligate itself to acquire securities from a particular security holder as an indefinite time determined upon the happening of an event, such as the death of the holder.

(iv) The only assets of the Plan that may be given as collateral on an Exempt Loan are qualifying employer securities acquired with the proceeds of the loan and those securities that were used as collateral on a prior Exempt Loan repaid with the proceeds of the current Exempt Loan.

(v) The interest rate of an Exempt Loan must not be in excess of a reasonable rate of interest and should consider the following factors: the amount and duration of the loan, the security and guarantee involved (if any), the credit standing of the Plan and the guarantor (if any), and the interest rate prevailing for comparable loans.

(vi) At the time an Exempt Loan is made, the interest rate for the loan and the price of securities to be acquired with the loan proceeds should not be such that the Plan assets might be drained off.

(vii) No person entitled to payment under an Exempt Loan shall have any rights to assets of the Plan other than collateral given for the loan, contributions (other than contributions of employer securities) made to repay such Exempt Loan, and the earnings attributable to such collateral and the investment of such contributions.

(viii) The payments made with respect to an Exempt Loan by the Plan during a Plan Year must not exceed and amount equal to the sum of such contributions and earnings received during or prior to the year less such payments in prior years. Such contributions and earnings must be accounted for separately in the books of account of the Plan until the loan is repaid.

(ix) In the event of default upon an Exempt Loan, the value of Plan assets transferred in satisfaction of the loan must not exceed the amount of default. If the lender is a Disqualified Person, a loan must provide for a transfer of Plan assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the loan.

(x) In the event that the Plan holds different classes of stock and securities acquired with the proceeds of an Exempt Loan available for distribution consist or more than one class, a distributee must receive substantially the same proportion of each such class of stock.

(xi) If a portion of a Participant's Account is forfeited, qualifying employer securities will be forfeited only after other assets. If interests in more than one class of qualifying employer securities have been allocated to the Participant's Account, the Participant must be treated as forfeiting the same proportion of each such class of stock.

5.5 Securities Law Limitation. The Committee shall not be required to engage in any transaction, including without limitation, directing the purchase or sale of Company Stock, which it determines in its sole discretion might tend to subject itself, its members, the Plan, any Company, or any Participant to a liability under federal or state securities laws. Further, notwithstanding any provision of the Plan to the contrary, in the absence of an effective registration statement and prospectus or an available exemption from registration, no amount attributable to Employee contributions shall be allocated to the purchase of securities (other than interests or participations in the Trust or Plan) issued by a Company or any company directly or indirectly controlling, controlled by, or under common control with the Company.

5.6 Accounting and Valuations.

(a) The fair value of the assets of the Trust Fund shall be determined as of each Valuation Date, in accordance with generally accepted commercial methods and practices. Valuations of employer securities which are not readily tradable on an established market, will be made by an independent appraiser who meets the requirements similar to the requirements prescribed under Code Section 170(a)(1).

(b) As of each Valuation Date each Participant's Accounts shall be credited (debited) with the allocable share of the net income (loss) of the portion of the Trust Fund valued as of such Valuation Date. For this purpose the net income (loss) of the Trust Fund shall include any income with respect to securities in the ESOP Suspense Subfund acquired with the proceeds of an Exempt Loan. In determining net income, interest paid under any installment contract for the acquisition of Company Stock by the Trust or on any Exempt Loan shall not be taken into account.

(c) The Committee shall establish accounting procedures for the purpose of making the allocations, valuations and adjustments to Participants' Accounts provided for in Articles V through XI hereof. From time to time, the Committee may modify its accounting procedures for the purpose of achieving equitable and non-discriminatory allocations among the Accounts of Participants in accordance with the provisions of the Plan.

**ARTICLE VI**

**ALLOCATION OF CONTRIBUTIONS TO THE ESOP FUND**

6.1 Allocation of Contributions.

(a) In addition to net income or loss allocated in accordance with Article V and Forfeitures allocated in accordance with Article VIII, the ESOP Account maintained for each Participant will be credited as of each Anniversary Date with his allocable share of (a) Company Stock contributed in kind to the ESOP Fund by Member Companies and (b) contributions under

Section 4.1 hereof in other than Company Stock. The allocation of contributions of each Member Company shall be made to the ESOP accounts of those Participants who were Eligible Employees of a Member Company during the Plan Year, and such allocation shall be made in the same proportion that the Compensation for the Plan Year of such Participant while an Eligible Employee of such member Company bears to the total Compensation for the Plan Year of all Participants while Eligible Employees of such Member Company entitled to an allocation under this Section 6.1 for that Plan Year. Each ESOP Account will be debited for its share of cash payments for the acquisition of Company Stock or for repayment of exempt Loans or other debt, including principal and interest, incurred for the acquisition of Company Stock, as Company Stock is allocated to such Account in accordance with Section 6.3 hereof. Allocations of Company Stock shall be expressed in terms of number of whole and fractional interests in shares. A subaccount under each Participant's ESOP Account shall be maintained to reflect his non-forfeitable interest in any Trust assets (including Company Stock) attributable to dividends on Company Stock allocated to his ESOP Account (other than dividends distributed under the provisions of Section 17.1 hereof). One or more other subaccounts may be established under each Employee's ESOP Account to differentiate between contributions and earnings thereon and for such other purposes as the Committee deems appropriate.

#### 6.2 Suspense Subfund.

(a) Company Stock acquired by the ESOP Fund through an Exempt Loan shall be added to and maintained in the ESOP Suspense Subfund and shall thereafter be released from the ESOP Suspense Subfund and allocated to ESOP Accounts of Participants as provided in Sections 6.3 and 6.4. The Company Stock acquired with each Exempt Loan shall be accounted for and allocated separately in accordance with the provisions of this Article VI.

6.3 Release from ESOP Suspense Subfund. Company Stock acquired for the ESOP Fund through an Exempt Loan shall be released from the ESOP Suspense Subfund as the Exempt Loan is repaid, in accordance with the provisions of this Section 6.3.

(a) For each Plan Year until the Exempt Loan is fully repaid, the number of shares of Company Stock released from the ESOP Suspense Subfund shall equal the number of unreleased shares immediately before such release for the current Plan Year multiplied by the "Release Fraction." As used herein, the Release Fraction shall be a fraction the numerator of which is the amount of principal and interest paid on the Exempt Loan for such current Plan Year and the denominator of which is the sum of the numerator plus the principal and interest to be paid on such Exempt Loan for all future years during the duration of the term of such Loan (determined without reference to any possible extensions or renewals thereof). Notwithstanding the foregoing, in the event such Loan shall be repaid with the proceeds of a subsequent Exempt Loan (the "Substitute Loan"), such repayment shall not operate to release all such Company Stock in the ESOP Suspense Subfund, but, rather, such release shall be effected pursuant to the foregoing provisions of this Section 6.3 on the basis of payments of principal and interest on such Substitute Loan.

(b) If required by any pledge or similar agreement, then in lieu of applying the provisions of Section 6.3(a) hereof with respect to such loan or Substitute Loan, shares shall be released from the ESOP Suspense Subfund as the principal amount of an Exempt Loan is repaid (and without regard to interest payments), provided the following three conditions are satisfied:

(1) The Exempt Loan must provide for annual payments of principal and interest at a cumulative rate that is not less rapid at any time than level annual payments of such amounts for ten years.

(2) The interest portion of any payment is disregarded only to the extent it would be treated as interest under standard loan amortization tables.

(3) If the Exempt Loan is renewed, extended or refinanced, the sum of the expired duration of the Exempt Loan and the renewal, extension or new Exempt Loan period must not exceed ten years.

(c) If at any time there is more than one Exempt Loan outstanding, then separate accounts may be established under the ESOP Suspense Subfund for each such Loan. Each Exempt Loan for which a separate account is maintained may be treated separately for purposes of the provisions governing the release of shares from the ESOP Suspense Subfund under this Section 6.3 and for purposes of the provisions governing the application of Member Company contributions to repay an Exempt Loan under Section 4.1 hereof.

(d) It is intended that the provisions of this Section 6.3 shall be applied and construed in a manner consistent with the requirements and provisions of Treasury Regulation § 54.4975-7(b)(8), and any successor Regulation thereto. All Company Stock released from the ESOP Suspense Subfund during any Plan Year shall be allocated among Participants as prescribed by Section 6.4 hereof.

#### 6.4 Allocation of Shares Released from ESOP Suspense Subfund.

(a) Shares of Company Stock released from the ESOP Suspense Subfund for a Plan Year in accordance with Section 6.3 hereof shall be held in the ESOP Fund on an unallocated basis until allocated by the Committee as of the Anniversary Date for that Plan Year. The allocation of such shares among the ESOP Accounts of Participants shall be made among the ESOP Accounts of those Participants who were Eligible Employees at any time during the Plan Year and the number of shares allocable to such Participant's ESOP Account shall be made in the proportion that the Compensation for such Plan Year of each such Participant while an Eligible Employee bears to the total Compensation for the Plan Year of all such Participants while Eligible Employees. All Company Stock in the ESOP Fund, other than Company Stock held in the ESOP Suspense Subfund as of an Anniversary Date, must be allocated to ESOP Accounts as of such Date.

6.5 Stock Dividends, Splits, Recapitalizations, Etc. Any Company Stock received by the Trustees as a result of a stock split, dividend, or as a result of a reorganization or other recapitalization of a Company shall be allocated as of the day on which the Company Stock is received by the Trustees in the same manner as the Company Stock to which it is attributable is then allocated.

**6.6 Allocation of Amounts Transferred From Defined Benefit Plans.** This Section 6.6 shall be effective for periods beginning on and after July 1, 1985. In the case of any amounts contributed under Section 4.1(a) representing amounts transferred from terminated defined benefit pension plans, such amounts shall be either allocated in their entirety in respect of the plan year in which such amounts were transferred to this Plan, subject to the limitations of Article XII hereof, or they shall be allocated to a special suspense fund and allocated from such fund among accounts of participants no less rapidly than ratably over a period not to exceed seven years. Notwithstanding the foregoing, in the year of transfer, the amount allocated shall not be less than the lesser of the maximum allowable under Article XII hereof or one-eighth of the amount attributable to the shares of Company Stock acquired with the transferred amount.

**6.7 Special Limitations for Disqualified Persons.**

(a) **General.** No Company Stock, and no portion of the Trust that is allocable in lieu of Company Stock, shall be allocated to the Accounts of any “Disqualified Person” for a “Non-allocation Year.”

(b) **Non-allocation Year.** For purposes of this Section 6.7, the term “Non-allocation Year” means any Fiscal Year for which an S corporation election by the Company under Section 1362(a) of the Code is in effect if, at any time during that Fiscal Year, Disqualified Persons own or are deemed to own at least 50 percent of the outstanding shares of the Company’s stock.

(c) **Disqualified Person.** For purposes of this Section 6.7, the term “Disqualified Person” means any person if —

(i) he or she is deemed to own ten percent or more of the “Deemed-Owned Shares” of Company Stock;

(ii) the number of shares of Company Stock deemed to be owned by the person, together with the shares of Company Stock deemed to be owned members of his or her family, is at least 20 percent of the total Deemed-Owned Shares of Company Stock; or

(iii) the person is a member of the family of a Disqualified Person described in subparagraph (c)(ii) above (if not otherwise treated as a Disqualified Person under subparagraph (c)(i) or (c)(ii) above).

(d) **Deemed-Owned Shares.** For purposes of this Section 6.7, the term “Deemed-Owned Shares” means, with respect to any Participant —

(i) shares of Company Stock allocated to his or her Company Stock Account;

(ii) that number of the shares of Company Stock allocated to the Suspense Account that would be allocated to his or her Company Stock Account if all of the shares of Company Stock that are allocated to the Suspense Account were allocated among the Company Stock Accounts of the Participants pursuant to the formula set forth in Section 6.3 as of the most recent Valuation Date; and

(iii) the shares of Company Stock on which any “Synthetic Equity” held by that Participant is based, if this treatment of the Participant’s Synthetic Equity results either in the treatment of any Participant as a Disqualified Person or the treatment of any Fiscal Year as a Non-allocation Year.

(e) Synthetic Equity. For purposes of this Section 6.7, the term “Synthetic Equity” means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the Company in the future. Except to the extent provided in regulations issued by the Treasury Department, the term “Synthetic Equity” also includes stock appreciation rights, phantom stock units, and similar rights to future cash payments based on the value of Company Stock or on the appreciation in the value of the Company Stock.

(f) Member of Family. For purposes of this Section 6.7, the term “member of the family” means, with respect to any individual —

(i) his or her husband or wife,

(ii) any ancestor or lineal descendant of the individual or of the individual’s husband or wife,

(iii) a brother or sister of the individual or of the individual’s husband or wife and any lineal descendant, and

(iv) the husband or wife of any individual described in clauses (ii) or (iii) above.

(g) Attribution of Ownership. For purposes of this Section 6.7, the attribution-of-ownership rules of Section 318(a) of the Code, as modified by Section 409(p) of the Code, shall apply for purposes of determining ownership of shares of the Company’s Stock.

(h) Impermissible Allocation. For purposes of this Section 6.7, and as provided by Treasury Regulation 1.409(p)-1T(b)(2)(iii), the term “Impermissible Allocation” means any contribution or other annual addition (e.g. forfeiture allocation) in the ESOP or other qualified plan (including a release and allocation from an ESOP Suspense Account) that would have otherwise been added to the Disqualified Person’s Account and invested in employer securities consisting of S corporation stock.

(i) Impermissible Accrual. For purposes of this Section 6.7, and as provided by Treasury Regulation 1.409(p)-1T(b)(2)(ii), the term “Impermissible Accrual” means all S corporation shares that are employer securities and other ESOP assets attributable to such shares (including IRC Section 1368 distributions, sale proceeds and earnings on either the distribution or the proceeds) held for a Disqualified Person’s Account, whether attributable to current or prior year contributions.



**ARTICLE VII**

**RESERVED**

**ARTICLE VIII**

**VESTING AND INTERIM WITHDRAWALS**

8.1 No Vested Rights Except as Herein Specified. No Employee shall have any vested right or interest, or any right to payment, of any assets of the Trust Fund, except as herein provided. Neither the making of any allocation nor the credit to any Account of a Participant in the Trust Fund shall vest in any Participant any right, title or interest in or to any assets of the Trust Fund.

8.2 Full Vesting of Participants' Accounts. An Employee shall at all times be fully vested, within the meaning of Section 411 of the Code and Section 203 of ERISA, in his PAYSOP Account, his Employee Contribution Account, and the subaccount of his ESOP or Retirement Account attributable to cash dividends received by the Trust on Company Stock allocated to such Account. He shall be fully vested, within the meaning of Section 411 of the Code and Section 203 of ERISA, in the balance of his Accounts upon the earliest to occur of:

(a) the day he becomes fully vested under the vesting schedules included in Section 8.3;

(b) the first day of the month in which he becomes sixty-five (65) years of age, provided that such Participant is then employed by a Company or the Participant is on an Approved Absence;

(c) his death while:

(i) employed by a Company;

(ii) on qualified military service (as defined in Code Section 414(u)); or

(iii) on an Approved Absence;

(d) the date of his termination of employment with all Companies under circumstances entitling him to receive a benefit under Section 11.1 on account of permanent disability; or

(e) the date on which he is required to be fully vested under the applicable provisions of the Code on account of the termination, partial termination or the complete discontinuance of contributions to the Plan.

8.3 Partial Vesting of Participants' Accounts.

(a) Except as provided in Section 8.2, effective for all Plan Years beginning on and after January 1, 1989:

(1) The percentage of an Employee's Capital Accumulation which is vested, within the meaning of Section 411 of the Code and Section 203 of ERISA, shall be based upon his number of Years of Cumulative Service in the Plan in accordance with the following schedule, provided such Employee performs at least one (1) Hour of Service in any Plan Year beginning on or after January 1, 1989:

<u>Years of Cumulative Service</u>	<u>Vested Percentage of Employee's Account</u>
Less than 3 years	0
3 years but less than 4	30
4 years but less than 5	40
5 years but less than 6	60
6 years but less than 7	80
7 or more years	100

(2) In the case of an Employee who does not perform at least one (1) Hour of Service in any Plan Year beginning on or after January 1, 1989, such Employee's non-forfeitable percentage for purposes of this Section 8.3 shall be determined under the vesting schedule in effect under the Plan as of the date of such Employee's termination of employment.

(b) Except as provided in Section 8.2, effective for all Plan Years beginning on and after January 1, 2007:

(1) The percentage of an Employee's Capital Accumulation which is vested, within the meaning of Section 411 of the Code and Section 203 of ERISA, shall be based upon his number of Years of Cumulative Service in the Plan in accordance with the following schedule, provided such Employee performs at least one (1) Hour of Service in any Plan Year beginning on or after January 1, 2007:

<u>Years of Cumulative Service</u>	<u>Vested Percentage of Employee's Account</u>
Less than 2 years	0
2 years but less than 3	20
3 years but less than 4	40
4 years but less than 5	60
5 years but less than 6	80
6 or more years	100

(2) In the case of an Employee who does not perform at least one (1) Hour of Service in any Plan Year beginning on or after January 1, 2007, such Employee's non-forfeitable percentage for purposes of this Section 8.3 shall be determined under the vesting schedule in effect under the Plan as of the date of such Employee's termination of employment.

(c) Notwithstanding any other provision of this Plan to the contrary, in the case of an Employee who was a Participant in the Plan or a Predecessor Plan prior to January 1, 1984, his non-forfeitable percentage for purposes of this Section 8.3 will at no time be less than the vested percentage determined under the schedule set forth in the Plan or the applicable Predecessor Plan as of December 31, 1983, if such schedule continued to apply.

#### 8.4 Termination Prior to Full Vesting.

(a) If a Participant's employment with all Companies terminates prior to the date on which his interest in his Accounts becomes fully vested in accordance with Section 8.2 hereof, the unvested portion of the amount in said Participant's Accounts shall be forfeited as of the last day of the calendar year in which the Participant sustains five (5) consecutive Breaks in Service and shall be treated as provided in Section 8.5. The vested portion of such a Participant's Accounts shall be distributed as provided in Section 9.2 hereof.

(b) In the case of a Participant described in Section 9.2(b) or 9.2(c) who receives a distribution on account of a disability described in Section 11.3 or hardship, respectively, before incurring five (5) consecutive Breaks in Service and also resumes employment with a Company before five (5) such consecutive Breaks in Service occur, the undistributed forfeitable portion shall be placed in a subaccount of the Account from which the amount was distributed and the vested portion of such subaccount at a subsequent date shall be determined by the formula:

- X =  $P(AB + (R \times D)) - (R \times D)$ , where:
- X = the vested portion of the subaccount at the subsequent date
- P = non-forfeitable percentage under Section 8.3 hereof at the subsequent date
- AB = the subaccount balance at the subsequent date
- D = the amount of the previous distribution
- R = the ratio of the subaccount balance at the subsequent date to the original subaccount balance

(c) If a portion of a Participant's ESOP Account or Retirement Account is forfeited, shares of Company Stock allocated to his ESOP Account from the ESOP Suspense Subfund shall be forfeited only after other assets are forfeited from each such Account.

8.5 Treatment of Forfeitures. Any Forfeitures occurring pursuant to Section 8.4 attributable to amounts in the Participant's ESOP and Retirement Accounts shall be allocated among all other ESOP Accounts, but only among such ESOP Accounts of Participants who were Eligible Employees during the Plan Year, and each such allocation shall be made in the proportion that the Compensation for such Plan Year of each such Participant while an Eligible Employee bears to the total Compensation for the Plan Year of all such Participants while Eligible Employees. Any forfeiture attributable to a Retirement Account may, but need not, be applied to the acquisition of Company Stock.

**8.6 Interim Withdrawals.** The following provisions shall govern the right of a Participant to make withdrawals from the Trust Fund prior to the termination of employment with all Companies:

(a) A Participant may, at any time, but in no event more than once in any Plan Year, elect to withdraw, without penalty, all or any part of the principal amount of his contributions under Predecessor Plans (exclusive of any gains or earnings thereon, and less any previous withdrawals) allocated to his Employee Contribution Account; provided, that, in no event may all withdrawals under this Section 8.6(a) exceed the aggregate amount of such contributions less the total of net investment losses, if any, attributable to such contributions.

(b) Any Participant who elects to withdraw the maximum amount pursuant to Section 8.6(a) hereof then subject to withdrawal may further elect simultaneously (or at any time subsequent to a withdrawal of the maximum amount pursuant to Section 8.6(a) hereof) to withdraw all (but not less than all) net gains and earnings reflected in his Employee Contribution Account.

(c) Reserved

(d) Requests for withdrawal pursuant to this Section 8.6 shall be made in such form and manner as the Committee may prescribe. For purposes of this Section 8.6, the date on which a request for withdrawal is filed shall be considered the date of withdrawal. Payments may be made as set forth in Section 9.4 hereof, as soon as practicable, but in no event later than 180 days from the filing of the request for withdrawal.

**8.7 Diversification Rule.**

(a) For the purpose of this Section 8.7 only, the following definitions shall apply:

(1) "Qualified Participant" shall mean a Participant who has attained age 55 and who has completed at least 10 years of participation in the Plan.

(2) "Qualified Election Period" shall mean the six Plan Year period beginning with the Plan Year in which the Participant first becomes a Qualified Participant.

(b) Each Qualified Participant shall be permitted to direct the Plan as to the diversification of twenty-five percent (25%) of the value of the vested portion of the Participant's ESOP Account (or any subaccounts under such Account) in respect of Company Stock which was acquired by the Plan after December 31, 1986, in the manner provided under Section 8.7(d) below, during an annual election period (the "Annual Election Period") specified by the Plan Administrator, which shall commence on the first day each Plan Year during the Participant's Qualified Election Period and shall generally end 30 days after the Parsons Stock price and eligible diversification amounts have been communicated to Qualified Participants, but shall in no case end before the 90<sup>th</sup> day of each such Plan Year. Within the Annual Election Period of the last Plan Year in the Participant's Qualified Election Period, a Qualified Participant may direct the Plan as to the diversification of 50 percent of the value of the vested portion of such ESOP Account.

(c) The Participant's direction shall be provided to the Committee in writing and shall specify which, if any, of the available options set forth in Section 8.7(d) the Participant selects.

(d) (1) At the election of the Qualified Participant, the Plan shall distribute, in one lump sum distribution (notwithstanding Section 409(d) of the Code), the portion of the Participant's ESOP Account that is covered by the election within ninety (90) days after the Annual Election Period. Distributions shall be made in the form provided for under Section 9.4 hereof. This Section 8.7(d) shall apply notwithstanding any other provision of the Plan. However, those provisions that require the consent of the Participant, the Participant's spouse, or both, to distribute a present value benefit in excess of \$5,000 still apply. If the Participant and/or the Participant's spouse do not consent, the Plan will retain the amount in question.

(2) In lieu of distribution under Section 8.7(d)(1), the Qualified Participant who has the right to receive a distribution under Section 8.7(d)(1) may so elect that the Plan transfer the portion of the Participant's ESOP Account that is distributable and that is covered by such election to another qualified plan of the Company which accepts such transfers, provided that such plan permits employee-directed investment and does not invest in Company Stock to a substantial degree. Such transfer shall be in the form provided for under Section 9.4 hereof and shall be made no later than ninety (90) days after the Annual Election Period.

(3) The Committee may establish at least three investment options under this Plan, to be selected at its discretion, for the purpose of diversification under this Section 8.7. If the Committee establishes such investment options, in lieu of distribution or transfer under Section 8.7(d)(1) or (2) above, the Qualified Participant who has a right to receive a distribution under Section 8.7(d)(1) may so elect that the Plan invest the portion of the Participant's ESOP Account that is distributable and that is covered by such election in any of the investment options established by the Committee. Such investment shall be made no later than ninety (90) days after the Annual Election Period.

#### 8.8 No Title

Notwithstanding the foregoing and solely for purposes of vesting in Plan Accounts as set forth in this Article VIII, a Participant shall be treated as employed by the Company and shall continue to accrue Hours of Service and Years of Cumulative Service under the Plan for any period of time that the Participant is employed by Saudi Arabian Parsons Limited or Parsons International Corporation LLC. In addition, solely for purposes of vesting in Plan Accounts as set forth in this Article VIII, Participants shall receive Years of Cumulative Service for past service performed for Saudi Arabian Parsons Limited or Parsons International Corporation LLC.

**ARTICLE IX**  
**RETIREMENT BENEFITS**

9.1 Distribution Timing.

Following the termination of employment of a Participant with all Companies, the Participant's vested Account shall be distributed to him or her in the manner provided in this Article. The Participant's vested Account balance shall be based on its value on the Valuation Date coincident with or immediately preceding the date of distribution. A Participant remaining in the employ of a Company after reaching his or her Early or Normal Retirement Date shall not be entitled to a distribution of his or her Accounts prior to his or her termination of employment with all Companies except as provided in subsections 9.2(b), (c), or (d).

9.2 Method of Distribution. The Participant's vested Account shall be distributed to him or her in accordance with this Section, provided that no Participant shall receive any distribution of any part of his or her Accounts hereunder prior to his or her Normal Retirement Date without his or her written consent if the present value of such vested Account exceeds \$5,000.

(a) Early and Normal Retirement.

(1) Timing. Payment of the Participant's vested Account shall be made following his or her termination of employment as soon as practicable after his or her Normal Retirement Date or Early Retirement Date, but in no event later than the sixtieth (60th) day after the last day of the Plan Year in which the Participant (if he or she were then an Employee) attains his or her Normal Retirement Date, or, if earlier, his or her Early Retirement Date.

(2) Form. The available forms shall depend on the value of the Participant's vested Account balance.

(i) Vested Account Balance of \$20,000 or Less. If the value of the Participant's vested Account balance is \$20,000 or less, then it will be paid as soon as practicable, as the Participant elects, in either

(A) one lump sum payment; or

(B) a direct rollover.

(ii) Vested Account Balance Exceeds \$20,000. If the value of the Participant's vested Account balance exceeds \$20,000, then it will be paid as soon as practicable in installments as described in subsection (e).

(b) Permanent Disability.

(1) Timing. A Participant who has suffered a permanent disability while an Employee (even if on an Approved Absence) or after termination of employment, but prior to the distribution of his or her entire vested Account, may be entitled to receive a distribution as soon as practicable after the Committee's receives proof of such disability.

(2) Form. The available forms shall depend on the value of the Participant's vested Account balance.

(i) Vested Account Balance of \$20,000 or Less. If the value of the Participant's vested Account balance is \$20,000 or less, then it will be paid as soon as practicable, as the Participant elects, in either:

(A) one lump sum payment; or

(B) a direct rollover.

(ii) Vested Account Balance Exceeds \$20,000. If the value of the Participant's vested Account balance exceeds \$20,000, then it will be paid as soon as practicable in installments as described in subsection (e).

(3) Determination of Disability. A permanent disability, for purposes of this Plan, shall mean the Participant has been determined by the Social Security Administration as eligible for Social Security disability benefits.

(c) Financial Hardship.

(1) Timing. A Participant who has a financial hardship prior to the distribution of his or her entire vested Account may be entitled to receive a distribution as soon as practicable after the Committee's determination of such hardship. Distribution will be made to a Participant prior to what would otherwise be the Participant's Normal Retirement Date, or, if applicable, Early Retirement Date, in accordance with this subsection (c).

(2) Form. The available forms shall depend on the value of the Participant's vested Account balance.

(i) Vested Account Balance of \$20,000 or Less. If the value of the Participant's vested Account balance is \$20,000 or less, then it will be paid as soon as practicable, as the Participant elects, in one lump sum payment.

(ii) Vested Account Balance Exceeds \$20,000. If the value of the Participant's vested Account balance exceeds \$20,000, then it will be paid as soon as practicable in installments as described in subsection (e).

(3) Determination of Financial Hardship. The Committee shall determine in its sole discretion whether a genuine financial hardship exists, but in so doing shall not find a genuine financial hardship to exist unless there exists probative evidence of severe want or deprivation which cannot reasonably be expected to be relieved by other resources reasonably available to the Participant. The Committee shall prescribe such rules as it deems appropriate in making determinations as to the existence of a hardship. In no event, however, shall the Committee find that sources reasonably available to relieve a hardship include a Participant's

primary residence. Further, the Committee shall in every case find that sources reasonably available to a Participant for the relief of a hardship include business ventures and other investments or property (other than a primary residence), if any, that are reasonably liquid and susceptible to reasonably rapid sale.

(4) Notwithstanding subsection (c)(2), a Participant receiving installment distributions may halt such distributions by written notice given to the Trustee at least 30 days in advance of the first scheduled payment as of which distributions should cease. A Participant may, by a showing of hardship, resume such distributions subject to subsection (c)(3).

(d) Conflicts of Interest. If a Participant who has terminated employment with all Companies but has not received his or her complete distribution from the Plan becomes subject to a conflict of interest by reason of his or her beneficial interest in Company Stock held hereunder, his or her Account consisting of Company Stock shall, upon satisfactory proof to the Committee of such conflict, be converted into cash and shall be distributed in accordance with the terms of this Plan governing distribution of ESOP Accounts as described in subsection (a)(2).

(e) Installments. Installment distributions shall be made subject to the following rules:

(1) Installment payments can only be made if the Participant's vested Account balance is at least \$20,001.

(A) If the Participant's vested Account balance is from \$20,001 to \$40,000, then it will be paid in a series of installments over two years or, if shorter, the life expectancy of the Participant and his or her Spouse, if any.

(B) If the Participant's vested Account balance exceeds \$40,000, then it will be paid in a series of installments over either three or five years, as the Participant elects, but in no case shall the number of yearly installments exceed the life expectancy of the Participant and his or her Spouse, if any.

(2) The first installment in a series shall be determined by multiplying the vested value of the Participant's Account by a fraction the numerator of which is one and the denominator of which is the number of scheduled installments in the series. The next installment is the remaining Account balance for the year multiplied by a fraction the numerator of which is one and the denominator of which is the denominator for the previous year reduced by one. Except if subsection (c)(2)(4) is applicable, successive installments in a series, if any, are determined the same way.

(3) Any remaining undistributed balance of the Participant's Account shall be non-forfeitable, held in the Participant's Account and will continue to share in the net income of the Trust including any appreciation or depreciation in the value of Company Stock.

(f) Small Account Balances. Notwithstanding any other provision in this Plan to the contrary, a Participant who has a termination of employment (regardless of whether such termination is prior to the Participants Normal or Early Retirement Date) shall automatically receive an immediate distribution without his or her consent if the value of his or her vested Account balance is \$5,000 or less.



(1) Vested Account Balance of \$1,000 or Less. If the Participant's vested Account balance is \$1,000 or less, distribution will be made as soon as administratively feasible in one lump sum payment unless it is at least \$200 and the Participant timely elects to directly roll it over to an eligible retirement plan.

(2) Vested Account Value of \$1,001 to \$5,000. If the Participant's vested Account balance exceeds \$1,000 but does not exceed \$5,000 and the Participant does not timely elect a lump sum distribution or a direct rollover, then it will be directly rolled over to an individual retirement account designated by the Committee.

9.3 Change of Method of Distribution. If any amount is being paid to a Participant in installments pursuant to Section 9.2 hereof, the Committee may, at the election of the Participant or Beneficiary, upon the occurrence of such Participants Early or Normal Retirement Date, permanent disability or death, pay the balance then credited to the Participant or Beneficiary in a lump sum in accordance with the provisions hereof providing for the payment of the balance of an amount in a lump sum.

9.4 Form of Distribution of Capital Accumulation. Distribution of a Participant's Capital Accumulation shall be made in cash; provided, however, the Company may require that distributions of that portion of such Participant's Capital Accumulation invested in Company Stock be made in kind. Any distributions made in Company Stock shall be subject to an immediate automatic repurchase right in favor of the Company. The amount payable to a Participant pursuant to the automatic repurchase right set forth in the preceding sentence shall be paid by the Company either (a) in a single lump sum within 30 days following the date of the distribution made in Company Stock or (b) in substantially equal periodic payments (not less frequently than annually) over a period beginning not later than 30 days following the date of the distribution made in Company Stock and not exceeding 5 years; provided, that the Company provides adequate security and pays reasonable interest on any unpaid amounts following the commencement of such payments. In addition, at the election of the Participant, any life insurance policies held in the Plan may be distributed as an in-kind distribution. In accordance with Code Sections 79, 83, and 401 and regulations promulgated thereunder, effective February 13, 2004, any transfer of a life insurance contract from an employer to an employee must be taxed at its full fair market value. Such fair market value will be determined at the time contract (sic) is distributed and using the formula(s) defined in code Section 402.

Notwithstanding the foregoing, no distribution may be made in Company Stock to any Participant who is a nonresident alien or whose spouse is a nonresident alien for U.S. federal income tax purposes.

9.5 Benefit Commencement Deadline. Notwithstanding the provisions of Articles IX, X and XI of the Plan regarding distributions of Participants' Capital Accumulations, the following additional rules shall apply to all such distributions.

(a) In no event shall any benefits under this Plan, including benefits upon retirement, termination of employment, or permanent disability (as determined under Section 11.2), be paid to a Participant prior to the "Consent Date" (as defined herein) unless the Participant consents in writing to the payment of such benefits prior to said Consent Date. As used herein, the term "Consent Date" shall mean the Participant's 65th birthday. Notwithstanding the foregoing, the provisions of this Paragraph shall not apply (1) following the Participant's death, or (2) with respect to a lump-sum distribution of a Participant's Capital Accumulation if the total amount of the Capital Accumulation does not exceed \$5,000.

Effective as of March 28, 2005, in the event of a mandatory distribution greater than \$1,000 in accordance with the provisions of this Section 9.5(a), if the Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with Section 9.2 and 9.4 hereof, then the Plan Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator.

(b) Unless the Participant elects otherwise pursuant to Paragraph (a) above, distributions of the vested portion a Participants Capital Accumulation shall commence no later than the 60th day after the close of the Plan Year in which the latest of the following events occurs: (1) the Participant's Normal Retirement Age; (2) the tenth anniversary of the year in which the Participant commenced participation in the Plan; or 3) the Participant's termination of employment with the Company.

(c) (1) Notwithstanding the foregoing, with respect to distributions under the Plan made on or after December 31, 2001 for calendar years beginning on or after January 1, 2001, the Plan will apply the minimum distribution requirements of Code Section 401(a)(9) in accordance with the regulations under Section 401(a)(9) that were proposed on January 17, 2001 (the "2001 Proposed Regulations"). If the total amount of required minimum distributions made to a participant for 2001 prior to December 31, 2001 are equal to or greater than the amount of required minimum distributions determined under the 2001 Proposed Regulations, then no additional distributions are required for such participant for 2001 on or after such date. If the total amount of required minimum distributions made to a participant for 2001 prior to December 31, 2001 are less than the amount determined under the 2001 Proposed Regulations, then the amount of required minimum distributions for 2001 on or after such date will be determined so that the total amount of required minimum distributions for 2001 is the amount determined under the 2001 Proposed Regulations. This paragraph shall continue in effect until the last calendar year beginning before the effective date of the final regulations under Code Section 401(a)(9) or such other date as may be published by the Internal Revenue Service.

(2) Notwithstanding Section 9.5(c)(1) or any other provision of the Plan to the contrary but subject to Section 9.5(d), below, the following provisions shall apply with respect to determining minimum distributions for calendar years beginning with the 2003 calendar year:

(i) The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

(ii) If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the participant's sole designated beneficiary, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later.

(B) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this provision shall apply as if the surviving spouse were the Participant.

For purposes of this Section 9.5(c)(2), distributions are considered to begin on the Participant's required beginning date (or, if Section 9.5(c)(2)(ii)(D) applies, the date distributions are required to begin to the surviving spouse). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 9.5(c)(2)(ii)(D)), the date distributions are considered to begin is the date distributions actually commence.

(iii) Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance herewith. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the Treasury regulations.

(iv) If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(A) The annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(B) The distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 9.5(c)(2)(ii);

(C) Once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(D) Payments will either be non-increasing or increase only as follows:

(1) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(2) To the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described above dies or is no longer the Participant's beneficiary pursuant to a qualified domestic relations order within the meaning of Code Section 414(p);

(3) To provide cash refunds of employee contributions upon the participant's death; or

(4) To pay increased benefits that result from a plan amendment.

(v) The amount that must be distributed on or before the Participant's required beginning date (or, if the Participant dies before distributions begin, the date distributions are required to begin above) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received. All of the Participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's required beginning date.

(vi) Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(vii) If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a non-spouse beneficiary, annuity payments to be made on or after the Participant's required beginning date to the designated beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have

been payable to the participant using the table set forth in Q&A-2 of section 1.401(a)(9)-6T of the Treasury regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant and a non-spouse beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated beneficiary after the expiration of the period certain.

(viii) Unless the Participant's spouse is the sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the participant under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the Annuity Starting Date. If the Participant's spouse is the Participant's sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section, or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(ix) If the Participant dies before the date distribution of his or her interest begins and there is a designated beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described herein, over the life of the designated beneficiary or over a period certain not exceeding:

(A) Unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(B) If the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(x) If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(xi) If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 9.5(c)(2) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 9.5(c)(2)(ii)(D).

(xii) For purposes of this Section 9.5(c)(2), the following terms have the following meanings:

(A) "Designated beneficiary" means the individual who is designated as the beneficiary under the Plan and is the designated beneficiary under Code Section 401(a)(9) and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(B) "Distribution calendar year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to this Section 9.5(c)(2).

(C) "Life expectancy" means life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury Regulations.

(D) "Required beginning date" means April 1 of the calendar year following the calendar year in which the Participant (i) attains age 70½ or (ii) retires, whichever is later; except that, in the case of a Participant who is a five percent owner (as defined in Code Section 416) of the Company with respect to the calendar year in which he attains age 70½, required beginning date means April 1 following the calendar year in which the Participant attains age 70½.

(d) With respect to the portion of a Participant's Capital Accumulation consisting of Company Stock allocated to his ESOP account, where such stock was acquired by the Plan after December 31, 1986 ("Post-1986 Amounts"), the following rules shall apply:

(1) If the Participant so elects, Post-1986 Amounts shall commence to be distributed to the Participant not later than 1 year after the close of the Plan Year-

(i) in which the Participant terminates employment with the Company by reason of attainment of Normal Retirement age, permanent disability (as determined under Section 11.2), or death, or

(ii) which is the 5th Plan Year following the Plan Year in which the Participant otherwise separates from service, except that this clause shall not apply if the Participant is reemployed by the Company before distribution is required to begin under this clause.

(2) For the purposes of this paragraph (d), the Post-1986 Amounts allocated to a Participant's ESOP Account shall not include any Company Stock acquired with the proceeds of an Exempt Loan until the close of the Plan Year in which such loan is repaid in full.

(3) Unless the Participant elects a less rapid distribution period, the distribution upon a Participant's Post-1986 Amounts shall be in substantially equal periodic payments (not less frequently than annually) over a period not longer than the greater of:

(i) 5 years, or

(ii) in the case of a Participant with Post-1986 Amounts in excess of \$500,000, 5 years plus 1 additional year (but not more than 5 additional years) for each \$100,000 or fraction thereof by which such amount exceeds \$500,000.

(4) The dollar amounts specified in subparagraph (3) above shall be adjusted at the same time and in the same manner by the Secretary of the Treasury as under Code Section 415(d).

(5) This paragraph (d) is intended to accelerate the date of distribution of Post-1986 Amounts pursuant to Code Section 409(o). Therefore, if such amounts should be distributed sooner under any other provision of this Plan, such provision overrides this paragraph (d).

(e) If it is not administratively practical to calculate and commence payments by the latest date specified in the rules of Paragraphs (a), (b), (c) and (d) above because the amount of the Participant's benefit cannot be calculated, or because the Committee is unable to locate the Participant after making reasonable efforts to do so, the payment shall be made as soon as is administratively possible (but not more than 60 days) after the Participant can be located and the amount of the distributable benefit can be ascertained.

(f) If any payee under the Plan is a minor or if the Committee reasonably believes that any payee is legally incapable of giving a valid receipt and discharge for any payment due him, the Committee may have such payment, or any part thereof, made to the person (or persons or institution) whom it reasonably believes is caring for or supporting such payee, or, if applicable, to any duly appointed guardian or committee or other authorized representative of such payee. Any such payment shall be a payment for the account of such payee and shall, to the extent thereof, be a complete discharge of any liability under the Plan to such payee.

(g) Notwithstanding anything in this Section 9.5 to the contrary, unless the Participant subject to the required minimum distribution rules of this Section 9.5 elects to receive such distributions, effective as of January 1, 2009, the Code Section 401(a)(9) requirements of Section 9.5 will not apply for the 2009 calendar year, and furthermore, the five-year period described in Code Section 401(a)(9)(B)(ii) will be determined without regard to calendar year 2009.

## 9.6 Application for Determination of Benefits.

(a) The Committee may require any person claiming benefits under the Plan or any authorized representative of such a person, to submit an application therefor, together with such documents and information as the Committee or its delegate may require.

(b) Within 90 days following receipt of a properly completed application, the Committee or its delegate reviewing the claim shall furnish the claimant with written notice of the decision rendered with respect to the application. If the Committee or its delegate determines that an extension of up to an additional 90 days for processing the application is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee or its delegate expects to render a determination. In the case of a denial of the claimant's application, the written notice shall set forth:

(1) The specific reasons for the denial, with reference to the Plan provisions upon which the denial is based;

(2) A description of any additional information or material necessary for perfection of the application (together with an explanation why the material or information is necessary); and

(3) An explanation of the Plan's claim review procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. A claimant who does not agree with the decision rendered under Section 9.6(b) hereof with respect to his application may appeal the decision to the Committee. The appeal shall be made in writing within 65 days after the date of notice of the decision with respect to the application. If the application has neither been approved nor denied within the 90-day period provided in Section 9.6(b) hereof, then the appeal shall be made within 65 days after the expiration of the 90-day period. In making his appeal, the claimant may request that his application be given full and fair review by the Committee. The claimant may review, upon request and free of charge, all documents, records, and other information relevant to the claimant's claim for benefits, and may submit issues, documents, records and comments in writing and all such information will be taken into account by the Committee. The decision of the Committee shall be made promptly, and not later than 60 days after the Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days after receipt of a request for review and written notice of the extension shall be provided to the claimant prior to expiration of the initial 60-day period indicating the special circumstances requiring an extension of time and the date by which the Committee expects to render the determination on review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant with specific references to the pertinent Plan provisions upon which the decision is based, and a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits.



(d) Notwithstanding the foregoing, with regard to a claim that involves a determination of a permanent disability, the Committee or its delegate reviewing the claim shall furnish the claimant with written notice of the decision rendered with respect to the application within 45 days following receipt of an application. If the Committee or its delegate determines that an extension of up to an additional 30 days for processing such an application is required, written notice of the extension shall be furnished to the claimant prior to the termination of the initial 45-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee or its delegate expects to render a determination. If prior to the end of a the first 30-day extension period, the Committee or its delegate determines that a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provide that the Committee or its delegate notifies the claimant prior to the expiration of the first 30-day extension period that indicates the special circumstances requiring an extension of time and the date by which the Committee or its delegate expects to render a determination. Any notice of extension shall specifically explain the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall be afforded at least 45 days within which to provide the specified information. With regard to a claim that involves a determination of a permanent disability, any written notice of denial shall contain the following, in addition to the items set forth in Section 9.6(c):

(1) A discussion of the decision, including an explanation of the basis for disagreeing with or not following: (A) the views presented by the claimant to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant; (B) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (C) a disability determination regarding the claimant presented by the claimant to the Plan made by the Social Security Administration;

(2) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either an explanation of the scientific or clinical judgment for the determination, applying the terms of the plan to the claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request;

(3) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and

(4) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits.

(e) Notwithstanding the foregoing, with regard to an appeal of a benefit determination that involves a determination of a permanent disability, before the Committee can issue an adverse benefit determination on review, the Committee shall also provide the claimant, free of charge, with (1) any new or additional evidence considered, relied upon, or generated by Committee in connection with the claim; and (2) any new or additional rationale on which an adverse benefit determination is to be made. In addition, the Committee's decision shall be made within a reasonable period of time, but not later than 45 days (rather than 60 days) after the Committee's receipt of a request for review. In addition to the information set forth in Section 9.6(c), any notice of adverse determination on review of a claim involves a determination of a permanent disability shall also include the information set forth in Section 9.6(d)(1) through 9.6(d)(3).

**9.7 Forfeiture on Failure to Locate Participant or Beneficiary.** In the event that a Participant or Beneficiary or other recipient of benefits cannot be located with reasonable efforts within five (5) years of the date when benefits are first eligible to be paid under the Plan, the amount representing the benefits which such person would otherwise have been entitled to receive shall be forfeited and re-allocated to the Plan Accounts of all remaining Participants in the manner provided in Section 8.5. Notwithstanding the foregoing or anything to the contrary in this Plan, if any Participant, Beneficiary or other recipient of benefits shall make an appropriate claim for benefits subsequent to the forfeiture referred to in the preceding sentence, then such person shall be entitled to payment of such amount which was forfeited.

**9.8 Special Rule For Money Purchase Plans.** Notwithstanding any other provision of this Plan, if the Capital Accumulation in a Participant's Retirement Account and Employee Contribution Account has an aggregate value in excess of \$5,000 and is attributable to a Predecessor Plan that, prior to its consolidation with the Plan, was a money purchase pension plan, such Capital Accumulation shall be distributable in accordance with this Section 9.8.

(a) Unless a form of benefit prescribed by Section 9.2 hereof is selected pursuant to a Qualified Election within the 180-day period ending on the Participant's Benefit Commencement Date, a Participant's Capital Accumulation subject to this Section 9.8 will be paid in the form of a Qualified Joint and Survivor Annuity.

(b) For purposes of this Section 9.8, "Qualified Joint and Survivor Annuity" shall mean an annuity for the life of the Participant with a survivor annuity for the life of the Spouse which is not less than 50 percent and not more than 100 percent of the amount of the annuity which is payable during the joint lives of the Participant and the Spouse and which is the amount of benefit which can be purchased with the participant's Capital Accumulation subject to this Section 9.8.

(c) For purposes of this Section 9.8, "Qualified Election" shall mean a waiver of a Qualified Joint and Survivor Annuity. The waiver must be in writing, must designate that benefits will be paid in an optional form or designate a beneficiary in addition to or other than the Participant's Spouse which may not be changed without spousal consent (unless the original consent (i) acknowledges the right to limit consent to a specific Beneficiary, and (ii) expressly permits designations by the Participant without the requirement of any further consent by the Spouse, and must be consented to by the Participant's Spouse. The Spouse's consent to a waiver must be witnessed by a Plan representative or notary public. Notwithstanding this consent requirement, if the Participant establishes to the satisfaction of a Plan representative that such written consent may not be obtained because there is no Spouse or the Spouse cannot be located, a waiver will be deemed a Qualified Election. Any consent necessary under this provision will be valid only with respect to the Spouse who signs the consent, or in the event of a deemed Qualified Election, the designated Spouse. Additionally, a revocation of a prior waiver may be made by a Participant without the consent of the Spouse at any time before the commencement of benefits. The number of revocations shall not be limited.

(d) For purpose of this Section 9.8, "Spouse" or "Surviving Spouse" shall mean the spouse or surviving spouse of the Participant, provided that a former spouse will be treated as the Spouse or Surviving Spouse to the extent provided under a qualified domestic relations order as described in Section 414(p) of the Code.

(e) The Committee shall provide each Participant within 30 days of such Participant's Benefit Commencement Date, a written explanation of: (i) the terms and conditions of a Qualified Joint and Survivor Annuity; (ii) the Participant's right to make and the effect of an election to waive the Qualified Joint and Survivor Annuity form of benefit; (iii) the rights of a Participant's Spouse; (iv) the right to make and the effect of a revocation of a previous election to waive the Qualified Joint and Survivor Annuity; provided, however, that a Participant may waive (with applicable spousal consent) the requirement that the written explanation be provided within 30 days of the Participant's Benefit Commencement Date, if the Participant's distribution commences more than 7 days after such explanation is provided.

(f) For the purpose of this Section 9.8, "Benefit Commencement Date" shall mean (i) the first day of the first period for which an amount is payable as an annuity, however, the first day of the first period for which a benefit is to be received by reason of a disability shall be treated as the Benefit Commencement Date only if such benefit is not an auxiliary benefit within the meaning of Code Section 417(f)(2)(B); or (ii) in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Participant to such benefit.

## 9.9 Direct Transfers

(a) This Section applies to distributions made on or after January 1, 1993. Notwithstanding any provisions of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

### (b) Definitions.

(1) *Eligible Rollover Distributions.* An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more;

(ii) any distribution to the extent such distribution is required under Code Section 401(a)(9); and

(iii) and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net realized appreciation with respect to employer securities and any amount that is distributed on account of hardship).

If all or any portion of a Plan distribution during the 2009 calendar year would have been treated as a required minimum distribution under Code Section 401(a)(9), but for the application of Plan Section 9.5(g), then such distribution shall not be treated as an eligible rollover distribution for purposes of this Section 9.9.

(2) *Eligible Retirement Plan:* An eligible retirement plan must accept the distributee's eligible rollover distribution and must be an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), an annuity contract described in Code Section 403(b), an eligible plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, a qualified trust described in Code Section 401(a) or a Roth IRA described in Section 408A(b) of the Code. However, in the case of an eligible rollover distribution to either the surviving spouse or a non-spouse beneficiary, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(3) *Distributee*: A distributee includes an employee or former employee. In addition, the employee's or former employee's Surviving Spouse, non-spouse beneficiary, and the employee's or former employee's Spouse or former Spouse who is the alternate payee under a Qualified Domestic Relations Order, as defined in Code Section 414(p), are distributees with regard to interests of the Spouse or former Spouse.

(4) *Direct Rollover*: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(c) For purposes of the direct rollover provisions in this Section 9.9 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not included in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Section 408(a) or 408(b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

## ARTICLE X

### DEATH BENEFITS

10.1 Methods of Distribution. Upon the death of a Participant prior to his termination of employment with all Companies, the entire interest of the decedent in the Trust Fund shall be distributed as soon as practicable after the decedent's death, but in no event later than five years after the date of such death. The amount distributed shall be based on the value of the decedent's interest on the valuation date coinciding with or immediately preceding the date of distribution. If the beneficiary is a spouse and such spouse dies before payments begin, subsequent distributions shall be made as if the spouse had been the Participant. Notwithstanding the foregoing provisions of this Section 10.1, a Surviving Spouse (as defined in Section 10.7) shall be entitled to receive the death benefit to which that spouse is entitled pursuant to a survivor annuity described in Section 10.7 hereof or pursuant to a Qualified Joint and Survivor Annuity described in Section 9.8 hereof. Such survivor annuity shall commence as soon as possible following the Participant's death but not later than one year after the Participant's death, or the date on which the Participant would have attained age 70-1/2, whichever is later.

10.2 Death After Termination of Employment. Upon the death of a Participant after retirement, permanent disability retirement or other severance, but prior to the distribution of his entire Capital Accumulation, the Committee shall direct the Trustees to make distribution of any vested balance remaining in the decedent's Accounts as soon as practicable after the decedent's death but in no event later than 5 years after the date of such death. The amount distributed shall be based on the value of the decedent's interest on the Valuation Date coinciding with or immediately preceding the date of distribution. If distribution has commenced prior to the date of the Participant's death, the remaining balance of the Participant's Capital Accumulation shall be distributed at least as rapidly as under the method of distribution in effect as of the date of the Participant's death. If the Beneficiary is a Spouse and such Spouse dies before payments begin,

subsequent distribution shall be made as if the Spouse had been the Participant. Notwithstanding the foregoing provisions of this Section 10.2, a Surviving Spouse (as defined in Section 10.7 hereof) shall be entitled to receive the death benefit to which that Spouse is entitled pursuant to the survivor annuity described in Section 10.7 hereof or pursuant to a qualified Joint and Survivor Annuity described in Section 9.8 hereof. Such Survivor Annuity shall commence as soon as possible following the Participant's death but not later than 1 year after the Participant's death, or the date on which the Participant would have attained age 70-1/2, whichever is later.

10.3 Designation of Beneficiary. At any time, and from time to time, each Participant shall have the unrestricted right to designate the Beneficiary or Beneficiaries to receive the portion of his death benefit or to revoke any such designation. Each such designation shall be evidenced by a written instrument filed with the Committee, signed by the Participant. If the deceased Participant shall have failed to designate a Beneficiary, or if the Committee shall be unable to locate the designated Beneficiary after reasonable efforts have been made, or if such Beneficiary shall be deceased, distribution shall be made by payment of the deceased Participant's entire interest in the Trust Fund to his personal representative in a lump sum within one (1) year after his death. In the event the deceased Participant is not a resident of California at the date of his death, the Committee, in its discretion, may require the establishment of ancillary administration in California. If the Committee cannot locate a qualified personal representative of the deceased Participant, or if administration of the deceased Participant's estate is not otherwise required, the Committee, in its discretion, may pay the deceased Participant's interest in the Trust Fund to his heirs at law (determined in accordance with the laws of the State of California as they existed at the date of the Participant's death).

10.4 Incapacity of Participant or Beneficiary. If any payee under the Plan is a minor, or if the Committee reasonably believes that any payee is legally incapable of giving a valid receipt and discharge for any payment due him, the Committee may have such payment, or any part thereof, made to the person (or persons or institution) whom it reasonably believes is caring for or supporting such payee, unless it has received due notice of claim therefor from a duly appointed guardian or committee of such payee. Any such payment shall be a payment for the account of such payee and shall, to the extent thereof, be a complete discharge of any liability under the Plan to such payee.

10.5 Additional Documents. The Committee or Trustees, or both, may require the execution and delivery of such documents, papers and receipts as the Committee or Trustees may determine necessary or appropriate in order to establish the fact of death of the deceased Participant and of the right and identity of any Beneficiary or other person or persons claiming any benefits under this Plan.

10.6 Special Rule. With respect to Participants who performed one or more Hours of Service on or after August 23, 1984 and die after such date, any designation of a Beneficiary other than the surviving spouse at the date of the Participant's death for payment of the Participant's death benefit under the Plan shall not be valid unless such surviving spouse has consented to the payment of such death benefit to such Beneficiary in form and manner satisfactory to the Plan Administrator and in compliance with the requirements of Section 417 of the Code.

**10.7 Special Rule for Money Purchase Plans.** Notwithstanding any other provisions of this Plan, in the event of a Participant's death prior to his Benefit Commencement Date (as defined in Section 9.8(f)) with respect to his Capital Accumulation in his Retirement Account and Employee Contribution Account the aggregate value of which exceeds \$5,000 and is attributable to a Predecessor Plan that, prior to its consolidation with this Plan, was a money purchase pension plan, such Capital Accumulation Account shall be distributable in accordance with this Section 10.7.

(a) The Participant's Capital Accumulation shall be paid to the Participant's Surviving Spouse in the form of an annuity for the life of the Surviving Spouse ("QPSA"), unless the Surviving Spouse selects a payment form prescribed in Section 9.2 hereof or the Participant within the Election Period waives the QPSA and designates another Beneficiary, pursuant to a Qualified Election, to receive his Capital Accumulation subject to this Section 10.7, as provided in Section 10.1 hereof. The Surviving Spouse shall be entitled to direct the commencement of payments under the QPSA within a reasonable time after the Participant's death but shall not be required to commence such payments prior to the date the Participant would have attained Normal Retirement Date.

(b) For purposes of this Section 10.7, "Election Period" shall mean the period which begins on the first day of the Plan Year in which the Participant attains age 35 and ends on the date of the Participant's death. If a Participant separates from service prior to the first day of the Plan Year in which age 35 is attained, the election period shall begin on the date of separation.

(c) For purposes of this Section 10.7, "Qualified Election" shall mean the Participant's waiver of the QPSA and the designation of a Beneficiary other than a Spouse (including any class of Beneficiaries or contingent Beneficiaries). The designation must be in writing, must designate a Beneficiary other than the Participant's Spouse which may not be changed (unless back to the QPSA) without Spousal consent (unless the original consent of the Spouse (i) acknowledges the right to limit consent to a specific Beneficiary and (ii) expressly permits designations by the Participant without the requirement of any further consent by the Spouse), and must be consented to by the Spouse. The Spouse's consent must acknowledge the effect of the election and be witnessed by a Plan representative or notary public. A Qualified Election shall be valid only if made after the Participant has received a written explanation of the QPSA during the applicable period in accordance with Section 417(a)(3) of the Code and the regulations thereunder. Notwithstanding this consent requirement, if the Participant establishes to the satisfaction of a Plan representative that such written consent may not be obtained because there is no Spouse or the Spouse cannot be located, a selection shall be deemed a Qualified Election. Any consent necessary under this Section 10.7 will be valid only with respect to the Spouse who signs the consent, or in the event of a deemed Qualified Election, the designated Spouse. Additionally, a revocation of a prior waiver of the QPSA may be made by a Participant without the consent of the Spouse at any time before the Participant's death. The number of revocations shall not be limited.

(d) For purposes of this Section 10.7, "Spouse" or "Surviving Spouse" shall mean the spouse or surviving spouse of the Participant, provided that a former spouse will be treated as the Spouse or Surviving Spouse to the extent provided under a Qualified Domestic Relations Order described in Section 414(p) of the Code.

**ARTICLE XI**  
**DISABILITY BENEFITS**

11.1 Method of Distribution. In the event a Member Company shall determine that a Participant has suffered a permanent disability while an Employee or on an Approved Absence, the Committee shall direct the Trustee to make a distribution of such Participant's Capital Accumulation as soon as practicable after the Committee's determination of such disability in the manner prescribed in Section 9.2 as though such Participant had attained his Normal or Early Retirement Date. The amount distributed shall be based on the value of the Participant's Accounts on the Valuation Date coinciding with or immediately preceding the date of distribution.

11.2 Determination of Disability. A permanent disability, for purposes of this Plan, shall mean the Participant has been determined by the Social Security Administration as eligible for Social Security disability benefits.

11.3 Disability After Termination of Employment. In the event that a Member Company shall determine that a Participant has suffered a permanent disability after termination of employment, but prior to the distribution of his entire Capital Accumulation, the Committee shall direct the Trustees to make distribution of his Capital Accumulation as though the Participant had attained his Normal or Early Retirement Date as provided in Section 9.2; except that the Participant's vested interest in his accounts shall not increase by reason of such disability. The amount distributed shall be based on the value of the Participant's accounts on the Valuation Date coinciding with or immediately preceding the date of distribution. The provisions of Section 9.8 shall apply to any distribution made pursuant to this Section 11.3.

**ARTICLE XII**  
**LIMITATION ON ALLOCATIONS**

12.1 General Rule.

(a) The provisions of this Section 12.1(a) shall be effective for periods prior to January 1, 1990.

(1) Subject to Sections 12.1(a)(2) and 12.3 through 12.6 hereof, the total Annual Additions under this Plan to a Participant's Accounts for any Limitation Year shall not exceed the lesser of:

(A) Thirty Thousand Dollars (\$30,000), or if greater, one-fourth of the defined benefit dollar limitation set forth in Section 415(b)(1) of the Code) as in effect for the Limitation Year; or



(B) Twenty-five percent (25%) of the Participant's Compensation, as defined in Section 12.8, from the Companies for the Limitation Year. For purposes of this Article XII, the "Limitation Year" shall mean the Plan Year and "Compensation" shall mean Compensation as defined in Section 12.8.

(2) (A) Subject to Sections 12.3 through 12.6 hereof, in the event that no more than one-third of the Member Company contributions to the ESOP and PAYSOP Funds for a Limitation Year are allocated to the group of Highly Compensated Employees then the amount of Annual Additions under this Plan to a Participant's Accounts for any Limitation Year shall not exceed the lesser of either the amount determined under Section 12.1(a)(1) hereof or the amount determined under Section 12.1(a)(1)(B).

(B) The amount determined under this Section 12.1(a)(1)(B) is the sum of:

(1) The amount specified in Section 12.1(a)(1)(A) hereof, plus

(2) The lesser of:

(i) The amount specified in Section 12.1(a)(1)(A) hereof, or

(ii) The amount of Company Stock contributed, or purchased with cash contributed, to the ESOP and PAYSOP Funds on behalf of such Participant including Company Stock released from the ESOP Suspense Subfund.

(b) The provisions of this Section 12.1(b) are effective for periods beginning on and after January 1, 1995. Subject to Sections 12.3 through 12.6 hereof, the total Annual Additions under this Plan to a Participant's Accounts for any Limitation Year shall not exceed the lesser of:

(1) Thirty Thousand Dollars (\$30,000), as that amount may be adjusted for cost of living increases in accordance with Code Section 415(d); or

(2) Twenty-five percent (25%) of the Participant's Compensation, from the Companies for the Limitation Year. For purposes of this Article XII, the "Limitation Year" shall mean the Plan Year and "Compensation" shall mean Compensation as defined in Section 12.8.

(c) The provisions of this Section 12.1(c) are effective for Limitation Years beginning after December 31, 2001. Subject to Sections 12.3 through 12.6 hereof and Section 414(v) of the Code, if applicable, the total Annual Additions that may be contributed or allocated to a Participant's accounts under this Plan for any Limitation Year shall not exceed the lesser of:

(1) Forty Thousand Dollars (\$40,000), as that amount may be adjusted for cost of living increases in accordance with Code Section 415(d); or

(2) One hundred percent (100%) of the Participant's Compensation, within the meaning of Section 415(c)(3) of the Code, for the Limitation Year. For purposes of this Section 12.1(c)(2), the Participant's Compensation limit shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Section 401(h) or Code Section 419A(f)(2)) which is otherwise treated as an Annual Addition.

**12.2 Annual Additions.** For purposes of Section 12.1, the term "Annual Additions" shall mean with respect to a Participant, for any Limitation Year with respect to this Plan and each other defined contribution plan, within the meaning of Code Section 415(k), maintained by a Company ("Defined Contribution Plan"), the sum of the amounts determined under Sections 12.2(a), (b), (c) and (d) hereof:

(a) All amounts contributed or deemed contributed by a Member Company, except that the Annual Addition shall exclude the portion of the Member Company contribution (attributable to the Member Company employing such Participant) representing interest on an Exempt Loan (provided that no more than one-third of the Member Company contributions to the ESOP Fund deductible under Section 404(a)(9) of the Code for a Limitation Year are allocated to Highly Compensated Employees). Notwithstanding any provision in the Plan, in the case of shares of Company Stock released from the ESOP Suspense Subfund and allocated to the ESOP Account of a Participant for a particular Plan Year, the Company shall determine for such year that an Annual Addition will be calculated on the basis of the fair market value of shares of Company Stock so released and allocated if the Annual Addition as so calculated is lower than the Annual Addition calculated on the basis of Member Company contributions.

(b) All amounts contributed by the Participant.

(c) Forfeitures allocated to such Participant. For purposes of this Section 12.2, forfeitures shall not include Forfeitures of Company Stock acquired through the ESOP Fund with the proceeds of an Exempt Loan, provided that no more than one-third of the Member Company contributions to the ESOP Fund deductible under Section 404(a)(9) of the Code for a Limitation Year are allocated to Highly Compensated Employees (as that term is defined in Section 414(q) of the Code).

(d) All amounts described in Sections 415(1) and 419A(d)(2) of the Code.

(e) The provisions of this Section 12.2(e) shall be effective for periods beginning on and after July 1, 1985. Amounts contributed under Section 4.1(a) representing amounts transferred from terminated defined benefit plans and allocated under Section 6.6 hereof in any year; provided that the annual addition attributable to each such allocation based on allocations from the suspense fund established under Section 6.6 hereof shall not exceed the value of such shares of Company Stock as of the time such shares were credited to such suspense fund.

**12.3 Other Defined Contribution Plans.** If any Company maintains any other Defined Contribution Plan then each Participant's Annual Additions under this Plan shall be aggregated with the Participant's Annual Additions under this Plan for the purposes of applying the limitations of Section 12.1.

12.4 Defined Benefit Plans. For Plan Years commencing prior to January 1, 2000, if a Participant in this Plan has also been a participant in a defined benefit plan (as defined in Section 415(k) of the Code) maintained by any Company ("Defined Benefit Plan"), then in addition to the limitation contained in Section 2.1 hereof, the sum of the "Defined Benefit Fraction," as defined in Section 12.4(a) hereof, and the "Defined Contribution Fraction," as defined in Section 12.4(b) hereof, for any Limitation Year shall not exceed 1.0.

(a) "Defined Benefit Fraction" shall mean a fraction, the numerator of which is the total projected benefit of a Participant under all Defined Benefit Plans expressed as either an annual straight life annuity or a qualified joint and survivor annuity providing the maximum permissible survivor benefit (determined as of the close of the Limitation Year), and the denominator of which is the lesser of (1) the maximum dollar amount otherwise allowable for such Limitation Year under Section 415(b)(1)(A) of the Code times 1.25 or (2) the percentage of compensation limit under Section 415(b)(1)(B) of the Code for such Limitation Year times 1.4.

(b) "Defined Contribution Fraction" shall mean a fraction, the numerator of which is the sum of the Participant's Annual Additions to this Plan and all other Defined Contribution Plans as of the end of a Limitation Year, and the denominator of which is the sum, determined for such Limitation Year and each prior Limitation Year of the Participant's service with a Company of the lesser of (1) the maximum dollar Annual Addition under Section 415(c)(1)(A) (determined without regard to Section 415(c)(6) of the Code) of the Code which could have been made for the Limitation Year times 1.25 or (2) the amount determined under the percentage of compensation limit for such Limitation Year under Section 415(c)(1)(B) of the Code times 1.4. In computing the Defined Contribution Fraction under this Section 12.4(b) with respect to any Limitation Year ending after December 31, 1982, the special transition rule provided in Section 415(e)(6) of the Code shall be applicable.

12.5 Adjustments for Excess Annual Additions. To the extent that the Annual Additions on behalf of any Participant in a Limitation Year to this Plan and all other Defined Contribution Plans exceed the limitations set forth in Sections 12.1 through 12.3 hereof, then excess Annual Additions shall be eliminated in the following sequence:

(a) The Participant's voluntary contributions, if any, to this Plan, and all other Defined Contribution Plans, including any earnings thereon, shall be returned to the Participant to the extent of any excess Annual Additions.

(b) If excess Annual Additions remain after the application of Section 12.5(a) hereof, then there shall be reduced, to the extent of such remaining excess Annual Additions, Company Contributions allocated to the Participant's Accounts under Article VI hereof, including any earnings thereon.

(c) If excess Annual Additions remain after the application of Section 12.5(b) hereof, the amounts allocated to a Participant's PAYSOP Account under Section 7.2 shall be reduced to the extent of such remaining excess Annual Additions. If after the application of this Section 12.5(c), Company Stock remains unallocated for a Plan Year, such Company Stock must be held in a special suspense account under the PAYSOP Fund. Such Company Stock shall be allocated to PAYSOP Accounts in subsequent Plan Years in accordance with applicable Treasury Regulations.

(d) The amount by which an allocation is reduced under Section 12.5(b) shall be treated as a Forfeiture under Section 8.5 hereof and reallocated proportionately to the appropriate Accounts of other Participants receiving allocations for the Limitation Year up to the limits set forth in Sections 12.1 through 12.3 hereof on Annual Additions to such other Participant's Accounts. To the extent a contribution cannot be allocated to other Participant's Accounts, it may not be made.

12.6 Adjustment for Excessive Combined Plan Fraction. For Plan Years commencing prior to January 1, 2000, if the Annual Additions on behalf of a Participant in a Limitation Year to the Plan and all other Defined Contribution Plans would cause the sum of the Defined Contribution Fraction and Defined Benefit Fraction to exceed 1.0 as determined under Section 12.4 hereof, then, Section 12.5 hereof shall be applied to reduce Annual Additions. If application of Section 12.5 is insufficient to reduce the Fraction to 1.0, then each Participant's benefit accruals under the Defined Benefit Plans during the Limitation Year shall, if possible, be reduced to the extent necessary to reduce the sum of the Fractions to 1.0.

12.7 Affiliated Company. Notwithstanding any other provision of the Plan, for purposes of Article XII the status of a Company as an Affiliated Company shall be determined in accordance with the special rules set forth in Section 415(h) of the Code.

12.8 Compensation. For the limited purpose of applying the provisions of this Article XII, "Compensation" means all wages, salaries, and fees for professional services and other amounts received for personal services actually rendered in the course of employment with the Company or an Affiliated Company (including, but not limited to commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips and bonuses). Effective for Plan Years commencing on and after January 1, 1998, "Compensation" for purposes of this Article XII shall include any elective deferral (as defined in Code Section 402(g)(3)) and any amount which is contributed or deferred by the Member Company at the election of the Employee and which is not includible in the gross income of the Employee by reason of Sections 125 or 457 of the Code or is a qualified transportation fringe benefit described in Code Section 132(f)(4), but shall exclude the following:

(a) Contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;

(b) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(c) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option;

(d) Other amounts which received special tax benefits, or contributions made by an Affiliate (whether or not under a salary reduction agreement) towards the purchase of an annuity described in Code Section 403(b) (whether or not the amounts are actually excludable from the gross income of the Employee);

(e) Any contribution for medical benefits (within the meaning of Section 419(f)(2) of the Code) after termination of employment which is otherwise treated as an Annual Addition; and

(f) Any amount otherwise treated as an Annual Addition under Section 415(1) of the Code.

**ARTICLE XIII**  
**ADMINISTRATION**

13.1 Named Fiduciary. For purposes of Section 402(a) of ERISA, the Named Fiduciaries of this Plan shall be the members of the Policy Committee.

13.2 Reserved.

13.3 Policy Committee.

(a) This Plan shall be administered by a Policy Committee (the "Committee") consisting of four (4) or more individuals who shall be appointed by the Chief Executive Officer of the Sponsor. In appointing Members of the Committee, the Chief Executive Officer of the Sponsor shall give due consideration to the appointee's knowledge and experience in matters materially bearing on the administration of the Plan in such fields as finance, human relations or employee benefits. Members of the Committee shall be subject only to such residual supervision and control as may be required by law to be exercised by the Board of Directors, and shall have full discretionary authority to control and manage the operation and administration of the Plan pursuant to its terms, including, without limitation, any discretionary authority more specifically set forth hereafter. Each Committee member shall continue as such until he resigns in the manner hereafter provided or is removed by the Board of Directors or the Chief Executive Officer of the Sponsor. Any one or all of the members of the Committee may also serve as a Trustee of the Plan.

(b) The members of the Committee may select at least two of its members who shall serve as an Executive Subcommittee of the Committee to act when the Committee is not in session and upon recommendations received from the Operating Committees relating to claims.

(c) When they deem such action appropriate to the most efficient administration of the Plan, the Committee members, upon their unanimous vote duly reflected in the minutes of the Committee and noticed to the Board of Directors within five (5) business days thereafter, may allocate their fiduciary responsibilities (other than trustee responsibilities and those delegated to the Executive Subcommittee) between or among themselves and may designate other persons to carry out such aspects of the administration of the Plan (not involving trustee responsibilities) as they may specify. As used herein the term "trustee responsibilities" shall have the meaning set forth in Section 405(c)(3) of ERISA.

(d) The Committee shall consult with the Board of Directors and the management of each Member Company to ensure that all payments into the Plan are made strictly in accordance with the terms of the Plan, all applicable resolutions of the Board of Directors related to the funding of the Plan, and any minimum funding requirements imposed by law, and not less frequently than once with respect to each taxable year, but, in any event, not later than the date in which the Company files its federal income tax return for such taxable year.

(e) No provisions elsewhere in this Plan shall be deemed to restrict, otherwise than as expressly contemplated by this Section 13.3, the discretionary authority of the Committee to control and manage the operation and administration of the Plan or to carry out its duties as herein set forth.

13.4 Committee Procedure. The Board of Directors shall designate a Chairman of the Committee from among its members, and, if such designation has not been made, the members of the Committee shall elect such Chairman from among their number. The members of the Committee may also appoint a Secretary who need not be a member of the Committee. The Committee shall hold meetings upon such notice, at such time and at such place as it may determine. Notice of meeting shall not be required if waived in writing. A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee shall be by vote of a majority of those present at a meeting, or in writing by all of the members at the time in office, if they act without a meeting.

13.5 Notices. All notices to be served upon the Committee pursuant to this Plan shall be deemed to have been served upon the Committee when delivered in writing to a member of the Committee in person or at the office of a Company or at such other place as may be designated by the Committee.

13.6 Reliance on Information. Subsection (a) shall apply before September 17, 1985 and subsection (b) shall apply after September 16, 1985:

(a) The Committee, the Trustees, the Member Companies and their respective officers, directors, Employees and delegates shall be free of any liability, except as expressly imposed by law, for the directions, actions or omissions of any agent, legal or other counsel, accountant or any other expert retained in connection with the administration of the Plan. The Committee, the Trustees, the Member Companies and their respective officers, directors, Employees and delegates shall be entitled to rely upon all certificates, reports and opinions furnished by such experts and shall be fully protected with respect to any action taken or suffered by them in good faith reliance upon any such certificates, reports and opinions; and all actions so taken or suffered shall be conclusive upon all persons having or claiming any interest in or under the Plan.

(b) The Committee, the Operating Committees, the Trustees, the Member Companies and their respective officers, directors, Employees, subcommittees and delegates shall be free of any liability, except as expressly imposed by law, for the directions, actions or omissions any agent, legal or other counsel, accountant or any other expert retained in connection with the administration of the Plan. The Committee, the Operating Committees, the Trustees, the Member Companies and their respective officers, directors, Employees and delegates shall be entitled to rely upon all certificates, reports and opinions furnished by such experts and shall be fully protected with respect to any action taken or suffered by them in good faith reliance upon any such certificates, reports and opinions; and all actions so taken or suffered shall be conclusive upon all persons having or claiming any interest in or under the Plan.

13.7 Authority. The Committee shall have all discretionary authority necessary or appropriate to the administration or operation of the Plan, including, but not by way of limitation, the discretionary authority:

(a) to interpret the provisions of the Plan and to determine any questions arising under the Plan or in connection with the administration or operation hereof;

(b) to determine all questions affecting the eligibility of any person to be or become a Participant in the Plan;

(c) to determine the Years of Cumulative Service of any Participant, or the vested percentage of any Participant, to determine the Compensation of any Employee, and to compute the value of any Participant's Account or any other sum payable under the Plan to any person;

(d) to establish rules and policies for the administration of the Plan, including rules and policies for determining the date of birth, Years of Cumulative Service and other matters concerning Participants and Beneficiaries;

(e) to authorize and direct all disbursements of sums under and in accordance with the provisions of the Plan;

(f) to make or cause to be made valuations and appraisals of Plan assets and to engage appropriate experts for such purpose;

(g) to perform any other duties contemplated by the Trust Agreement to be performed by the Committee;

(h) to direct the Trustees respecting investment of Plan assets; and

(i) to appoint one or more investment managers (within the meaning of Section 3(38) of ERISA) to manage all or any part of the Plan assets other than Company Stock, and to retain the services of such other advisers, including legal counsel, as the Committee may deem appropriate.

### 13.8 Expenses and Fees.

(a) All costs and expenses incurred in the administration of the Plan, including the Trustee's, Operating Committees and Committee's expenses, shall be borne by the Plan unless the Member Companies shall determine to pay such costs and expenses. Brokerage fees, commissions, stock transfer taxes and other similar charges and expenses incurred in connection with transactions relating to the acquisition or disposition of Plan assets or distributions from the Plan shall be borne by the Plan. Subject to Sections 13.7(b) and (c) hereof, the Committee shall allocate all costs and expenses on a fair and equitable basis among the Retirement, ESOP and PAYSOP Funds and any other funds forming part of the Trust Fund.

(b) As reimbursement for the expenses of administering the PAYSOP Fund, the Member Companies may withhold from amounts due the PAYSOP Fund under Section 4.2 hereof (or the Plan may pay) so much of the amounts paid or incurred by such Companies during their fiscal year as expenses of administering the PAYSOP Fund as does not exceed the lesser of:

(1) The sum of 10% of the first \$100,000 of dividends paid to the Plan with respect to the Company Stock in the PAYSOP Fund during the Plan Year ending with or within the Member Companies fiscal year plus 5 % of the amount of dividends in excess of \$100,000; or

(2) \$100,000.

13.9 Resignation. Any member of the Committee or an Operating Committee may resign at any time by giving written notice to the President of the Sponsor. No bond or other security shall be required of any member of the Committee or an Operating Committee except as provided by law. No compensation shall be paid by the Plan to any member of the Committee or an Operating Committee for serving as such.

13.10 Liability of Committee. The members of the Committee, and the Operating Committees and each of them, shall be free from all liability, joint or several, for their acts, omissions and conduct, and for the acts, omissions and conduct of their duly constituted counsel and agents, excepting, in each case, willful misconduct in the administration of this Trust and Plan, and the Sponsor shall indemnify and save them, and each of them, harmless from the effects and consequences of their acts, omissions, and conduct in their official capacity, except to the extent that such effects and consequences shall result from their willful misconduct. In no event may any legal or equitable action for benefits under the Plan be brought in a court of law or equity with respect to any claim for benefits more than one (1) year after the final denial (or deemed denial) of the claim.

13.11 Voting Rights of Company Stock. All voting rights of Company Stock held by the Trust fund, shall be exercised by the Trustees as directed by the Committee in accordance with the following provisions of this Section 13.11:

(a) All Company Stock held in the ESOP Suspense Subfund and any other Company Stock not yet allocated to Participants' respective Accounts, shall be voted as the Committee directs in its absolute discretion.



(b) (1) With respect to any corporate matter which involves the voting of Company Stock regarding the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction as the Secretary of Treasury may prescribe in regulations, Company Stock allocated and credited to the respective Accounts of Participants shall be voted in accordance with the respective written directions of Participants as given to the Trustees pursuant to such reasonable rules and procedures as the Trustees may prescribe.

(2) With respect to the matters described below in this Section 13.11(b)(2) that are promptly submitted for a stockholder vote at an annual or special meeting duly convened and held in accordance with the Certificate of Incorporation and Bylaws of the Sponsor, Company Stock that is Parsons Stock allocated and credited to the respective Accounts of Participants shall be voted in accordance with the respective written directions of Participants as given to the Trustees pursuant to such reasonable rules and procedures as the Trustees may prescribe. The matters described in this Section 13.11(b)(2) shall include only the election of directors of the Sponsor, and matters referenced in Articles Sixth (dealing with the alteration of bylaws by stockholders), Eighth (dealing with the classified board), Twelfth (dealing with the cumulative voting), Fourteenth (dealing with the 66-2/3 % vote of stockholders required for certain mergers), and Fifteenth (dealing with appraisal rights of stockholders) of the Sponsor's Certificate of Incorporation.

(3) With respect to election of directors that are promptly submitted for stockholder vote at an annual or special meeting duly convened and held in accordance with the Certificate of Incorporation and Bylaws of Parsons E&C Corporation, Company Stock that is Parsons E&C Stock allocated and credited to the respective Accounts of Participants shall be voted in accordance with the respective written directions of Participants as given to the Trustees pursuant to such reasonable rules as the Trustees may prescribe.

(4) The foregoing provisions of this Section 13.11(b) shall apply with the same force and effect to fractional shares (or fractional interests in shares) of Company Stock now or hereafter allocated to Participants' respective Accounts as to whole shares of Company Stock so allocated, provided, however, that the Trustees may, to the extent practicable, aggregate voting directions received from individual Participants with respect to fractional shares (or fractional interests in shares) of Company Stock allocated to their respective Accounts and treat them as a single combined voting instruction reflecting such aggregate voting directions.

(c) All Participants entitled to direct the voting under Section 13.11(b) hereof shall be notified by the Trustees or the Sponsor of each occasion for the exercise of such voting rights within a reasonable time before such rights are to be exercised. Such notification shall include all information that must be distributed to stockholders by the Sponsor regarding the exercise of such rights. To the extent that a Participant shall fail to direct the Trustees as to the exercise of voting rights arising under any Company Stock credited to his Accounts, such voting rights shall be exercised as directed by the Trustees in their discretion; except that, with respect to matters described in Section 13.11(b)(1) hereof, in the case of shares allocated after December 31, 1979 with respect to which a Participant is entitled to, but fails to, provide the Trustees with voting directions, such failure shall be treated by the Trustees as a direction to abstain from voting as to such shares.

(d) With respect to Accounts of deceased Participants, Beneficiaries of such Participants shall be entitled to direct the voting of Company Stock allocated and credited to the accounts of such Participants under the rules provided in Section 13.11(b) and the provisions of Section 13.11(c) relating to notification of voting rights and failure to vote such rights shall apply to such Beneficiaries.

#### ARTICLE XIV

##### **AMENDMENT OR MERGER OF THE PLAN**

14.1 Right to Amend. The Sponsor by resolution of its Board of Directors shall have the right to amend the Plan and the Trust Agreement at any time and from time to time and in such manner and to such extent as it may deem advisable, subject to the following provisions:

(a) No amendment shall have the effect of reducing any Participant's vested interest in the Trust Fund.

(b) No amendment, except to the extent and under the circumstances permitted from time to time by the law governing the requirements applicable to qualified plans within the meaning of Section 401 of the Code (or any successor statute), shall have the effect of diverting any part of the Plan assets for any purpose other than the exclusive benefit of Participants or their Beneficiaries and defraying reasonable expenses of administering the Plan.

(c) No amendment shall have the effect of substantially increasing the duties, responsibilities or liabilities of the Trustees unless the Trustees' written consent thereto shall first have been obtained.

(d) No amendment to this Plan shall decrease a Participant's Accounts or eliminate an optional form of distribution except to the extent otherwise permitted by applicable statutes, regulations, or administrative pronouncements.

14.2 Merger and Consolidation. Notwithstanding any other provision herein, the Plan shall not in whole or in part merge or consolidate with, or transfer its assets or liabilities to any other Plan unless each affected Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated). When the Plan transfers assets and liabilities of a Participant it may, but need not, transfer all of a Participant's Account.

#### ARTICLE XV

##### **TERMINATION OF THE PLAN**

15.1 Right to Terminate Plan. Each Member Company has established or adopted this Plan with the intention and expectation that it will be continued indefinitely and that such Company will continue to make its contributions as herein provided. However, continuance of the Plan is not assumed as a contractual obligation, and each such Company reserves the right to suspend or discontinue contributions to the Plan or to terminate its participation in the Plan at any time.

15.2 Termination. To the extent required by the applicable provisions of the Code, upon termination or partial termination of the Plan, or upon the complete discontinuance of contributions to the Plan by all Companies, the interest of each affected Participant in his Accounts, to the extent then funded, shall be fully vested.

## ARTICLE XVI

### TOP-HEAVY PROVISIONS

16.1 Application of Top-Heavy Rules. Notwithstanding anything in this Plan to the contrary, if the Plan is classified as a “Top-Heavy Plan” under Section 416(g) of the Code for any Plan Year beginning after December 31, 1983, then the Plan shall meet the following requirements of this Article XVI.

#### 16.2 Minimum Contribution Requirement.

(a) The Plan shall provide a minimum contribution allocation for each Employee who is not classified as a “Key Employee” and who is an Employee on the last day of the Plan Year without regard to the amount of service performed by the Employee during such Plan Year. Such minimum contribution allocation for such Plan Year for each Employee who is not a Key Employee shall be an amount equal to at least three percent (3%) of such Employee’s Compensation for such Plan Year (excluding amounts deferred under a cash or deferred arrangement under Section 401(k) of the Code and any employer contributions taken into account under Section 401(k)(3) or 401(m) of the Code). The Employee’s minimum contribution allocation under this Section 16.2 shall be calculated without regard to any Social Security benefits payable to the Employee.

(b) Notwithstanding the foregoing, if the contribution allocation for each Employee who is a Key Employee for the Plan Year is less than three percent (3%) of Compensation (including amounts deferred under a cash or deferred arrangement under Section 401(k) of the Code and any employer contributions taken into account under Section 401(k)(3) or 401(m) of the Code), the maximum contribution allocation for each Employee who is not a Key Employee shall be limited to not more than the highest contribution allocation for any Employee who is a Key Employee. The foregoing contribution allocation shall be determined by dividing the highest amount contributed for an Employee who is a Key Employee by his Compensation, not in excess of the dollar limitation in effect for the year under Section 401(a)(17) of the Code.

16.3 Minimum Vesting Requirement. An Employee shall be fully vested in his Accounts, within the meaning of Section 411 of the Code and Section 203 of ERISA, upon his completion of three Years of Cumulative Service. In the event the Plan is a top-heavy plan for any Plan Year, then for subsequent Plan Years in which the Plan is not a top-heavy plan the preceding sentence shall not apply and the vesting schedule under Section 8.3 shall apply. The non-forfeitable percentage of any Employee as of the effective date of a change in vesting

schedule, however, may not be less than the non-forfeitable percentage of such Employee immediately prior to such date and any Employee with three or more Years of Cumulative Service must be permitted to elect to have his non-forfeitable percentage computed under the vesting schedule in effect prior to such change. The election may be made during a period which begins no later than the effective date of the change and ends no earlier than 60 days after the later of the changes effective date or the date Employees are issued written notice of the change. No opportunity to make an election need be afforded to any Employee whose non-forfeitable percentage, under the vesting schedule as changed, cannot at any time be less than such non-forfeitable percentage without regard to such change.

#### 16.4 Reserved.

16.5 Impact on Maximum Allocations. For any Plan Year in which the Plan is a Top-Heavy Plan, Section 12.4 shall be applied by substituting the number 1.0 for the number "1.25" wherever it appears therein, unless the requirements of both Sections 16.5(a) and 16.5(b) are satisfied.

(a) The requirements of this Section 16.5(a) are satisfied if the Plan would not be a Top-Heavy Plan when Sections 16.6(a)(1) and 16.6(d) are applied by substituting "ninety percent (90%)" for "sixty percent (60%)" each place such term appears therein.

(b) The requirements of this Section 16.5(b) are satisfied when Section 16.2 is applied by substituting "four percent (4%)" for "three percent (3%)" each place such term appears therein.

#### 16.6 Definitions.

(a) Top-Heavy Plan. The Plan shall be a "Top-Heavy Plan" for a Plan Year if, as of the Valuation Date last preceding or coinciding with the Determination Date:

(1) Except as provided in Section 16.6(a)(2), the aggregate value of the Account balances under the Plan for all Employees who are Key Employees exceeds sixty percent (60%) of the aggregate value of the Account balances under the Plan for all Employees; or

(2) The Plan is part of an "Aggregation Group" and such group is a "Top-Heavy Group." If the Plan is part of an Aggregation Group and such group is not a "Top-Heavy Group" then the Group shall not be considered top-heavy. Notwithstanding the foregoing, the Plan shall not be considered top-heavy if it would not be considered top-heavy under Section 416 of the Code.

(3) For purposes of this Paragraph (a), the following definitions shall apply. The term "Determination Date" shall mean, with respect to any Plan Year, the last day of the preceding Plan Year, or in the case of the first Plan Year, the first day of such year. The term "Valuation Date" shall mean the date on which assets are valued for the purpose of determining Account balances.

(b) Key Employee. A “Key Employee” is any Employee (including a beneficiary of such Employee) who, subject to Section 416(i) of the Code or the Regulations thereunder, at any time during the Plan Year or any of the four preceding Plan Years is:

(1) An officer of a Company earning more than 50 percent times the dollar limitation in effect under Section 415(b)(1)(A) of the Code (but in no event shall more than 50 Employees or, if less, the greater of three or ten Percent of all Employees be taken into account under this Section 16.6(b)(1) as Key Employees);

(2) One of the ten (10) Employees earning more than the dollar limitation in effect under Section 415(c)(1)(A) of the Code and owning (or considered as owning within the meaning of Section 318 of the Code) the largest interests in a Member Company; provided, that, if two employees have the same interest in a Member Company, the Employee having greater Compensation will be deemed to have the greater interest;

(3) A person owning (or considered as owning within the meaning of Section 318 of the Code) more than five percent (5%) of the outstanding stock of a Member Company or stock possessing more than five percent (5%) of the total combined voting power of all stock of a Member Company; or

(4) A person who has an annual compensation from a Company of more than one hundred fifty thousand dollars (\$150,000) and who would be described in Section 16.6(b)(3) hereof if one percent (1%) were substituted for five percent (5%).

(5) Notwithstanding the foregoing, for Plan Years beginning after December 31, 2001, a Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the employer having annual Compensation greater than \$130,000 (as adjusted under section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a five percent (5%) owner of the Company, or a one percent (1%) owner of the Company having annual Compensation of more than \$150,000. For this purpose, annual Compensation means Compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

(c) Aggregation Group. “Aggregation Group” means a group of plans maintained by one or more Companies determined according to the following rules:

(1) The Aggregation Group shall include all such plans which are required to be included in the Aggregation Group as follows:

(i) Each plan of a Company in which a Key Employee is a Participant; and

(ii) Each other plan of a Company which enables any Plan described in (i), above, to meet the requirements of Section 401(a)(4) or 410 of the Code.

(2) If the Committee or its delegate elects, the Aggregation Group may include any other plan maintained by one or more Companies, provided the Aggregation Group satisfies the requirements of Sections 401(a)(4) and 410 of the Code.

(d) Top-Heavy Group. The Aggregation Group shall be a “Top-Heavy Group” for a Plan Year if, as of the last day of the preceding Plan Year, the sum of (1) the present value of the cumulative accrued benefits for Key Employees under any defined benefits plans included in the Aggregation Group, and (2) the Account balances of Key Employees under any defined contribution plans included in the Aggregation Group exceeds sixty percent (60%) of the sum of the total cumulative accrued benefits and Account balances for all participants under all the plans in the Aggregation Group. If the Aggregation Group is a Top-Heavy Group, each plan required to be included in the Aggregation Group is a Top-Heavy Plan. However, no plan included in the Aggregation Group at the election of the Committee shall be subject to the top-heavy rules of this Article XVI solely on account of such election.

(e) Compensation. For purposes of this Article XVI, the term Compensation has the meaning given such term by Code Section 415(c)(3).

(f) Non-Key Employee. A “Non-Key Employee” is any Employee (including a former Employee) who is not a Key Employee.

#### 16.7 Special Rules.

(a) For purposes of determining the present value of the cumulative accrued benefit of any Employee, or the amount of the Account balance of any Employee, such present value or amount shall be increased for distributions made to the Participant during the one (1) year period ending on the Determination Date. However, if a distribution is made for a reason other than severance from service, death or disability, a five (5) year look back period shall be exchanged for the one (1) year period in the preceding sentence. The rules above shall also apply to distributions under a terminated plan that, if it had not been terminated, would have been required to be included in a Aggregation Group. Also, any rollover contribution or similar transfer initiated by the Employee and made after December 31, 1983 to a plan shall be taken into account with respect to the transferee plan for purposes of determining whether such plan is a Top-Heavy Plan (or whether any Aggregation Group which includes such plan is a Top-Heavy Group) in accordance with Code Section 416(g)(4)(A).

(b) If any individual is a Non-Key Employee with respect to any plan for any plan year, but the individual was a Key Employee with respect to the plan for any prior plan year, any accrued benefit for the individual (and the Account balance of the individual) shall not be taken into account for purposes of this Article XVI.

(c) If any individual has not performed services for the Company or an Affiliated Company (other than benefits under the Plan) at any time during the one (1) year period ending on the Determination Date, any accrued benefit for such individual (and the account balance of the individual) shall not be taken into account for purposes of this Article XVI.

(d) In applying the foregoing provision of this Section, the accrued benefit of a Non-Key Employee shall be determined (i) under the method, if any, which is used for accrual purposes under all plans of the Company and any Affiliated Company, or (ii) if there is no such uniform method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under Code Section 414(b)(1)(C).

## ARTICLE XVII

### MISCELLANEOUS

17.1 Dividends. Cash dividends on shares of Company Stock allocated to Participants' Accounts may be paid currently to Participants, as determined by the Committee, in its sole discretion. Such dividends shall be paid in cash directly by a Company, or may be distributed by the Trustees after receipt from the Company within 180 days after the end of the Plan Year of receipt by the Trustees. Dividends on shares of unallocated stock, including shares of stock acquired with the proceeds of an Exempt Loan and held in the ESOP Suspense Fund shall either be applied to payment of the Exempt Loan or held in the ESOP Suspense Fund.

17.2 Annual Statement. As soon as possible after each Anniversary Date each Participant will receive a written statement showing:

- (a) the balance in each of his Accounts as of the preceding Anniversary Date;
- (b) the amount of Company contributions (and Forfeitures) allocated to his Accounts for that Plan Year;
- (c) the adjustments to his Accounts to reflect his share of dividends and the net income (or loss) of the Trust for that Plan Year; and
- (d) the new balances in each of his Accounts, including the number of shares of Company Stock, as of that Anniversary Date.

17.3 No Right to Employment Hereunder. The adoption and maintenance of this Plan shall not be deemed to constitute a contract of employment or otherwise between any Company and any Employee or Participant, or to be consideration for, or an inducement or condition of, any such employment. Nothing contained herein shall be deemed to give to any person the right to be retained in the service of any Member Company or to interfere with the right of the Member Company to discharge, with or without cause, any Employee or Participant at any time.

17.4 Limitation on Company Liability. Any benefits payable under this Plan shall be paid or provided for solely from the Trust fund and no Company assumes any liability or responsibility therefor. The Companies obligations hereunder are limited solely to the making of contributions to the Trust Fund as provided for in this Plan. No Company shall be responsible for any decision, act or omission of the Trustees or the Committee or an Operating Committee, or shall be responsible for the application of any monies or other property paid or delivered to the Trustees.

17.5 Exclusive Benefit. Except to the extent and under the circumstances permitted from time to time by the law governing the requirements applicable to qualified plans within the meaning of Section 401 of the Code (or any successor provision), none of the assets held by the Trustees under this Plan shall ever revert to any Company or otherwise be diverted to purposes other than the exclusive benefit of the Plan Participants or their Beneficiaries and defraying reasonable expenses of administering the Plan. Notwithstanding the foregoing:

(a) Any contribution made by a Company by a mistake of fact may be returned to such Company within one year after such contribution is made.

(b) If a contribution by a Company is conditioned on qualification of the Plan under Section 401 of the Code, and the Plan does not qualify, then such contributions may be returned to such Company within one year after the denial of qualification.

(c) If a contribution by a Company is conditioned upon its deductibility under Section 404 of the Code, then, to the extent the deduction is disallowed, such contribution may be returned to such Company within one year after the disallowance of the deduction.

17.6 No Alienation. Subject to the exceptions set forth pursuant to Code Section 401(a)(13), no economic interest, expectancy, benefit, payment, claim or right of any Participant or Beneficiary hereunder shall be subject to any claims of any creditor of any Participant or Beneficiary nor to attachment, garnishment or other legal process initiated by, or to the lien of any bankruptcy trustee or receiver appointed for the estate of any such Participant or Beneficiary, nor shall any such Participant or Beneficiary have any right to alienate, commute, pledge, encumber or assign any such economic interest, expectancy, benefit, payment, claim or right, contingent or otherwise. In the event any person attempts to take any action contrary to this Section 17.6, such action shall be null and void and of no effect, and each Company, the Committee, the Operating Committee, and the Trustees shall disregard such action and shall not in any manner be bound thereby and shall suffer no liability on account of their disregard thereof.

The preceding provisions of this Section 17.6 shall also apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order, unless such order is determined to be a domestic relations order, as defined in Section 414(p) of the Code, or any domestic relations order entered before January 1, 1986 if payments pursuant to such order commenced as of such date.

17.7 PAYSOP Account Assets Not Subject To Company Withdrawal. If any amount of the employee stock ownership credit allowed under Section 41 of the Code resulting from Company contributions to this Plan is redetermined in accordance with the provisions of the Code, the amounts transferred to the PAYSOP Fund shall remain in such Fund or in PAYSOP Accounts, as the case may be, and shall continue to be allocated and held in accordance with the Plan.

17.8 Rights Pursuant to USERRA. To the extent required by applicable federal law, including the Uniformed Services Employment and Reemployment Rights Act of 1994, if a uniformed services Employee returns to employment after cumulative military service of up to 5



years and qualifies for reemployment under such applicable federal law, then the returning Employee (to the extent he would otherwise qualify for participation hereunder) shall have the right to receive Company Contributions, set forth in Article IV, that the Employee would have otherwise received absent this military service. The Company must make these Company Contributions within the later of either:

- (i) 90 days of the Employee's return to employment, or
- (ii) when such contributions are normally made for the Plan Year in which the Employee performs the military service.

Contributions will be based on the Compensation the Employee would have earned if he or she had not entered the military, or, if that determination is not reasonably certain, the Compensation earned during the 12-month period prior to entering the military. Upon re-employment, the Plan will credit a uniformed services Employee with the Hours of Service he or she missed while on that leave (for up to five years, as set forth above). The Employee may not share in any forfeiture allocations occurring during his or her period of military service.

17.9 Redetermination of Tax Credits. If the amount of any employee stock ownership credit claimed by the Member Companies under Code Section 41 for a prior fiscal year is reduced because of a determination that becomes final during the current fiscal year, and such Companies transferred amounts to the Trust Fund that were taken into account for purposes of the employee stock ownership credit under Code Section 41 for that prior fiscal year, then the Member Companies may at their election do either of the following:

(a) Reduce the amount they are required to transfer to the PAYSOP Fund for the current fiscal year or any succeeding fiscal year by an amount equal to such reduction in the credit or increase in tax which is attributable to Company contributions to the Plan; or

(b) Deduct such portion subject to the limitations of Code Section 404(i)(2) of the Code.

17.10 Addresses. Each Participant not actively employed by a Company and each Beneficiary entitled to receive benefits under the Plan must file with the Committee, in writing, his current post office address. Any communication, statement or notice addressed to such a person at his latest post office address as filed with the Committee will, on deposit in United States mail with postage prepaid, be binding upon such person for all purposes, and neither the trustees nor the Committee nor any Operating Committee nor any Company shall be obliged to search for or ascertain the whereabouts of any such person.

17.11 Data. Each person entitled to benefits under the Plan must furnish to the Committee or any Operating Committee such documents, evidence, or information as it considers necessary or desirable for the purpose of administering the Plan, or to protect the Companies or the trustees; and it shall be a condition of the Plan that each person must furnish such information promptly and sign such documents before any benefits become payable under the Plan.

17.12 Gender and Number. Masculine gender shall include the feminine, and the singular shall include the plural unless the context clearly indicates otherwise.

17.13 Headings. Article and Section headings are for convenient reference only and shall not be a part of the substance of this instrument or in any way enlarge or limit the contents of any Article.

17.14 Counterpart. For purposes of the parties hereto, this document may be executed in any number of identical counterparts, each of which shall be a complete original in itself and may be introduced in evidence or used for any other purpose without the production of any other counterparts.

17.15 Governing Law. This Plan and Trust shall be construed, administered and governed in all respects under applicable federal law and, to the extent that federal law is inapplicable, in accordance with the laws of the State of California. All contributions made hereunder shall be deemed to have been made in that State.

IN WITNESS WHEREOF, the Parsons Corporation has caused this instrument to be executed on this \_\_\_\_\_ day of \_\_\_\_\_, 2012 by the undersigned officer duly authorized thereunto.

PARSONS CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

PARSONS CORPORATION  
EMPLOYEE STOCK OWNERSHIP  
TRUST AGREEMENT

## TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS	1
1.1 Administrative Committee	1
1.2 Affiliate	1
1.3 Board of Directors	1
1.4 Code	1
1.5 Company	2
1.6 Employer	2
1.7 Company Stock or Employer Stock	2
1.8 ERISA	2
1.9 Named Fiduciary	2
1.10 Employee Stock Ownership Plan	2
1.11 Participant	2
1.12 Plan	2
1.13 Plan Year	2
1.14 Qualified Domestic Relations Order	2
1.15 Trust	2
1.16 Trustee	3
1.17 Trust Fund	3
1.18 Valuation Date	3
ARTICLE 2 ESTABLISHMENT OF TRUST AND CERTAIN PRIMARY CONDITIONS OF ITS OPERATION	3
2.1 Establishment of Trust	3
2.2 Trust Fund	3
2.3 Exclusive Benefit Rule	3
2.4 Reversion Prohibited	3
2.5 Claims against the Trust Fund	3
2.6 Employer Contributions	4
2.7 Distributions	4
2.8 Securities Depositories and Custodians	4
2.9 Administration	4
ARTICLE 3 INVESTMENT OF THE TRUST FUND	4
3.1 General Responsibility and Authority for Investment of Trust Fund	4
3.2 Authority to Discontinue Investment in Employer Stock	5
3.3 Scope of Powers	6
3.4 Powers Exercised by the Trustee In Its Sole Discretion	6
3.5 Powers Exercisable by the Trustee Only upon the Direction of the Administrative Committee	7
3.6 Documents, Instruments and Facilities	7

ARTICLE 4 DUTIES AND OBLIGATIONS OF THE TRUSTEE	7
4.1 Scope of Duties and Obligations	7
4.2 General Duties and Obligations	8
4.3 Voting of Employer Stock	8
4.4 Tender of Employer Stock	10
4.5 Valuation	11
4.6 Records	11
4.7 Reports	12
ARTICLE 5 COMPENSATION, RIGHTS AND INDEMNITIES OF THE TRUSTEE	12
5.1 Compensation and Reimbursement	12
5.2 Rights of the Trustee	13
5.3 Indemnification	13
5.4 Limitation of Liability of Trustee	15
5.5 Court Proceedings and Necessary Parties to Legal Actions	16
5.6 Bonding of Trustee	16
5.7 Third Party	16
5.8 Tax and Information Returns	16
ARTICLE 6 RESIGNATION OR REMOVAL OF THE TRUSTEE	16
6.1 Resignation	16
6.2 Removal	16
6.3 Successor Trustee	16
6.4 Settlement	17
6.5 Transfer to Successor Trustee	17
6.6 Duties of the Trustee Prior to Transfer to Successor Trustee	17
6.7 Powers, Duties and Rights of the Successor Trustee	17
6.8 Merger or Consolidation Involving Corporate Trustee	17
ARTICLE 7 AMENDMENT OF THE TRUST AGREEMENT OR TERMINATION OF A PLAN	18
7.1 Amendment of the Trust Agreement	18
7.2 Termination of the Plan	18
ARTICLE 8 COMMUNICATIONS	19
8.1 To the Company and the Administrative Committee	19
8.2 To the Trustee	19
8.3 Binding Upon Receipt	19
8.4 Communication in Writing	20
ARTICLE 9 MISCELLANEOUS	20
9.1 Gender, Tense and Headings	20

9.2	Governing Law	20
9.3	Mistake of Fact	20
9.4	Deductibility of Contributions	20
9.5	Alienation	20
9.6	Entire Agreement; Parties Bound	21
9.7	Severability	21
9.8	Executed Counterparts	21

This Trust Agreement, entered into by and between Parsons Corporation (the "Company" or "Sponsor") and U.S. Trust Company, National Association (the "Trustee"), as successor trustee, is effective as of December 31, 2005.

**WITNESSETH:**

WHEREAS, this trust was originally created by the Company and John Mewha, James R. Sessions and Larry N. Fincannon, as trustees, effective September 11, 1984. The Company created this Trust as part of the Parsons Employee Stock Ownership Plan (the "Plan") which the Company adopted and is maintaining, as amended from time to time, for the exclusive benefit of the Plan's participants and beneficiaries;

WHEREAS, pursuant to the Plan, the Company has the authority to appoint trustees of the trust maintained with respect to the Plan; and

WHEREAS, the Company has appointed the Trustee as the successor trustee of the Parsons Employee Stock Ownership Trust (the "Trust"), and the Trustee has accepted such appointment and is willing, commencing as of the effective date of this restated Trust Agreement, to serve as trustee of the Trust in accordance with the provisions of this Trust Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Trust Agreement, the parties, intending to be legally bound, agree and declare as follows:

Title. This Trust Agreement shall be known as the Parsons Employee Stock Ownership Trust Agreement.

Incorporation of Plan Definitions. Definitions set forth in the Plan shall have the same meaning wherever used in the Trust Agreement, unless the context clearly indicates otherwise.

**ARTICLE 1  
DEFINITIONS**

1.1 **Administrative Committee** means the committee responsible under the Plan for the administration and management of the Plan's affairs.

1.2 **Affiliate** means any corporation which is a member of the controlled group of corporations (as defined in Code Section 414(b)) which includes an Employer; any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with an Employer; an organization (whether or not incorporated) which is a member of a related company service group (as defined in Code Section 414(m)) which includes an Employer and any other entity required to be aggregated with an Employer pursuant to regulations under Code Section 414(o).

1.3 **Board of Directors** means the board of directors of the Company.

1.4 **Code** means the Internal Revenue Code of 1986, as amended from time to time.

1.5 **Company** or Sponsor shall mean Parsons Corporation, a corporation of the State of Delaware, or any corporation which succeeds to its business.

1.6 **Employer** means the Company and any Affiliate that has become a party to the Plan.

1.7 **Company Stock or Employer Stock** means common stock or preferred stock issued by the Company that constitutes a qualifying employer security under Code Section 4975(e)(8).

1.8 **ERISA** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.9 **Named Fiduciary.** The Trustee and the members of the Committee, as appointed under the terms of the Plan by the Sponsor's Board of Directors, shall be the named fiduciaries of the Plan and Trust for purposes of Section 402 of the Employee Retirement Income Security Act of 1974 ("ERISA"), except that each Participant shall be a named fiduciary for such purposes with respect to the exercise of voting rights associated with the shares of Company Stock allocated to his or her Account under the Plan. The Committee shall, upon request of the Trustee, furnish the Trustee with such reasonable information as is necessary for the Trustee to carry out its fiduciary responsibilities under ERISA.

1.10 **Employee Stock Ownership Plan.** The Plan is a stock bonus/money purchase plan, qualified under Section 401(a) of the Internal Revenue Code of 1954 (the "Code"), consisting of two separate and distinct programs which are designed to complement each other. The first program is an employee stock ownership plan, as defined by Section 4975(e)(7) of the Code, designed to invest primarily in Company Stock. The second program is a tax credit employee stock ownership plan, as defined by sections 411 and 409 of the Code, designed to invest primarily in Company Stock. The Plan is intended to qualify as an eligible individual account plan within the meaning of Section 407(d)(3) of ERISA.

1.11 **Participant** means an employee of an Employer participating in the Plan and includes the beneficiary of a deceased employee of an Employer who was participating in the Plan at the time of his or her death.

1.12 **Plan** means the Parsons Employee Stock Ownership Plan, as amended from time to time.

1.13 **Plan Year** means a 12-consecutive-month period commencing on each January 1.

1.14 **Qualified Domestic Relations Order** means a court order determined by the Administrative Committee to satisfy the requirements of a qualified domestic relations order under the applicable provisions of the Code and ERISA.

1.15 **Trust** means the trust established under this Trust Agreement to fund a portion of the benefits under the Plan.



1.16 **Trustee** means U.S. Trust Company, National Association, as successor trustee to LaSalle Bank, N.A. LaSalle Bank, N.A. was trustee from October 22, 2002 until December 31, 2005.

1.17 **Trust Fund** means the Employer Stock and other assets held by the Trustee under this Trust Agreement, plus all income and gains and minus all losses, expenses, and distributions chargeable thereto.

1.18 **Valuation Date** means the last business day of each Plan Year and such other date specified by the Plan.

**ARTICLE 2**  
**ESTABLISHMENT OF TRUST AND CERTAIN**  
**PRIMARY CONDITIONS OF ITS OPERATION**

2.1 **Establishment of Trust.** This Trust Agreement establishes the Trust, which will be known as the "Parsons Employee Stock Ownership Trust." The Trustee will hold the assets of the Trust Fund in trust and will manage, administer, invest and distribute the Trust Fund for the benefit of Participants under the terms and conditions of this Trust Agreement.

2.2 **Trust Fund.** The Trust Fund will consist of the assets of the Trust transferred to the Trustee by the prior trustee of the Trust, together with such Employer and Participant contributions that are paid to the Trustee from time to time in accordance with the Plan, plus the earnings and less the losses thereupon, without distinction between principal and income, less the payments and distributions which at the time of reference have been made by the Trustee as authorized herein. The Trustee need not inquire into the source of any money or property transferred to it nor into the authority or right to transfer such money or property to the Trustee. Assets of the Trust shall be held in separate funds corresponding to each of the programs of the Plan and to any other funds established under the Trust. Notwithstanding the foregoing, the Trust shall constitute a single trust for purposes of investment and administration.

2.3 **Exclusive Benefit Rule.** The Trust is expressly declared to be irrevocable. It will be impossible, at any time prior to the satisfaction of all liabilities with respect to Participants, for any part of the principal or income of the Trust Fund to be used for, or diverted to, any purpose which is not for the exclusive benefit of Participants. The preceding sentence will not be construed in such a way as to prohibit the use of assets of the Trust Fund to pay fees and other expenses and obligations incurred in the maintenance administration and investment of the Trust Fund in accordance with the provisions of this Trust Agreement.

2.4 **Reversion Prohibited.** Except as permitted in the Plan, by ERISA and the tax qualification requirements of the Code, it will be impossible for any part of the Trust Fund to revert to the Company or any Affiliate.

2.5 **Claims against the Trust Fund.** The existence, nonexistence, nature and amount of the rights and interests of all persons in or to the Trust Fund will be determined under the Plan and communicated to the Trustee by the Administrative Committee from time to time. The Trustee will have no duty to question or to examine any determination made or direction given by the Administrative Committee to the Trustee in respect of such matters.

**2.6 Employer Contributions.** Employer contributions to the Trust Fund will consist only of cash, Employer Stock or other property reasonably acceptable to the Trustee. The Trustee will have no duty to determine that the contributions received from the Company comply with the provisions of the Plan or to determine that the assets of the Trust are adequate to provide any benefit payable pursuant to the Plan. The Trustee will not be obligated to collect any contributions from the Employers and will not be obligated to see that funds deposited with it are deposited according to the provisions of the Plan.

**2.7 Distributions.** Notwithstanding any provision herein to the contrary, payments will be made from the Trust Fund at the direction of the Administrative Committee to such persons, in such manner, at such times, and in such amounts as the Administrative Committee will from time to time direct in writing. The Trustee will not be liable for any distribution made in reliance upon a written direction of the Administrative Committee. Shares of Company Stock distributed by the Trustee may include such legend restrictions on transferability as the Company may reasonably require to comply with the Plan and with applicable Federal or state securities laws.

**2.8 Securities Depositories and Custodians.** Notwithstanding anything herein to the contrary, the Trustee in its discretion or at the direction of the Administrative Committee is authorized to use securities depositories or custodians. Any assets to be transferred to the Trustee, and any contributions, money or other property to be paid to the Trustee, pursuant to this Trust Agreement will, upon the direction of the Trustee, be transferred to the Trustee's depository or custodian. Securities held by a depository or custodian may be registered in the name of the depository or its nominee or in the name of the custodian or its nominee, but the books and records of the Trustee shall at all times show that such investments are part of the Trust.

**2.9 Administration.** The Trustee shall not be responsible for the administration of the Plan, maintaining any records of Participants' accounts under the Plan or the computation of or collection of company contributions.

### **ARTICLE 3 INVESTMENT OF THE TRUST FUND**

#### **3.1 General Responsibility and Authority for Investment of Trust Fund.**

(a) The purpose of the Trust Fund is to invest in Employer Stock to the fullest extent permitted by ERISA without regard to (i) the diversification of Trust Fund assets, (ii) the speculative character of Trust Fund investments, (iii) the lack or inadequacy of income provided by Trust Fund assets, or (iv) the fluctuation in the fair market value of Trust Fund assets. Subject to the provisions of Section 3.2, the Trustee will invest and reinvest the assets of the Trust Fund exclusively in Employer Stock, except for cash or cash equivalent investments held (A) for the purpose of making distributions to Participants, (B) pending the investment of contributions or other cash receipts in Employer Stock, (C) for purposes of paying, under the terms described in this Trust Agreement, fees and expenses incurred with respect to the Trust that are not paid by the Company, or (D) in the form of de minimis cash balances. Any assets not invested in Employer Stock may be invested by the Trustee in short-term cash-equivalent investments, such

as Treasury Notes, Treasury Bills or other similar short-term obligations of the United States Government or any instrumentality thereof, savings accounts, bankers' acceptances, certificates of deposit, commercial paper or other interest bearing bank accounts (including those of the Trustee).

(b) The Trustee's duties and responsibilities with respect to the Trust Fund will be determined solely under the terms of this Trust Agreement, and the Trustee will have no responsibility for any matter arising under any Plan document other than this Trust Agreement. The Company will promptly notify the Trustee of (i) any amendment to the Plan that affects the right of Participants with respect to Employer Stock and (ii) any amendment to the Plan that affects the frequency with which Participants may make transfers into or out of Employer Stock under the Plan.

(c) The Trustee may communicate with Participants concerning their investment in Employer Stock at such times as the Trustee reasonably determines to be necessary or desirable in the discharge of the Trustee's duties and responsibilities under this Trust Agreement, and the Administrative Committee will cooperate with the Trustee in effecting such communications. The Company agrees that it will not, and that it will not permit the Administrative Committee to, communicate with Participants concerning Employer Stock or their investment in the Employer Stock other than pursuant to a prospectus furnished by the Company pursuant to federal securities laws, a summary plan description or any other communication or disclosure with respect to the Plan as a whole. The Administrative Committee agrees to provide the Trustee with updated copies of such prospectuses and summary plan descriptions and with any notices of blackout periods furnished pursuant to ERISA Section 101(i) as such documents are distributed to Participants.

### **3.2 Authority to Discontinue Investment in Employer Stock**

(a) The Trustee is the sole fiduciary with authority and control over the Employer Stock. In exercising such authority and control, the Trustee may take the action set forth in this Section 3.2, but only to the extent the Trustee determines that, notwithstanding the purpose of the Trust Fund to invest exclusively in Employer Stock, except for the limited purposes of making distributions to participants, or paying Plan expenses, or pending investment in Employer Stock, such action is required by ERISA. The Trustee will consult with the Company prior to taking any action to restrict or discontinue investment in Employer Stock pursuant to this Section 3.2.

(b) The Trustee may impose any restrictions or limitations on the holding of Employer Stock, or on the investment of Participant accounts in Employer Stock, that the Trustee determines to be required by its fiduciary obligations under ERISA. The authority of the Trustee will include without limitation the authority to suspend purchases of Employer Stock and to sell Employer Stock.

(c) The Trustee will be solely responsible for the manner and timing of any liquidation of Employer Stock and the designation of an alternate investment fund for the investment of the proceeds from the liquidation of the Employer Stock. The Trustee will exercise its authority under this Section 3.1 solely in the interest of Participants and without regard to any adverse effect liquidation of the Employer Stock may have on any Employer.

(d) In the event the Trustee shall invest any Trust assets in any securities issued or guaranteed by the Sponsor or any subsidiary or affiliate of the Sponsor, and the Trustee thereafter disposes of such investment, or any part thereof, under circumstances which require registration of the securities under the Securities Act of 1933 and/or qualification of the securities under the Blue Sky laws of any state, then the Sponsor, at its own expense, will take or cause to be taken any and all such action as may be necessary or appropriate to effect such registration and/or qualification.

### **POWERS OF THE TRUSTEE**

**3.3 Scope of Powers.** The Trustee has whatever powers are required to discharge its obligations and exercise its rights under this Trust Agreement, without being limited by any state statute or rule of law regarding investments by trustees, including the powers specified in the following sections of this Article, and the powers and authority granted to the Trustee under other provisions of this Trust Agreement. The enumeration of any power herein will not be by way of limitation, but will be cumulative and construed as full and complete power in favor of the Trustee.

**3.4 Powers Exercised by the Trustee In Its Sole Discretion.** The Trustee is authorized and empowered to exercise the following powers in its sole discretion:

(a) To exercise the authority set forth in Section 3.2 and, subject to Section 4.4, otherwise to sell, exchange, convey or transfer assets of the Trust.

(b) To register any investment held in the Trust Fund in its own name or in the name of a nominee, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and to hold any investment in bearer form, and to deposit any investment in a depository or clearing corporation, but the books and records of the Trustee will show that all such investments are part of the Trust Fund.

(c) Subject to Section 4.3, to vote upon any stocks (including Employer Stock), bonds, or other securities in the Trust Fund and to give general or special proxies or powers of attorney with or without power of substitution, to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto, to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities in the Trust Fund and to exercise rights of appraisal and similar rights and make decisions with respect to choice of consideration relating thereto.

(d) To employ suitable agents (who may be agents or employees of the Company), including such public accountants, brokers, custodians, ancillary trustees, and appraisers as will be necessary and appropriate, and to employ counsel (which may be counsel for the Company), whose reasonable expenses and compensation will be paid by the Company, and if the Company fails to pay, by the Trust Fund. The Trustee will advise the Company prior to employing any agent pursuant to this Section 3.3(d).

(e) To determine the market value of any securities or other property held by the Trustee in the Trust and, where any securities or other property are determined by the Trustee not to be publicly traded, to determine their value in accordance with sound practice and standards for evaluating such property; subject, however, in the case of Employer Stock held in the Trust that is not publicly traded within the meaning of Code Section 401(a) (28), to any valuation of such Employer Stock provided by an independent appraiser selected solely by the Trustee.

**3.5 Powers Exercisable by the Trustee Only upon the Direction of the Administrative Committee.** The Trustee is authorized and empowered (i) to accept, compromise or otherwise settle any obligations or liability due to or from it as Trustee hereunder, including any claim that may be asserted for taxes under present or future laws, or to enforce or contest the same by appropriate legal proceedings, but only upon the direction of the Administrative Committee; and (ii) to make distributions to Participants, and alternate payees under Qualified Domestic Relations Orders, but only upon the direction of the Administrative Committee.

To the extent that the Administrative Committee directs the Trustee to take any actions pursuant to its directions, the Trustee will be protected in relying on such directions (other than directions to the Trustee to act in its own discretion) and will not be liable in any way for following such direction. Moreover, if the Administrative Committee does not direct the Trustee pursuant to this Section 3.4 and does not authorize the Trustee in writing to exercise its independent powers with respect to such matters without need for Administrative Committee direction, then with respect to matters for which Administrative Committee direction is called for hereunder, the Trustee will not be liable, and will be indemnified and held harmless by the Company, for any failure to act hereunder, to the extent permitted by ERISA.

**3.6 Documents, Instruments and Facilities.**

(a) In order to effectuate the specific powers and authority granted to the Trustee, the Trustee may make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate.

(b) The Trustee may use its own facilities in effecting any transaction involving assets of the Trust Fund, upon prior notice to the Administrative Committee, unless such use is prohibited by ERISA Section 406.

**ARTICLE 4  
DUTIES AND OBLIGATIONS OF THE TRUSTEE**

**4.1 Scope of Duties and Obligations.** The Trustee agrees to perform the duties and obligations imposed by this Trust Agreement. No duties or obligations will be imposed upon the Trustee with respect to the Trust Fund unless undertaken by the Trustee under the express terms of this Trust Agreement or unless imposed upon the Trustee by statute or at common law. The Trustee will have no duty or obligation to advise Participants as to the effect of federal or state securities laws on the Plan, the Trust Fund or any distributions therefrom.

#### 4.2 General Duties and Obligations.

(a) Subject to Section 2.8, the Trustee has the duty to hold all property received by it and any income and gains thereupon, to manage, invest and reinvest the Trust Fund, to collect the income therefrom, and to make payments as provided in this Trust Agreement.

(b) The Trustee is responsible only for money or assets that it actually receives. The Trustee has no duty to compute amounts to be paid to it by the Company or to enforce collection of any contribution due from the Company. The Trustee will not be responsible for the correctness of the computation of the amount of any contribution made or to be made by the Company.

(c) The Trustee will make payments and disbursements from the Trust Fund to or on the order of the Administrative Committee. Orders of the Administrative Committee with respect to disbursements from the Trust Fund will specify the application to be made of such funds, and the Trustee may rely on the Administrative Committee's instructions regarding disbursements from the Trust Fund.

(d) Subject to the provisions of Section 7.2(b), the Trustee has the duty to comply with any directive issued by the Administrative Committee to withdraw and transfer all or any part of the Trust Fund to another trustee or another successor funding agent.

(e) With respect to all Employer Stock held in the Trust Fund, the Trustee has the duty to (i) vote such shares on any matter presented to stockholders for a vote in accordance with the provisions of Section 4.3; (ii) decide whether to give general or special proxies or powers of attorney with or without power of substitution with respect to such shares; (iii) decide whether to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto; (iv) decide whether to consent to or otherwise participate in corporate reorganizations or other changes affecting such shares that are not presented to stockholders for a vote; (v) decide whether to exercise rights of appraisal and similar rights and make decisions with respect to choice of consideration relating thereto and to pay any assessments or charges in connection therewith; (vi) decide whether to tender such shares in the event of a tender offer in accordance with the provisions of Section 4.4; and (vii) maintain the confidentiality of information with respect to the exercise by Participants of voting, tender and similar rights with respect to the Employer Stock pursuant to procedures that comply with 29 C.F.R. § 2550.404c-l(d)(4)(vii).

(f) The Trustee, after consultation with the Administrative Committee, will prepare the necessary documents associated with the voting and tendering of Employer Stock. The Company will pay for all printing, mailing, tabulation and other costs associated with the voting and tendering of Employer Stock.

#### 4.3 Voting of Employer Stock. The provisions of this Section 4.3 will govern the voting of Employer Stock.

(a) When the Company prepares for any annual or special meeting of stockholders, the Administrative Committee will notify the Trustee in a timely manner and in

advance of the intended record date for such meeting and will cause a copy of all proxy solicitation materials to be sent to the Trustee. Based on these materials, the Trustee will prepare a voting instruction form and will cause a copy of all proxy solicitation materials to be sent to each Participant with an interest in Employer Stock held in the Trust, together with the voting instruction form to be returned to the Trustee or its designee. The voting instruction form will show the number of full and fractional shares of Employer Stock credited to the Participant's accounts (both vested and unvested).

(b) Except as provided in ERISA Section 404(c), a Participant will be a "named fiduciary" of the Plan under ERISA to the extent of the Participant's authority to direct the voting of Employer Stock allocated to his or her account. All voting rights of Company Stock held by the Trust fund shall be exercised by the Trustees as directed by the Committee in accordance with the following provisions of this Section 5.3.

(c) All Company Stock held in the ESOP Suspense Subfund and any other Company Stock not yet allocated to Participants' respective Accounts shall be voted as the Committee directs in its absolute discretion.

(d) With respect to any corporate matter which involves the voting of Company Stock regarding the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction as the Secretary of Treasury may prescribe in regulations, Employee Stock allocated and credited to the respective Accounts of Participants shall be voted in accordance with the respective written directions of Participants as given to the Trustee pursuant to such reasonable rules and procedures as the Trustee may prescribe.

(e) With respect to the matters described below in this Section 5.3 that are promptly submitted for a stockholder vote at an annual or special meeting duly convened and held in accordance with the Certificate of Incorporation and Bylaws of the Sponsor, Employer Stock allocated and credited to the respective Accounts of Participants shall be voted in accordance with the respective written directions of Participants as given to the Trustee pursuant to such reasonable procedures as the Trustee may prescribe. Each Participant with an interest in Employer Stock held in the Trust will have the right to direct the Trustee as to the manner in which the Trustee is to vote that number of shares of Employer Stock credited to the Participant's accounts (both vested and unvested). Directions from a Participant to the Trustee concerning the voting of Employer Stock will be communicated in writing, or other means acceptable to the Trustee. These directions will be held in confidence by the Trustee and, except as required by applicable law, will not be divulged to the Company or any Affiliate, or to any officer or employee of the Company or any Affiliate, or to any other person. The matters described in this Section 5.3(e) shall include only the election of directors of the Sponsor, and matters dealing with the alteration of bylaws by stockholders, matters dealing with the classified board, matters dealing with the cumulative voting, matters dealing with the 66-2/3 % vote of stockholders required for certain mergers, and matters dealing with appraisal rights of stockholders of the Sponsor's Certificate of Incorporation.

(f) The foregoing provisions of this Section 5.3 shall apply with the same force and effect to fractional shares (or fractional interests in shares) of Company Stock now or

hereafter allocated to Participants' respective Accounts as to whole shares of Company Stock so allocated, provided, however, that the Trustees may, to the extent practicable, aggregate voting directions received from individual Participants with respect to fractional shares (or fractional interests in shares) of Company Stock allocated to their respective Accounts and treat them as a single combined voting instruction reflecting such aggregate voting directions.

(g) All Participants entitled to direct the voting under Section 5.3 hereof shall be notified by the Trustees or the Sponsor of each occasion for the exercise of such voting rights within a reasonable time before such rights are to be exercised. Such notification shall include all information that must be distributed to stockholders by the Sponsor regarding the exercise of such rights. To the extent that a Participant shall fail to direct the Trustees as to the exercise of voting rights arising under any Company Stock credited to his Accounts, such voting rights shall be exercised as directed by the Trustee in its discretion; except that, with respect to matters described in Section 5.3(d) hereof, in the case of shares allocated after December 31, 1979 with respect to which a Participant is entitled to, but fails to, provide the Trustees with voting directions, such failure shall be treated by the Trustees as a direction to abstain from voting as to such shares.

**4.4 Tender of Employer Stock.** The provisions of this Section 4.4 will govern the tender of Employer Stock.

(a) Upon commencement of a tender offer for Employer Stock held in the Trust, the Trustee will prepare a tender instruction form and will cause a copy of all tender materials to be sent to each plan Participant with an interest in such Employer Stock together with the tender instruction form to be returned to the Trustee or its designee. The tender instruction form will show the number of full and fractional shares of Employer Stock credited to the Participant's accounts (both vested and unvested).

(b) Each Participant will have the right to direct the Trustee to tender or not to tender some or all of the shares of Employer Stock credited to the Participant's accounts (both vested and unvested). Directions from a Participant to the Trustee concerning the tender of Employer Stock will be communicated in writing, or such other means acceptable to the Trustee. These directions will be held in confidence by the Trustee and, except as required by applicable law, will not be divulged to the Company or any Affiliate, or to any officer or employee of the Company or any Affiliate, or to any other person. Except as otherwise required by applicable law, the Trustee will tender or not tender shares of Employer Stock credited to a Participant's account as directed by the Participant, and the Trustee will not tender shares of Employer Stock credited to a Participant's accounts for which it has received no directions from the Participant. Except as provided in ERISA Section 404(c), a Participant will be a "named fiduciary" of the Plan under ERISA to the extent of the Participant's authority to direct the tender of Employer Stock allocated to his or her account.

(c) A Participant who has directed the Trustee to tender some or all of the shares of Employer Stock credited to the Participant's accounts may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares, and the Trustee will withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal deadline. Prior to the withdrawal deadline, if any shares of Employer



Stock not credited to Participants' accounts have been tendered, the Trustee will redetermine the number of shares of Employer Stock that would be tendered if the date of the foregoing withdrawal were the date of determination, and withdraw from the tender offer the number of shares of Employer Stock not credited to Participants' accounts necessary to reduce the amount of tendered Employer Stock not credited to Participants' accounts to the amount so redetermined. A Participant will not be limited as to the number of directions to tender or withdraw that the Participant may give to the Trustee.

(d) A direction by a Participant to the Trustee to tender shares of Employer Stock credited to the Participant's accounts will not be considered a written election under the Plan by the Participant to withdraw, or have distributed, any or all of his or her withdrawable shares. The Trustee will advise the Administrative Committee to credit to each account of the Participant from which the tendered shares were taken, the proceeds received by the Trustee in exchange for the shares of Employer Stock tendered from that account. Pending receipt of directions from the Participant as to the investment of the tender proceeds, the Trustee will cause the proceeds to be invested in an interest income fund established under the Plan.

(e) The Trustee will tender that number of shares of Employer Stock not credited to Participants' accounts which is determined by multiplying the total number of shares of Employer Stock not credited to Participants' accounts by a fraction of which the numerator is the number of shares of Employer Stock credited to Participants' accounts for which the Trustee has received instructions from Participants to tender (and such instructions have not been withdrawn as of the date of determination) and the denominator is the total number of shares of Employer Stock credited to Participants' accounts.

#### 4.5 Valuation.

(a) The Trustee will determine, and report to the Company, the fair market value of the assets and liabilities of the Trust Fund as of each Valuation Date.

(b) In valuing the assets of the Trust Fund, the Trustee may rely on the determination of an independent appraiser and will not be liable for an inaccurate valuation based in good faith on such information. Notwithstanding the foregoing, the fair market value of shares of Employer Stock will be (i) if the Employer Stock is readily tradable on an established securities market, the fair market value of the Employer Stock on such market on the Valuation Date or (ii) if the Employer Stock is not readily tradable on an established securities market, the fair market value determined in good faith by the Trustee in accordance with the requirements of ERISA.

(c) Reasonable costs incurred in valuing the Trust Fund will be a charge against the Trust Fund, to the extent not paid by the Company.

4.6 **Records.** The Trustee will keep or have access to complete accounts of all investments, receipts and disbursements, and other transactions with respect to the Trust Fund, and gains and losses resulting from same. Such accounts will be sufficiently detailed to meet the Trustee's duties of reporting and disclosure required under applicable law. All accounts, books, contracts and records relating to the Trust Fund will be open to inspection and audit at all reasonable times by any person designated by the Company. The Trustee shall not be required to perform ministerial acts other than those set forth in this Agreement.

#### 4.7 Reports.

(a) On a quarterly basis, and within 90 days following the Trustee's resignation or removal under Article 6 of this Trust Agreement, and at such other times as agreed to by the Trustee and the Company, the Trustee will furnish the Company with a written report setting forth the transactions effected by the Trustee during the period since it last furnished such a report and any gains or losses resulting from same, any payments or disbursements made by the Trustee during such period, the assets of the Trust Fund as of the last day of such period (at cost and at fair market value as of the most recent Valuation Date), and any other information about the Trust Fund that the Company may reasonably request. The Trustee will certify the accuracy of the report if such certification is requested by the Company or is required by applicable law. For purposes of this Section 5.7, the Trustee may rely on a determination, if any, by an independent appraiser of the fair market value of any Trust assets.

(b) The Company may approve any report furnished by the Trustee under Section 4.7(a) by written statement of approval furnished to the Trustee or will be deemed to have approved of any such report by failure to file a written objection to the report with the Trustee within 90 days of the date on which the Administrative Committee receives such report.

(c) Notwithstanding anything in this Section 4.7 to the contrary, nothing in this Section 4.7 will be construed to limit Trustee's liability to any party for the Trustee's own negligence or willful misconduct.

### ARTICLE 5 COMPENSATION, RIGHTS AND INDEMNITIES OF THE TRUSTEE

#### 5.1 Compensation and Reimbursement.

(a) The Trustee will receive for its services reasonable compensation as agreed upon in writing from time to time between the Company and the Trustee.

(b) The Trustee will be reimbursed within 60 days of billing for all reasonable out-of-pocket expenses it incurs in the performance of its duties under this Trust Agreement. In this regard, reasonable expenses include (but are not limited to) accounting, consulting, appraisal, brokerage, custodial, actuarial and legal fees for professional services related to the establishment and administration of this Trust Agreement and reasonable and out-of-pocket expenses incurred by officers or employees of the Trustee, such as charges for travel and lodging, and charges for private express mail deliveries.

(c) Compensation and expenses payable under this Section 5.1 will be paid by the Trust Fund (and may be charged, if applicable, to an appropriate subaccount or subtrust) to the extent not paid by the Company. The Company may reimburse the Trust Fund for any such compensation and expenses paid from the Trust Fund. If there is not sufficient cash in the Trust to pay the amounts due to the Trustee and to reimburse the Trustee for its reasonable expenses, the Trustee shall have the right to offset the amount due to it against the assets of the Trust, and the Trustee shall be authorized to sell assets of the Trust to the extent necessary to obtain sufficient cash to pay the amounts due to the Trustee.

(d) Normal brokerage charges, commissions, taxes and other costs incident to the purchase and sale of securities which are included in the cost of securities purchased, or charged against the proceeds in the case of sales, shall be charged to and paid out of Trust assets.

## 5.2 Rights of the Trustee.

(a) The Trustee may consult with legal counsel (who may be counsel for the Company) with respect to the construction of this Trust Agreement or its duties thereunder, or with respect to any legal proceeding or any question of law, and will be fully protected to the extent permitted by ERISA with respect to any action it takes or omits in good faith upon the advice of such counsel.

(b) Until advised to the contrary by the Company, the Trustee will assume that the Trust is exempt from all federal, state, and local income taxes, and may act in accordance with that assumption. If the whole or any part of the Trust Fund, or the proceeds thereof, becomes liable for the payment of any estate, inheritance, income or other tax, charge or assessment which the Trustee is required to pay, the Trustee will have full power and authority to pay such tax, charge or assessment out of any money or other property in its hand for the account of the person whose interests hereunder are so liable, but at least 10 days prior to the making of any such payment the Trustee must mail notice to the Company of its intention to make such payment. Prior to making any transfers or distributions of any of the proceeds of the Trust Fund, the Trustee may require such releases or other documents from any lawful taxing authority and may require such indemnity from any payee or distributee, as it deems necessary.

## 5.3 Indemnification.

(a) The Company, to the extent permitted by applicable law, will indemnify the Trustee and hold it and each of its officers, directors, principals, shareholders, employees, and attorneys (individually an "Indemnified Party") harmless against any and all losses, claims, damages or liabilities, including reasonable legal fees and expenses, to which any Indemnified Party may become subject arising in any manner out of or in connection with the performance of the services of the Trustee under this Trust Agreement or in any other fiduciary capacity with respect to the Plan, except that such Indemnified Party will not be so indemnified if such losses, claims, damages or liabilities are finally adjudged by a court of competent jurisdiction, or are determined by any other proceeding mutually agreeable to the Company and the Indemnified Parties, to have resulted from the negligence or willful misconduct of such Indemnified Party. For purposes of this Trust Agreement, any act or omission of an Indemnified Party will be negligent only if such act or omission represents a material departure from standards of ordinary care. Except as provided below, the Company will, upon notice, advance or pay promptly to or on behalf of any Indemnified Party, all reasonable attorneys' fees and other expenses and disbursements as they are incurred; provided, however, that the Trustee will promptly reimburse to the Company all amounts paid to an Indemnified Party pursuant to this Section 5.3 in the event that the Indemnified Party is finally adjudged to have acted with negligence or willful misconduct with respect to the services performed pursuant to this Trust Agreement.

(b) If the Company is financially unable to satisfy the foregoing indemnification obligation, the Company will take whatever steps are necessary to cause such obligation to be paid from the assets of the Plan, to the extent such obligation may be paid from Plan assets under applicable law.

(c) For purposes of the foregoing indemnification, the Company acknowledges that, until the Trustee is notified by the Company that the Plan does not satisfy the requirements of ERISA Section 404(c) and the regulations thereunder, the Trustee will be performing services and discharging its duties under this Trust Agreement with the understanding that the Plan satisfies such requirements. The Company agrees that in the event the Trustee incurs any loss, claim, damage or liability solely as a result of acting in reliance on such understanding, such loss, claim, damage or liability will not be considered to have resulted from the negligence or willful misconduct of any Indemnified Party for purposes of applying the provisions of the foregoing indemnification.

(d) If for any reason the foregoing indemnification is determined to be unavailable to any Indemnified Party or insufficient to fully indemnify an Indemnified Party, the Company will contribute to the amount paid or payable by such Indemnified Party as a result of any such losses, claims, damages or liabilities in such proportion as is appropriate to reflect (i) the relationship between the Trustee's fee, on the one hand, and the highest aggregate value of the assets held in the Employer Stock Fund at any time, on the other hand, or (ii) if the allocation provided by clause (i) is not permitted by applicable law, not only such relative benefit but also the relative fault of any other participants in the matter that results in such losses, claims, damages or liabilities, on the one hand, and of the Trustee and the Indemnified Parties, on the other hand, and any other relevant equitable considerations in connection with the matters as to which such losses, claims, damages or liabilities relate.

(e) If any Indemnified Party receives notice of the assertion of any claim or of the commencement of any action or proceeding involving the Indemnified Party, in any capacity, that arises in any manner out of or in connection with the performance of the services of the Trustee under this Trust Agreement (a "Claim"), the Indemnified Party will give the Company reasonably prompt written notice thereof, although failure to do so will not relieve the Company from any liability hereunder or otherwise unless such failure materially prejudices the Company's rights. The Company may, at its expense, defend any Claim by counsel of its choice reasonably satisfactory to the Indemnified Party, and if the Company elects to do so, it will not be liable to such Indemnified Party for any expense incurred by the Indemnified Party in defense of the Claim after the Company notifies the Indemnified Party of its election and, if the Indemnified Party has appointed counsel, after a reasonable time required to substitute counsel. The Indemnified Party may monitor any defense assumed by the Company at the Indemnified Party's expense. Notwithstanding the foregoing, an Indemnified Party will have the right to employ separate counsel in the defense of a Claim, and the Company will bear the reasonable fees, costs and expenses of such separate counsel, if (i) the use of counsel chosen by the Company to represent the Indemnified Party would present such counsel with a conflict of interest; (ii) the defendants in, or targets of, any such Claim include both the Indemnified Party and another party or parties (including without limitation the Company, its officers, directors or employees), and the Indemnified Party has concluded, not unreasonably, that representation of both the Indemnified Party and such other party or parties by the same counsel would be

inappropriate due to actual or potential differing interests between the Indemnified Party and such other party or parties; or (iii) the Company has not employed counsel satisfactory to the Indemnified Party in the exercise of the Indemnified Party's reasonable judgment to represent the Indemnified Party, within a reasonable period of time after notice of the institution of the Claim.

(f) Without the prior written consent of the Company, an Indemnified Party will not enter into any settlement relating to any Claim which would lead to liability or create any financial or other obligation on the part of the Company under this Trust Agreement. Without the prior written consent of the Indemnified Party, the Company will not enter into any settlement relating to any Claim which would lead to liability or create any financial or other obligation on the part of the Indemnified Party.

(g) If during the period of, or subsequent to the termination of this Trust Agreement, any Indemnified Party is required to participate in any legal or other proceeding (other than as a named party to such proceeding) in connection with any matter relating to the services of the Trustee under this Trust Agreement, the Company will compensate the Indemnified Party for such services or time required at the Indemnified Party's hourly rates then in effect, plus any reasonable legal fees and out-of-pocket expenses incurred to the same extent and in the same manner as specified in this Section 5.3.

(h) It is understood by the parties that the foregoing indemnification agreement will survive the termination of this Trust Agreement and the termination, for any reason, of the services of the Trustee under this Trust Agreement.

#### **5.4 Limitation of Liability of Trustee.**

(a) The Trustee will not be liable for any action taken or omitted upon direction of the Administrative Committee pursuant to Section 3.4 or of a Participant pursuant to Section 4.3 or Section 4.4. If at any given time the Administrative Committee should fail to give directions or instructions to the Trustee as provided in this Trust Agreement, the Trustee will act or refrain from acting without such directions or instructions and may exercise its own discretion and judgment as seems appropriate and advisable under the circumstances in carrying out the purposes of this Trust Agreement.

(b) The Trustee will not be liable to any person for any distribution made at the direction of the Administrative Committee.

(c) The Trustee will not be responsible for determining the adequacy of the Trust Fund to meet liabilities under the Plan.

(d) The Trustee will not be liable for the acts or omissions of any other fiduciary or person with respect to the Plan or the Trust Fund. In addition the Trustee will have no duty or responsibility to investigate the acts or omissions of any predecessor trustee or fiduciary with respect to the assets of the Trust Fund to determine whether any such acts or omissions violated any provision of ERISA or other applicable law.

(e) The Trustee will not be responsible for maintaining any records of Participants' benefits under the Plan or for any other matter affecting the administration of the Plan by the Administrative Committee or any other person or persons to whom responsibility for administration of the Plan is delegated pursuant to the terms of the Plan.

**5.5 Court Proceedings and Necessary Parties to Legal Actions.** The Trustee may institute, maintain or defend any litigation necessary to protect the rights of the Trust Fund, provided that the Trustee will be under no duty or obligation to do so unless it will have been indemnified to its satisfaction against all expenses and liabilities which it may sustain or reasonably anticipate by reason thereof. All costs and expenses of litigation for which the Trustee would be liable will be paid by the Trust Fund to the extent not paid by the Company. Except as required by ERISA Section 502(h), only the Company, the Administrative Committee and the Trustee will be considered necessary parties in any legal action or proceeding with respect to the Trust Fund, and no Participant or other person having an interest in the Trust Fund will be entitled to notice. Any judgment entered on any such action or proceeding will be binding on the Company, the Administrative Committee, the Trustee and all persons claiming under the Trust. Nothing in this Section 5.5 is intended to preclude a Participant from enforcing his or her legal rights.

**5.6 Bonding of Trustee.** The Trustee will not be required to furnish any bond or security for the performance of its powers and duties under this Trust Agreement, unless required to do so by applicable law.

**5.7 Third Party.** No person dealing with the Trustee will be obligated to see to the proper application of any money paid or property delivered to the Trustee, or to inquire whether the Trustee has acted pursuant to any of the terms of the Trust Agreement. Each person dealing with the Trustee may act upon any notice, request, or representation in writing by the Trustee, or by the Trustee's duly authorized agent, and will not be liable to any person in so doing. The certificate of the Trustee that it is acting in accordance with the Trust Agreement will be conclusive in favor of any person relying on the certificate.

**5.8 Tax and Information Returns.** The Administrative Committee will be responsible for timely filing all tax and information returns, as well as all required descriptions, reports, and disclosures, relating to the Trust.

## **ARTICLE 6 RESIGNATION OR REMOVAL OF THE TRUSTEE**

**6.1 Resignation.** The Trustee may resign at any time by delivering to the Company a written notice of resignation, to take effect not less than 30 days after delivery, unless such notice is waived by the Company.

**6.2 Removal.** The Company may remove the Trustee at any time by delivering to the Trustee, not less than 30 days before it is to take effect, a written notice of removal, unless such notice is waived by the Trustee.

**6.3 Successor Trustee.** Upon the resignation or removal of the Trustee, the Company will appoint a successor trustee, which may accept such appointment by adoption of

this Trust Agreement. In the event that no successor trustee is appointed, the Trustee will continue to act as trustee until a successor trustee is appointed. If, within 60 days after notice of resignation or removal has been given a successor trustee has not been appointed, the Trustee or the Company may apply to a court of competent jurisdiction for the appointment of a successor trustee.

6.4 **Settlement.** The Trustee will have the right to have a final settlement of the accounts of the Trust by judicial settlement in an action instituted by the Trustee in a court of competent jurisdiction.

6.5 **Transfer to Successor Trustee.**

(a) Upon settlement of the Trustee's account, the Trustee will transfer to the successor trustee the Trust Fund as it is then constituted and true copies of its records relating to the Trust Fund. Upon the completion of this transfer, the Trustee's responsibilities under this Trust Agreement will cease, and the Trustee will be discharged from further accountability for all matters embraced in its settlement; provided, however, that the Trustee executes and delivers all documents and written instruments which are necessary to transfer and convey the right, title and interest in the Trust Fund assets, and all rights and privileges with respect to such assets, to the successor trustee.

(b) Notwithstanding the foregoing provisions, the Trustee is authorized to reserve such amount as it may deem advisable for payment of its fees and expenses in connection with the settlement of its account, to the extent not previously paid by the Company. Any balance of such reserve remaining after the payment of such fees and expenses will be paid over promptly to the successor trustee. Notwithstanding any provision of this Trust Agreement to the contrary, the Trustee may invest and reinvest such reserves in any investment or investment vehicle appropriate for the temporary investment of cash reserves of the Trust.

(c) The successor trustee will neither be liable nor responsible for any act or omission to act with respect to the operation or administration of the Trust Fund under this Trust Agreement prior to such date, nor be under any duty or obligation to audit or otherwise inquire into or take any action concerning the acts or omissions of the Trustee or any predecessor trustee.

6.6 **Duties of the Trustee Prior to Transfer to Successor Trustee.** The Trustee's powers, duties, rights and responsibilities under this Trust Agreement will continue until the date on which the transfer of the Trust Fund assets and delivery of the related documents to the successor trustee under Section 6.5 is completed. Nothing contained herein will relieve the Trustee of its duties under Section 4.7.

6.7 **Powers, Duties and Rights of the Successor Trustee.** Upon its receipt of all the assets of the Trust Fund and all of the documents related thereto, the successor trustee will become vested with all the estate, powers, duties, rights and discretion of the Trustee under this Trust Agreement with the same effect as though the successor trustee were originally named as Trustee hereunder.

6.8 **Merger or Consolidation Involving Corporate Trustee.** Any corporation into which a corporation acting as Trustee hereunder may be merged or with which it may be

consolidated, or any corporation resulting from any merger, reorganization or consolidation to which such Trustee may be a party, will be the successor of the Trustee hereunder without the necessity of any appointment or other action, provided it does not resign and is not removed.

**ARTICLE 7**  
**AMENDMENT OF THE TRUST AGREEMENT OR TERMINATION OF A PLAN**

**7.1 Amendment of the Trust Agreement.**

(a) The Company reserves the right to amend this Trust Agreement in the manner set forth in Section 7.1(b) at any time and to any extent that it may deem advisable or appropriate, provided, however, that:

- (i) no amendment may increase the duties, rights, responsibilities or liabilities of the Trustee without its written consent;
- (ii) no amendment may have the effect of vesting in the Company any interest in or control over any property subject to the terms of this Trust Agreement, except as permitted by law;
- (iii) no amendment may be made to Section 3.1 or Section 3.2 without the prior written consent of the Trustee;
- (iv) the Company may amend Section 5.3, by a written instrument executed by a person or group of persons authorized to take such action, only with the prior written consent of the Trustee; and
- (v) no amendment may contravene the provisions of Section 2.3.

(b) Any amendment to this Trust Agreement, except as provided in Section 7.1(a)(iii) will be made only pursuant to action of the Company. A certified copy of the resolution adopting any amendment and a copy of the adopted amendment as executed by the Company will be delivered to the Trustee. Upon such action by the Company, the Trust Agreement will be deemed amended as of the date specified as the effective date by such action or in the instrument of the amendment. The effective date of any amendment may be before, on or after the date of such action.

**7.2 Termination of the Plan.**

(a) In the event that the Plan is terminated, the Administrative Committee will notify the Trustee as to whether the Trust Fund is to be distributed or is to be maintained by the Trustee in accordance with the provisions of this Trust Agreement. If the Administrative Committee directs that the Trust Fund is to be distributed, the Trustee will establish the fair market value of the Trust Fund as of the Valuation Date designated by the Administrative Committee and will distribute all or a part of the assets of the Trust Fund (converting such assets into cash, as necessary) in accordance with the written directions of the Administrative Committee.



(b) Notwithstanding the provisions of Section 7.2(a):

(i) to the extent permitted by ERISA, the Trustee may pay, from the assets of the Trust Fund, the reasonable expenses involved in the termination of the Trust Fund prior to distributing the assets of the Trust Fund;

(ii) the Trustee will not comply with any instruction to transfer assets of the Trust Fund to the funding agent of any other employee benefit plan unless the Trustee determines that such transfer of assets will comply with the requirements of the Code; and

(iii) the Trustee may condition the delivery, transfer or distribution of any or all assets of the Trust Fund upon its receipt of assurance satisfactory to it that there has been proper compliance with all notices and other procedures required by applicable law.

## **ARTICLE 8 COMMUNICATIONS**

### **8.1 To the Company and the Administrative Committee.**

(a) Communications to the Company will be addressed to:

Parsons Corporation  
100 West Walnut Street  
Pasadena, CA 91124  
Attention: Susan Cole  
Facsimile: (626) 440-2923

(b) Communications to the Administrative Committee will be addressed to:

Parsons Corporation  
100 West Walnut Street  
Pasadena, CA 91124  
Attention: Susan Cole  
Facsimile: (626) 440-2923

### **8.2 To the Trustee.** Communications to the Trustee will be addressed to:

U.S. Trust Company, N.A.  
515 South Flower Street  
Suite 2700  
Los Angeles, CA 90071  
Attention: Charles E. Wert  
Facsimile: (213) 488-1366

**8.3 Binding Upon Receipt.** No communication will be binding on the Trustee, the Company or the Administrative Committee until it is received by such party.

8.4 **Communication in Writing.** All communications required hereunder from the Administrative Committee to the Trustee will be in writing signed by a member of the Administrative Committee, as applicable, authorized to sign on its behalf. The Administrative Committee may authorize one or more of its members to sign on its behalf all communications to the Trustee. The Administrative Committee will keep the Trustee advised of the names and specimen signatures of all individuals authorized to sign on its behalf. In the absence of any notification of changes, the Trustee may, absent actual knowledge to the contrary, assume that the members of the Administrative Committee are the same as last reported by the Administrative Committee to the Trustee. The Trustee may accept communications by facsimile as a delivery of such communications in writing until notified in writing by the Administrative Committee that the use of such devices is no longer authorized.

## **ARTICLE 9 MISCELLANEOUS**

### **9.1 Gender, Tense and Headings.**

(a) Whenever any words are used herein in the masculine gender, they will be construed as though they were also used in the feminine gender in all cases where they would so apply. Whenever any words used herein are in the singular form, they will be construed as though they were also used in the plural form in all cases where they would so apply.

(b) Headings of Articles and Sections as used herein are inserted solely for convenience and reference and constitute no part of this Trust Agreement.

9.2 **Governing Law.** This Trust Agreement will be construed and governed in all respects in accordance with applicable federal law, and, to the extent not preempted by such federal law, in accordance with the laws of the State of California without giving effect to the choice of laws principles of such State.

9.3 **Mistake of Fact.** Notwithstanding any other provisions herein contained, if any contribution is made due to a mistake of fact, such contribution will, upon the direction of the Administrative Committee, be returned to the Company or the party who made it, as directed by the Administrative Committee, without liability to any person (including, but not limited to, Participants).

9.4 **Deductibility of Contributions.** Notwithstanding any other provisions herein contained, all contributions made under the Plan are hereby expressly conditioned upon their deductibility under Code Section 404, as amended from time to time, and, if the deduction for any contribution is disallowed in whole or in part, then such contribution (to the extent the deduction is disallowed) will, upon the direction of the Administrative Committee, be returned to the Company or the party who made it without liability to any person.

9.5 **Alienation.** Except in the case of a Qualified Domestic Relations Order, or as otherwise required by federal law, (a) the benefits, proceeds, payments, or claims of any Participant payable from the Trust assets will not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary including any such liability which is for

alimony or other payments for support of a spouse or former spouse, (b) any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, garnish, levy or otherwise dispose of or execute upon any right or benefit payable hereunder will be void, and (c) the Trust assets will not in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Participant entitled to benefits hereunder and such benefits will not be considered an asset of the Participant in the event of his or her insolvency or bankruptcy.

9.6 **Entire Agreement; Parties Bound.** The Trust Agreement contains the entire agreement and understanding of the Company and the Trustee with respect to the subject matter hereof and supersede all prior agreements and understandings related to such subject matter. This Trust Agreement will be binding upon the parties to this Trust Agreement and their successors and assigns.

9.7 **Severability.** In the event any provisions of this Agreement shall be held invalid for any reason, the invalidity shall not affect the remaining provisions of this Agreement, but shall be fully severable and the Agreement shall be construed and enforced as if the invalid provision had never been inserted herein.

9.8 **Executed Counterparts.** The Trust Agreement may be executed in any number of counterparts, each of which will be deemed to be the original although the others will not be produced.

IN WITNESS WHEREOF, the Company and the Trustee have executed this Trust Agreement as of the date first written above.

PARSONS CORPORATION

By: /s/ ROBERT W. JONES

Name: Robert W. Jones

Title: Vice President

U.S. TRUST COMPANY, NATIONAL ASSOCIATION

By: /s/ CHARLES E. WERT

Name: Charles E. Wert

Title: Executive Vice President

**PARSONS CORPORATION**  
**RESTRICTED AWARD PLAN**

Adopted January 20, 2015

Amended October 17, 2016, October 17, 2017 and January 1, 2019

## TABLE OF CONTENTS

	<b>Page</b>
ARTICLE 1. PREFACE	
Section 1.1    Effective Date and Term	1
Section 1.2    Purpose of the Plan	1
ARTICLE 2. DEFINITIONS	1
ARTICLE 3. ELIGIBILITY, VALUE AND NUMBER OF AWARD UNITS AND TIME OF GRANT	5
Section 3.1    Participants, Unit Value, Number and Time of Grants	5
Section 3.2    Granting of Awards	5
Section 3.3    Vesting Criteria	5
ARTICLE 4. ADMINISTRATION	5
Section 4.1    Administrative Committee	5
Section 4.2    Authority	6
Section 4.3    Quorum	6
ARTICLE 5. FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS	6
Section 5.1    Unfunded Plan	6
Section 5.2    Payment of Restricted Award Units	6
Section 5.3    Deferral of Payment	7
Section 5.4    Modification of Plan	10
Section 5.5    Limitation on Rights of Participants and Beneficiaries	10
Section 5.6    Forfeiture of Units	11
ARTICLE 6. RETIREMENT, DISABILITY, DEATH BENEFITS AND BENEFICIARIES	11
Section 6.1    Termination After RAU Vesting	11
Section 6.2    Termination Before Completion of a Vesting Period.	11
Section 6.3    Beneficiaries	12
ARTICLE 7. CHANGE IN CONTROL AND OTHER TRANSACTIONS	12
Section 7.1    Change in Control of the Corporation	12
Section 7.2    Adjustments	13
Section 7.3    Board of Directors	13

	<b>Page</b>
ARTICLE 8. AGREEMENT BY PARTICIPANT REGARDING TAXES	13
Section 8.1    Taxation	13
Section 8.2    Alternate Taxation	13
ARTICLE 9. AMENDMENT AND TERMINATION OF THE PLAN	14
ARTICLE 10. GENERAL PROVISIONS	14
Section 10.1    Written Instruments	14
Section 10.2    No Guarantee of Employment	14
Section 10.3    Liability of Corporation	14
Section 10.4    Liability of Board and Committee	14
Section 10.5    Assignment and Alienation	15
Section 10.6    Construction	15
Section 10.7    Severability and Survival of the Agreement	15
Section 10.8    Gender and Number	15
Section 10.9    Governing Law	15
Section 10.10   Code Section 409A	15

**PARSONS CORPORATION**

**RESTRICTED AWARD PLAN**

Parsons Corporation, a Delaware corporation with its principal place of business in California, (the "Corporation") hereby establishes and sets forth the terms and conditions of the Parsons Corporation Restricted Award Plan for the benefit of eligible employees of the Corporation and its subsidiaries on the terms and conditions described hereinafter:

ARTICLE 1.  
PREFACE

Section 1.1 Effective Date and Term. The Plan shall be effective on date the Plan is approved by the Parsons Corporation Board of Directors on January 20, 2015 and shall continue in force and effect until terminated by the Board.

Section 1.2 Purpose of the Plan. The Plan is intended to encourage participating key employees of the Corporation and its subsidiaries to remain employed and to motivate such participants to exert maximum effort to achieve the Corporation's long-term goals.

ARTICLE 2.  
DEFINITIONS

The words and phrases identified in quotation marks below, when used in Parsons Corporation's Restricted Award Plan and related documents, shall have the meanings set forth in this Article 2, unless the context clearly indicates otherwise.

- (a) "Administrative Committee" or "Committee" means the committee responsible for performing the functions and administration of the Plan as provided herein.
- (b) "Award Agreement" means the document prepared by the Parsons Corporation's designee, at the date of grant which will contain terms and conditions of the Restricted Award Unit. Each Award Agreement shall include vesting provisions and any additional restrictions. The Award Agreement may be in the form of a performance cycle memorandum or similar written agreement that is prepared by the Parson Corporation's designee but that is not required to be signed by the Participant.

- (c) “Beneficiary” means the person or estate of a deceased Participant, entitled to benefits hereunder, upon the death of a Participant.
- (d) “Board” means the Board of Directors of Parsons Corporation.
- (e) “Change in Control” means a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Code Section 409A and the regulations promulgated thereunder.
- (f) “Code” means the Internal Revenue Code of 1986, as amended, and any rulings or regulations thereunder.
- (g) “Corporation” means Parsons Corporation.
- (h) “Declared Rate” means with respect to any calendar year, an annual rate of interest equal to the average of prime rates made available to preferred borrowers by Bank of America, N.T. & S.A., Los Angeles Branch (or any successor thereto) determined as of the first working day of each calendar month prior to the complete distribution of a Deferral Account.
- (i) “Deferral Account” means the account maintained on the books of account of the Corporation for a Participant who has elected to defer the payment of the monetized value of vested Restricted Award Units pursuant to Section 5.3.
- (j) “Deferral Agreement” means a written agreement entered into by the Corporation and a Participant to defer, pursuant to Section 5.3, the payment of vested Restricted Award Units until the earlier of the Participant’s termination of employment, death or Disability. A separate Deferral Agreement must be entered into by the Corporation and a Participant for each Restricted Award Unit grant for which the Participant elects to defer payment.



(k) “Disability” means a Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation or its subsidiaries.

(l) “Participant” means each senior officer, other key management or highly compensated employee of Parsons Corporation and its subsidiaries determined to be eligible to participate in the Plan.

(m) “Plan” means the Parsons Corporation Restricted Award Plan as herein set out and as it may be amended.

(n) “Plan Account” means the balance posted to the record of each Participant consisting of any Restricted Award Units which have been paid or have been deferred pursuant to Article 5 of the Plan.

(o) “Published Share Price” shall mean the value of the common voting stock of the Corporation formally announced by the Chief Executive Officer in writing; the date of such formal announcement shall be known as the “Published Share Price Date” for purposes of this Plan and it is expected that there shall be one Published Share Price Date per calendar year; provided, however, that if the common voting stock of the Corporation is publicly traded, then the “Published Share Price” will be determined in the sole discretion of the Committee by reference to the closing trading prices (including any weighted average closing prices) of the common voting stock of the Corporation.

(p) “Restricted Award Unit” or “RAU” means an award of the contingent right to receive an amount that is to be distributed to a Participant in the event vesting provisions and other criteria as specified in the Award Agreement have been achieved. Except as provided in Section 5 for vested Restricted Award Units whose payment has been deferred and whose

monetized value has been credited to a Deferral Account, a Restricted Award Unit shall have a value equal to the most recent Published Share Price. Participants awarded RAUs shall have no rights as a stockholder of the Corporation, no dividend or dividend equivalent rights, and no voting rights with respect to the RAUs.

(q) “Share Indexing Investment Option” shall mean the written election by a plan Participant to apply an alternative form of investment return to the value of his or her Deferral Account. The investment return (or loss) applicable to the Deferral Account during periods when the Share Indexing Investment Option has been elected shall be determined by calculating the percentage increase or decrease in the Published Share Price between the first of the month following such election and the end of the month in which the next Published Share Price Date occurs.

(r) “Retire” or “Retirement” means a Participant’s voluntary termination of employment from the Corporation or its subsidiary after having attained age 65 or older.

(s) “Unforeseeable Emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), or (d)(1)(B)) of the Participant; loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined in accordance with Treasury Regulations Section 1.409A-3(i)(3). The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case.

(t) “Vesting Period” means a period of one or more years from the date of grant as specified in the Award Agreement. Restricted Award Units may vest in increments over a specified number of years, or all on the same date, and may vest in connection with a Change in Control. Each Vesting Period will be a period of at least twelve (12) consecutive months.

ARTICLE 3.  
ELIGIBILITY, VALUE AND NUMBER OF  
AWARD UNITS AND TIME OF GRANT

Section 3.1 Participants, Unit Value, Number and Time of Grants. With respect to RAUs, the Board shall in its discretion determine the amount of units available for grant each year in the Plan. The Chief Executive Officer will determine how to distribute the RAUs from the pool of units approved by the Board and will provide a report of all outstanding grants to the Board on an annual basis. Any available RAUs remaining from the approved pool of units at year end will cease to be available for future distribution.

Section 3.2 Granting of Awards. In determining the persons to whom RAUs shall be granted and the number of Units to be included in each award, the Chief Executive Officer will consider the duties of the respective candidates, their present and potential contributions to the success of the Corporation and such other facts as the Chief Executive Officer shall deem relevant to the purpose of the Plan.

Section 3.3 Vesting Criteria. The vesting provisions of individual RAUs may vary. At the time of the grant, the CEO shall determine the vesting provisions which will be noted in the Award Agreement. Vesting of RAU's may also be subject to additional performance goals as specified in the Award Agreement. Except as provided in this Plan or in an Award Agreement, employment or service for only a portion of the Vesting Period, even if a substantial portion, will not entitle a Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in this Plan.

ARTICLE 4.  
ADMINISTRATION

Section 4.1 Administrative Committee. The Plan shall be administered under the supervision of the Administrative Committee, composed of not less than three (3) senior executives of the Corporation. The Committee will consist of persons that are selected from the following: Chief Executive Officer, any Executive Vice President, Senior Vice President or Vice President of Parsons Corporation. Committee members shall be appointed and

removed at the sole discretion of the Chief Executive Officer. The members of the Administrative Committee shall be eligible to participate in the Plan. A member of the Committee shall not vote or act upon any matter which relates solely to himself as a Participant.

Section 4.2 Authority. Subject to Section 3.1, the Committee shall have full and final authority to: (i) operate, manage, interpret and administer the Plan on behalf of the Corporation; (ii) prescribe, amend or rescind rules and regulations relating to the Plan; and (iii) do all things and take all actions respecting the Plan and its administration which in their reasonable judgment are necessary and proper. All Committee interpretations, determinations and actions will be final, conclusive and binding on all parties.

Section 4.3 Quorum. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members in the absence of a meeting, shall be the acts of the Committee.

#### ARTICLE 5. FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS

Section 5.1 Unfunded Plan. The Plan is an unfunded, nonqualified plan. The benefits provided under the Plan shall be payable by the Corporation from its general assets.

Section 5.2 Payment of Restricted Award Units. The dates and conditions of payment are defined in each Award Agreement. Except as may otherwise be provided in an Award Agreement or as provided in Section 5.3, RAUs shall be paid promptly after becoming vested (and in all events not later than the first March 15 following the year in which such RAUs became vested). RAUs will be paid in the form of cash; provided, however, that RAUs granted on or after January 1, 2019, may be paid in either cash or, in the sole discretion of the Committee, in equal shares of the Corporation's common voting stock.

Section 5.3 Deferral of Payment.

5.3.1 Deferral Election Agreement

(a) Pursuant to the terms of this Section 5.3, a Participant may elect to defer payment of 0% or from 25% to 100% of the Restricted Award Units granted to the Participant until the earlier of the Participant's termination of employment, death or Disability. Such election shall be made by entering into a Deferral Agreement within thirty (30) days after the grant date specified in the Award Agreement, provided that such Deferral Agreement is entered into at least 12 months in advance of the first scheduled vesting date and the requirements of Treasury Regulations Section 1.409A-2(a)(5) are otherwise satisfied. If any Restricted Award Units become vested prior to the 12-month anniversary of the grant date specified in the Award Agreement as a result of the Participant's death, Disability, a Change in Control or any exercise of discretion pursuant to Section 5.6, the Participant's deferral election and Deferral Agreement shall be of no force and effect and the Restricted Award Units shall instead be paid pursuant to Section 5.2

(b) At the time of entering into a Deferral Agreement, a Participant may elect that the form of distribution of the deferred portion of the vested RAUs for that grant that becomes payable as a result of a termination of employment due to Retirement or Disability while employed be a single payment, five substantially equal annual installments, or ten substantially equal annual installments, subject to the limitation that, if the present value of the balance of the Deferral Account is less than \$75,000 at any time, the balance shall be paid in a lump sum payment.

(c) A newly hired employee who becomes a Participant upon commencement of employment with the Corporation may make a deferral election under this Section 5.3 by entering into a Deferral Agreement within 30 days following the date of the Participant's commencement of employment without otherwise complying with the requirements of Section 5.3.1(a), provided that such deferral election shall only apply to the portion of the RAUs earned after the date of the election..

### 5.3.2 Deferral Accounts; Interest

(a) The Committee shall establish and maintain a separate Deferral Account for each Participant who elects to defer the payment of the monetized value of vested RAUs pursuant to this Section 5.3. For purposes of calculating interest that is credited to a Participant's Deferral Account, the calculated value of the Restricted Award Units shall be credited to the Deferral Account as of the date vesting occurs.

(b) Except as provided in Section 5.3.2(c), a Participant's Deferral Account shall be deemed to bear interest, compounded annually, on the balance in such Account at the Declared Rate from the date as of which such Account is first credited with any portion of a deferred Award through the date such Account is fully distributed.

(c) Alternative Investment Option for Deferral Account. A Participant may elect at least 12 months prior to the vesting of a RAU, to have the Deferral Account balance increased or decreased proportionately pursuant to the Share Indexing Investment Option for the period between the date the Deferral Account is created and the end of the month in which the subsequent Published Share Price Date occurs. Such initial election will expire as of the end of the month in which the Published Share Price Date occurs. The Participant may within 30 days after any subsequent Published Share Price Date enter into a new election to utilize the Share Indexing Investment Option for the period beginning the first of the month following the Published Share Price Date and ending as of the end of the month in which the subsequent Published Share Price Date occurs. However, in the event that no new Share Indexing Investment Option Election is received from the Participant within 30 days after the most recent Published Share Price Date, the Deferral Account will be credited with interest pursuant to Section 5.3.2 (b) beginning with the month following such Published Share Price Date. In the event that the Participant's employment is terminated before the announcement of a new Published Share Price, the Deferral Account will be credited with interest for the period between the most recent Share Indexing Investment Option Election and the final distribution of the Deferral Account.

### 5.3.3 Deferral Payments

(a) Retirement or Disability. Amounts credited to a Participant's Deferral Account pursuant to Section 5.3 that become payable as a result of the Participant's Retirement or Disability while employed shall be paid, or installments shall begin, within 60 days following the Participant's Retirement or Disability. The Participant shall not have the right to designate the taxable year of such payment. In the case of installment payments, the next installment shall be paid within 60 days following the end of the calendar year during which the first installment is paid, and each subsequent installment shall be paid within 60 days following the end of each subsequent calendar year.

(b) Death. Amounts credited to a Participant's Deferral Account pursuant to Section 5.3 shall be paid in single lump sum in the event a Participant dies while employed. Payment shall be made by the end of the calendar year in which the Participant dies. If a Participant was receiving installment payments pursuant to this Section 5.3 at the time of the Participant's death, all remaining installment payments shall be paid in a lump sum in accordance with the previous sentence.

(c) Termination of Employment for a Reason Other than Retirement, Disability or Death. Amounts credited to a Participant's Deferral Account pursuant to Section 5.3 that become payable as a result of the Participant's termination of employment other than by reason of Retirement, Disability while employed, or death while employed shall be paid in single lump sum. Payment shall be made within 60 days following the date the Participant's employment terminates. The Participant shall not have the right to designate the taxable year of such payment.

5.3.4 Unforeseeable Emergency. If a Participant experiences an Unforeseeable Emergency prior to the time his Deferral Account has been fully distributed, the Committee may, in its sole discretion, permit the distribution to Participant of all or a portion of the Deferral Account. Such distribution for an Unforeseeable Emergency shall be subject to approval by the Committee and may be made only to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution). The Committee may

treat a distribution as necessary to satisfy the hardship if it relies on the Participant's written representation, unless the Committee has actual knowledge to the contrary, that the hardship cannot reasonably be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (3) by cessation of deferrals under this Plan. The burden of substantiating and demonstrating an Unforeseeable Emergency shall be borne by the Participant.

5.3.5 Potential Six-Month Delay. Notwithstanding anything in the Plan to the contrary, any payment under this Plan that the Corporation reasonably determines is subject to Code Section 409A(a)(2)(b)(i) shall not be paid or payment commenced until the later of (i) six months after the date of the Participant's termination of employment or the Participant's death and (ii) the payment date or commencement date specified in this Plan for such payment(s). On the earliest date on which such payment can be made or commenced without violating the requirements of Code Section 409A(a)(2)(b)(i), the Participant shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence.

Section 5.4 Modification of Plan. If, the Board determines, by the application of reasonable criteria, that the Restricted Award Plan criteria are no longer applicable due to a change in the Corporation's business, operations, corporate structure, capital structure including, but not limited to, a merger, acquisition, divestiture, stock splits, issuance of new shares, additional shares or different classes of shares, warrants or the like, or other conditions the Board deems to be material, the Board may modify or discontinue the Plan as considered appropriate and equitable

Section 5.5 Limitation on Rights of Participants and Beneficiaries. No Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any asset of the Corporation before the time that any such asset is paid to a Participant or Beneficiary. The right of a Participant or Beneficiary to receive a benefit hereunder shall be the claim of a general, unsecured creditor of the Corporation, and the Plan constitutes a mere promise by the Corporation to pay benefits in the future. Distribution to a Participant or Beneficiary in good faith of the Participant's Plan Account shall be considered a full and complete discharge of the Corporation's obligation under the Plan.



Section 5.6 Forfeiture of Units. If a Participant's employment with the Corporation or any of its subsidiaries terminates prior to vesting, for any reason other than Disability or death, all unvested Restricted Award Units shall be forfeited by the Participant and Participant shall have no further right or interest in such Restricted Award Units or payment thereunder; provided, however, that in the case of special circumstances as determined by the Committee, the Committee may, in its sole discretion, waive, in whole or in part, any or all of the remaining service requirement.

ARTICLE 6.  
RETIREMENT, DISABILITY, DEATH BENEFITS AND BENEFICIARIES

Section 6.1 Termination After RAU Vesting. If a Participant Retires from the service of the Corporation or any of its subsidiaries, or if the Participant's employment terminates by reason of death or Disability after completion of the vesting period all RAUs granted to such Participant which have a determined value will be paid at the time stipulated in the Award Agreement. If the Participant has executed a Deferral Agreement pursuant to Section 5.3, the provisions of Section 5.3 and such Agreement shall govern the time and method of payment.

Section 6.2 Termination Before Completion of a Vesting Period.

6.2.1 Death or Disability. Acceleration Upon death or Disability. If a Participant ceases to be employed by or in the service of the Corporation or any of its subsidiaries as a result of death or Disability, unvested RAUs will vest pro-rata. The formula for pro-rata vesting is as follows: [Number of RAUs granted] multiplied by a fraction equal to [the number of months from the grant date through the date of termination] divided by [the number of months in the vesting period].

Partial months are rounded to whole months for the numerator in this calculation. The denominator will be expressed in months, and will be fixed on the date of the grant at

the number of months in the vesting period. In the event that the calculation results in fractional units, any fractional unit will be rounded up to the next whole unit. To the extent that residual RAUs are subject to performance conditions specified in the Award Agreement(s) other than time vesting, the value of the residual RAUs, if any, will be determined following the completion of the period of performance, and any accelerated vesting provided for in this Section 6.2.1 shall be subject to the satisfaction of the applicable performance conditions (and if the performance conditions are not satisfied, no RAUs will vest).

6.2.2 Retirement and Other Terminations. If a Participant Retires or otherwise terminates from the service of the Corporation or any of its subsidiaries prior to the completion of the vesting period, the Participant's unvested RAUs will be forfeited unless the Committee approves a waiver due to special circumstances as described in Section 5.6.

Section 6.3 Beneficiaries. At any time and from time to time, each Participant shall have the right to designate the Beneficiary or Beneficiaries to receive all or a portion of his death benefit or to revoke such designation; provided that (i) a Participant's designation of a Beneficiary other than his spouse shall not be valid unless such spouse has consented to the designation in a form and manner satisfactory to the Committee and (ii) any finalized divorce of a Participant subsequent to the date of filing of a designation of the Participant's former spouse as a Beneficiary shall automatically revoke such designation. Each Beneficiary designation shall be evidenced by a written instrument signed by the Participant and filed with the Committee or its designee. If there is no valid Beneficiary designation filed with the Committee, the Beneficiary will be the Participant's estate.

ARTICLE 7.  
CHANGE IN CONTROL AND OTHER TRANSACTIONS

Section 7.1 Change in Control of the Corporation. Unless otherwise provided in an Award Agreement, upon a Change in Control of the Corporation, the value of (1) any outstanding RAUs granted to eligible Participants for uncompleted Vesting Periods shall become vested in connection with a Change in Control and (2) each Participant's Deferral

Account and vested RAUs will be determined by the Board and shall be paid to eligible Participants and beneficiaries within 30 days following such Change in Control. Subject to the Corporation's obligation to make the payments contemplated by this Section 7.1, each then outstanding RAU and each Participant's Deferral Account shall terminate upon the occurrence of a Change in Control.

Section 7.2 Adjustments. Upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any merger, combination, consolidation, conversion or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the common stock of the Corporation; or any exchange of common stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the common stock of the Corporation; then the Committee shall equitably and proportionately adjust the number, amount and type of shares of common stock (or other securities) subject to the RAUs to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the RAUs.

Section 7.3 Board of Directors. Any determination to be made by the Board under this Article 7 shall be made by the Board prior to the date of the Change in Control, and such determination shall apply (and be binding upon the Corporation) for all purposes of the Plan and any agreements entered into or adopted under the Plan.

#### ARTICLE 8. AGREEMENT BY PARTICIPANT REGARDING TAXES

Section 8.1 Taxation. If the Committee shall so require, as a condition of receiving payment of a RAU, each Participant shall agree that no later than the date of payment of a RAU granted hereunder, the Participant will pay the Corporation or make arrangements satisfactory to the Committee regarding payment of any federal, state, or local taxes of any kind required by law to be withheld upon the vesting or payment of a RAU.

Section 8.2 Alternate Taxation. Alternatively, the Committee may provide that a Participant may elect, to the extent permitted by law, to have the Corporation deduct federal, state and local taxes of any kind required by law to be withheld upon the vesting or payment of any RAU from any payment of any kind to the Participant.

ARTICLE 9.  
AMENDMENT AND TERMINATION OF THE PLAN

The Board at any time and from time to time may suspend, terminate, modify, or amend the Plan. Except as otherwise provided, no suspension, termination, modification, or amendment of the Plan may adversely affect any Restricted Award Unit previously granted unless the written consent of the Participant is obtained.

ARTICLE 10.  
GENERAL PROVISIONS

Section 10.1 Written Instruments. All Restricted Award Units shall be evidenced by an Award Agreement in such form as the Committee shall prescribe from time to time in accordance with the terms of the Plan (and with other such terms and conditions not inconsistent with the terms of this Plan as the Committee, in its sole and absolute discretion, shall establish).

Section 10.2 No Guarantee of Employment. Nothing in this plan shall be construed as guaranteeing future employment to a Participant and no agreement of employment is created hereunder. Unless otherwise provided in a separate agreement, a Participant shall continue to be a common law employee of the Corporation solely at the will of the Corporation or a subsidiary thereof.

Section 10.3 Liability of Corporation. Nothing in the Plan shall constitute the creation of a trust or other fiduciary relationship between the Corporation and any Participant, Beneficiary or other person. The Corporation shall not be considered a trustee by reason of the Plan.

Section 10.4 Liability of Board and Committee. No member of the Board or of the Committee will be personally liable for any action taken or determination made in good faith with respect to the Plan, its interpretation, management or administration of any RAU granted hereunder.

Section 10.5 Assignment and Alienation. No rights under the Plan may be anticipated, assigned, transferred, alienated, pledged, sold, attached, garnished or encumbered by a Participant or Beneficiary.

Section 10.6 Construction. The section and subsection heading are contained herein for convenience only and shall not affect the construction hereof.

Section 10.7 Severability and Survival of the Agreement. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect and the remaining provisions hereof shall be liberally construed in order to carry out the provision hereof and the invalidity or unenforceability of such provision in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 10.8 Gender and Number. The masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

Section 10.9 Governing Law. This Plan shall be regulated, construed and administered under the laws of the State of California to the extent that such laws are not preempted by the laws of the United States of America.

Section 10.10 Code Section 409A. It is intended that any amounts payable under this Plan shall either be exempt from Code Section 409A or shall comply with Code Section 409A (including Treasury Regulations and other published guidance related thereto) so as not to subject Participants to payment of any additional tax, penalty, or interest imposed under Code Section 409A. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty, or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefits payable to Participants. For purposes of this Plan, all references to a Participant's termination of employment with the Corporation shall mean a "separation from service" as defined in Code Section 409A and Treasury Regulations Section 1.409A-1(h) without regard to the optional alternative definitions available thereunder.

## RESTRICTED AWARD UNIT AGREEMENT

## Parsons Corporation

THIS AGREEMENT, made as of \_\_\_\_\_, 20\_\_ (the "Date of Grant"), between Parsons Corporation, a Delaware Corporation (the "Company"), and \_\_\_\_\_ (the "Participant").

WHEREAS, the Company has adopted the Parsons Corporation Restricted Award Plan (the "Plan") in order to provide an additional incentive to certain employees of the Company and its subsidiaries; and

WHEREAS, the Chief Executive Officer has determined to grant to the Participant, Restricted Award Units as provided herein to encourage the Participant's efforts toward the continuing success of the Company.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Restricted Award Units.

1.1 The Company hereby grants to the Participant an award of \_\_\_\_\_ Restricted Award Units (the "Award"). The Award is the contingent right to receive a cash amount that is to be distributed to a Participant in the event vesting provisions and other criteria as specified in this Agreement have been achieved. Except as provided in the Plan for vested Awards whose payment has been deferred and whose monetized value has been credited to a Deferral Account, a Restricted Award Unit ("RAU") shall have a value equal to the most recent Published Share Price. The RAUs granted pursuant to the Award shall be subject to the execution and return of this Agreement by the Participant (or the Participant's estate, if applicable) to the Company as provided in Section 8 hereof.

1.2 This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are hereby incorporated by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Restrictions on Transfer.

The RAUs issued under this Agreement may not be sold or transferred.

3. Lapse of Restrictions Generally.

Except as provided in Sections 4, 5 and 6 hereof, the Restricted Award Units shall vest \_\_\_\_\_ years from the Date of Grant.

4. Effect of Certain Terminations of Employment.

Unvested RAUs will generally be forfeited upon any termination of the Participant's employment. However, unvested RAUs will vest in connection with certain qualifying terminations of employment as set forth in Article VI of the Plan.

5. Effect of Change in Control.

Upon a Change in Control, RAUs will be treated as set forth in Article VII of the Plan.

6. Forfeiture of Restricted Award Units.

All RAUs which have not become vested in accordance with Section 3, 4 or 5 hereof shall be forfeited upon the commission by the Participant of an Act of Misconduct prior to payment of vested RAUs. For purposes of this Agreement, an "Act of Misconduct" shall mean the occurrence of one or more of the following events: (x) the Participant uses for profit or discloses to unauthorized persons, confidential information or trade secrets of the Company or any of its subsidiaries, (y) the Participant breaches any contract with or violates any fiduciary obligation to the Company or any of its subsidiaries.

7. Payment.

Unless the Participant has made a valid deferral election pursuant to the Plan, all RAUs which have become vested in accordance with Section 3 or 4 hereof shall be paid within 60 days following the applicable vesting date. If the Participant has made a valid deferral election pursuant to the Plan, all vested RAUs shall be paid in accordance with the terms of the Plan.

8. Execution of Award Agreement.

The RAUs granted to the Participant pursuant to the Award shall be subject to the Participant's execution and return of this Agreement to the Company or its designee (including by electronic means, if so provided) no later than the earlier of (i) \_\_\_\_\_, 20\_\_ and (ii) the date that is immediately prior to the date that the RAUs vest pursuant to Section 4 or 5 hereof (the "Participant Return Date"); provided that if the Participant dies before the Participant Return Date, this requirement shall be deemed to be satisfied if the executor or administrator of the Participant's estate executes and returns this Agreement to the Company or its designee no later than ninety (90) days following the Participant's death (the "Executor Return Date"). If this Agreement is not so executed and returned on or prior to the Participant Return Date or the Executor Return Date, as applicable, the RAUs evidenced by this Agreement shall be forfeited, and neither the Participant nor the Participant's heirs, executors, administrators and successors shall have any rights with respect thereto.

9. No Right to Continued Employment.

Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or its subsidiaries to terminate the Participant's employment, nor confer upon the Participant any right to continuance of employment by the Company or any of its subsidiaries.

10. Withholding of Taxes.

Prior to the delivery to the Participant (or the Participant's estate, if applicable) of any payment in respect of the Award, the Participant shall agree that no later than the date of payment of an Award granted hereunder, the Participant will pay the Corporation or make arrangements satisfactory to the Committee regarding payment of any federal, state, or local taxes of any kind required by law to be withheld upon the vesting or payment of a RAU. Alternatively, the Committee may provide that a Participant may elect, to the extent permitted by law, to have the Company deduct federal, state and local taxes of any kind required by law to be withheld upon the vesting or payment of any RAU from any payment of any kind to the Participant.

11. Participant Bound by the Plan.

The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

12. Modification of Agreement.

This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto.

13. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

14. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof.

15. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Company under this Agreement shall be binding upon the Participant's heirs, executors, administrators and successors.

16. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant, the Participant's heirs, executors, administrators and successors, and the Company and its subsidiaries for all purposes.

17. Entire Agreement.

This Agreement and the terms and conditions of the Plan constitute the entire understanding between the Participant and the Company and its subsidiaries, and supersede all other agreements, whether written or oral, with respect to the Award.

18. Headings.

The headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

19. Counterparts.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. Photographic or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose.

PARSONS CORPORATION

By: \_\_\_\_\_

PARTICIPANT

\_\_\_\_\_



PARSONS CORPORATION  
ANNUAL INCENTIVE PLAN

Adopted January 1, 2012

Amended January 1, 2019

TABLE OF CONTENTS

ARTICLE 1	PREFACE	1
Section 1.1	Effective Date and Term	1
Section 1.2	Purpose of the Plan	1
ARTICLE 2	DEFINITIONS	1
ARTICLE 3	ANNUAL INCENTIVE OPPORTUNITY TARGETS AND AWARDS	2
Section 3.1	Authority of the Compensation Committee	2
Section 3.2	Determination of Performance Criteria	3
Section 3.3	Determination of Annual Incentive Opportunity Targets	3
Section 3.4	Determination of Funding Target for the Annual Incentive Plan	4
Section 3.5	Determination of Annual Incentive Award Pools	4
Section 3.6	Determination and Approval of Annual Incentive Awards	4
ARTICLE 4	FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS	5
Section 4.1	Unfunded Plan	5
Section 4.2	Payment of Annual Incentive Awards	5
Section 4.3	Modification of Performance Standards	5
ARTICLE 5	AMENDMENT AND TERMINATION OF THE PLAN	5
ARTICLE 6	GENERAL PROVISIONS	6
Section 6.1	Liability of Corporation	6
Section 6.2	Liability of Administrators	6
Section 6.3	Assignment and Alienation	6
Section 6.4	Code Section 409A	6

PARSONS CORPORATION

ANNUAL INCENTIVE PLAN

Parsons Corporation, a Delaware corporation with its principal place of business in California, hereby establishes and sets forth the terms and conditions of the Parsons Corporation Annual Incentive Plan (the "Plan") for the benefit of eligible employees on the terms and conditions described hereinafter:

ARTICLE 1

PREFACE

Section 1.1 Effective Date and Term. The Plan shall be effective on January 1, 2012, and shall continue in force and effect until terminated by the Board.

Section 1.2 Purpose of the Plan. The Plan is intended to encourage participating key employees of the Corporation to remain in its employ and to motivate such participants to exert maximum effort to achieve the Corporation's goals.

ARTICLE 2

DEFINITIONS

The words and phrases identified in quotation marks below, when used in the Plan and related documents, shall have the meanings set forth in this Article 2, unless the context clearly indicates otherwise.

- (a) The "Compensation Committee" means the Compensation Committee of the Board.
- (b) The "Salary Committee" means the committee composed of the CEO and other executives named by the CEO to review and approve Annual Incentive Awards for Participants below the level of those required to be reviewed by the Compensation Committee.
- (c) "Board" means the Board of Directors of Parsons Corporation.

- (d) “Corporation” means Parsons Corporation and any of its subsidiary companies of any tier.
- (e) “Participant” means each employee of the Corporation selected to participate in the Plan for each Performance Cycle.
- (f) “Performance Cycle” means a fiscal year of the Corporation.
- (g) “Plan” means the Parsons Corporation Annual Incentive Plan.
- (h) “Annual Incentive Opportunity Target” means the target value of the incentive which could potentially be earned by an eligible Participant in respect of a Performance Cycle.
- (i) “Annual Incentive Award” means the value of the cash incentive payment earned by an eligible Participant under the Plan in respect of a completed Performance Cycle.
- (j) “Incentive Award Pools” means the amount of cash available to pay Annual Incentive Awards earned under the Plan as determined pursuant to Section 3.5.

### ARTICLE 3

#### ANNUAL INCENTIVE OPPORTUNITY TARGETS AND AWARDS

Section 3.1 Authority of the Compensation Committee. With respect to the Plan, the Compensation Committee shall in its discretion:

- (a) Determine the funding level of any Incentive Award Pool for Participants,
- (b) Determine the Annual Incentive Opportunity Target and Annual Incentive Award for the CEO,
- (c) Review and approve the Annual Incentive Opportunity Targets and Annual Incentive Awards recommended by the CEO for Presidents and other key officers designated by the Compensation Committee for review and approval,
- (d) Delegate to the Salary Committee the authority to determine Annual Incentive Opportunity Targets and Annual Incentive Awards for all other participants in the Plan,

(e) Make all other determinations and take all other actions as may be necessary, appropriate or advisable for the administration of the Plan, to the extent not delegated to the Salary Committee.

Section 3.2 Determination of Performance Criteria. At the beginning of the Performance Cycle, the Compensation Committee shall confirm Corporate and Business Unit performance criteria consistent with the business plan approved by the Board. Performance criteria may be expressed in terms of overall financial and operational results of the Corporation or such other measurement as the Board or Compensation Committee may determine in its discretion. Individual performance goals for each Participant are set and communicated as follows:

- (a) The CEO communicates performance goals in writing to the Business Unit Presidents and other Participants who report to the CEO.
- (b) Each Business Unit President determines the performance goals for their direct reports and approves guidance for financial and operational performance goals at the Unit, Division, Sector and other applicable organization level within the Business Unit.
- (c) Performance goals are communicated to Participants following approval of Corporate and Business Unit performance criteria at the meeting of the Compensation Committee nearest the beginning of the Performance Cycle.

Section 3.3 Determination of Annual Incentive Opportunity Targets. The amount of a Participant's Annual Incentive Opportunity Target may be expressed as a fixed value or as a percent of base salary, or as a range of opportunity with a minimum threshold, a target and a maximum award opportunity. In some instances, a Participant may be advised that the amount of any future incentive award will be discretionary and that the Participant will not have any Annual Incentive Opportunity Target. A Participant may earn an Annual Incentive Award in excess of the amount of the Annual Incentive Opportunity Target. Annual Incentive Opportunity Targets may be established based on relative levels of responsibility, position and impact on financial and operating results, competitive practice, management discretion or any other applicable factor. The Compensation Committee reviews and approves Annual Incentive Opportunity Targets for those senior executives whose targets and awards are subject to Compensation Committee approval. The CEO reviews and approves Annual Incentive Opportunity Targets proposed by presidents and other corporate leaders for Participants in their organizational units.

Section 3.4 Determination of Funding Target for the Annual Incentive Plan. At the beginning of the Performance Cycle, funding targets for the Plan at the Corporate and Business Unit level are reviewed and approved by the Compensation Committee. The Corporation accrues for the potential liability for funding the Incentive Award Pools, making adjustments during the course of the year based on the actual financial performance of the Corporation or on guidance provided by CEO, Chief Financial Officer or the Compensation Committee.

Section 3.5 Determination of Annual Incentive Award Pools. At the first meeting of the Compensation Committee following the end of the Performance Cycle, the Committee shall review the financial and operating performance of the Corporation against the performance criteria originally approved by the Committee or performance criteria pursuant to a revised business plan. The Incentive Award Pools recommended for the Business Units and other units of the Corporation are reviewed and approved by the Compensation Committee. If the performance of the Corporation or a Business Unit falls short of the performance criteria established at the beginning of the Performance Cycle, the Compensation Committee has the authority to establish an adjusted Incentive Award Pool to fund discretionary awards to Participants whose individual performance merits consideration.

Section 3.6 Determination and Approval of Annual Incentive Awards. Following the end of the Performance Cycle and in conjunction with the approval of the Incentive Award Pools, the Compensation Committee reviews the performance of the Corporation and determines the amount of the Annual Incentive Award, if any, earned by the CEO. The CEO recommends Annual Incentive Awards for senior officers designated for review and approval by the Compensation Committee, and then the Compensation Committee determines the amount of Annual Incentive Awards, if any, earned by such officers. Such determination may include discretionary consideration for factors other than those performance criteria outlined in the performance goals at the beginning of the performance period. All other Annual Incentive Award recommendations are reviewed and approved by the Salary Committee during meetings scheduled following the Compensation Committee meeting but prior to scheduled payment of Annual Incentive Awards.

ARTICLE 4

FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS

Section 4.1 Unfunded Plan. The Plan is an unfunded, nonqualified plan. The benefits provided under the Plan shall be payable by the Corporation from its general assets.

Section 4.2 Payment of Annual Incentive Awards. Payment of any Annual Incentive Award earned by a Participant shall be made in one payment occurring prior to the 15<sup>th</sup> of March of the year following completion of the Performance Cycle, provided the Participant is employed as a regular employee by the Corporation at the time of payment. This requirement for continued employment at the time of payment will be waived in the event of the retirement, disability or death of the Participant prior to the scheduled payment date. The payment of any Annual Incentive Awards earned by selected Participants may be eligible for deferral under the terms of the Corporation's deferred compensation plans as in effect from time to time.

Section 4.3 Modification of Performance Standards. If, prior to completion of a Performance Cycle, the Board determines, in its absolute and complete discretion, that the established Corporate and Business Unit performance measures or objectives are no longer applicable, the Compensation Committee may modify the performance measures and standards in a manner that it considers to be appropriate and equitable.

ARTICLE 5

AMENDMENT AND TERMINATION OF THE PLAN

The Board at any time and from time to time may suspend, terminate, modify, or amend the Plan.

ARTICLE 6

GENERAL PROVISIONS

Section 6.1 Liability of Corporation. Nothing in the Plan shall constitute the creation of a trust or other fiduciary relationship between the Corporation and any Participant, beneficiary or other person. The Corporation shall not be considered a trustee by reason of the Plan.

Section 6.2 Liability of Administrators. No member of the Board, the Compensation Committee, the Salary Committee, or the CEO or any other person with administrative responsibility under the Plan will be personally liable for any action taken or determination made in good faith with respect to the Plan, its interpretation, management or administration or any Annual Incentive Award granted hereunder.

Section 6.3 Assignment and Alienation. No rights under the Plan may be anticipated, assigned, transferred, alienated, pledged, sold, attached, garnished or encumbered by a Participant or beneficiary.

Section 6.4 Code Section 409A. It is intended that any amounts payable under this Plan shall either be exempt from Code Section 409A or shall comply with Code Section 409A (including Treasury Regulations and other published guidance related thereto) so as not to subject Participants to payment of any additional tax, penalty, or interest imposed under Code Section 409A. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty, or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefits payable to Participants.

END



PARSONS CORPORATION  
SHAREHOLDER VALUE PLAN

Adopted April 16, 2012

Amended January 1, 2015

Amended October 17, 2016

## TABLE OF CONTENTS

	<b>Page</b>
ARTICLE 1 PREFACE	1
Section 1.1 Effective Date and Term	1
Section 1.2 Purpose of the Plan	1
ARTICLE 2 DEFINITIONS	1
ARTICLE 3 ELIGIBILITY, VALUE AND NUMBER OF PERFORMANCE UNITS AND TIME OF GRANT	4
Section 3.1 Participants, Unit Value, Number and Time of Grants	4
Section 3.2 Granting of Awards	5
Section 3.3 Determination of Performance Criteria	5
Section 3.4 Successive Grants	5
Section 3.5 Performance Goals	5
ARTICLE 4 ADMINISTRATION	6
Section 4.1 Administrative Committee	6
Section 4.2 Authority	6
Section 4.3 Quorum	6
ARTICLE 5 FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS	6
Section 5.1 Unfunded Plan	6
Section 5.2 Basis for Payment of Performance Awards	6
Section 5.3 Payment of Performance Awards	6
Section 5.4 Deferral of Payment	7
Section 5.5 Modification of Performance Standards	10
Section 5.6 Limitation on Rights of Participants and Beneficiaries	10
Section 5.7 Forfeiture of Units	11
ARTICLE 6 RETIREMENT, DISABILITY, DEATH BENEFITS AND BENEFICIARIES	11
Section 6.1 Termination After Completion of a Performance Cycle	11
Section 6.2 Termination Before Completion of a Performance Cycle	11
Section 6.3 Beneficiaries	12
ARTICLE 7 CHANGE IN CONTROL	12
Section 7.1 Change in Control of the Corporation	12
Section 7.2 Awards Subject to Deferred Payment Election	13
Section 7.3 Board of Directors	13
ARTICLE 8 AGREEMENT BY PARTICIPANT REGARDING TAXES	13
Section 8.1 Taxation	13

**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
Section 8.2 Alternate Taxation	13
ARTICLE 9 AMENDMENT AND TERMINATION OF THE PLAN	13
ARTICLE 10 GENERAL PROVISIONS	14
Section 10.1 Written Instruments	14
Section 10.2 No Guarantee of Employment	14
Section 10.3 Liability of Corporation	14
Section 10.4 Liability of Board and Committee	14
Section 10.5 Assignment and Alienation	14
Section 10.6 Construction	14
Section 10.7 Severability and Survival of the Agreement	14
Section 10.8 Gender and Number	15
Section 10.9 Governing Law	15
Section 10.10 Code Section 409A	15

PARSONS CORPORATION

SHAREHOLDER VALUE PLAN

Parsons Corporation, a Delaware corporation with its principal place of business in California, (the "Corporation") hereby establishes and sets forth the terms and conditions of the Parsons Corporation Shareholder Value Plan for the benefit of eligible employees of the Corporation on the terms and conditions described hereinafter:

ARTICLE 1

PREFACE

Section 1.1 Effective Date and Term. The Plan shall be effective on date the Plan is approved by the Parsons Corporation Board of Directors on April 16, 2012 and shall continue in force and effect until terminated by the Board.

Section 1.2 Purpose of the Plan. The Plan is intended to encourage participating key employees of the Corporation to remain in its employ and to motivate such participants to exert maximum effort to achieve the Corporation's long-term goals.

ARTICLE 2

DEFINITIONS

The words and phrases identified in quotation marks below, when used in Parsons Corporation's Shareholder Value Plan and related documents, shall have the meanings set forth in this Article 2, unless the context clearly indicates otherwise.

- (a) "Administrative Committee" or "Committee" means the committee responsible for performing the functions and administration of the Plan as provided herein.
- (b) "Beneficiary" means the person or estate of a deceased Participant, entitled to benefits hereunder, upon the death of a Participant.
- (c) "Board" means the Board of Directors of Parsons Corporation.
- (d) "Change in Control" means a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Code Section 409A and the regulations promulgated thereunder.

(e) “Code” means the Internal Revenue Code of 1986, as amended, and any rulings or regulations thereunder.

(f) “Corporation” means Parsons Corporation and any of its subsidiary companies of any tier.

(g) “Declared Rate” means with respect to any Plan Year an annual rate of interest equal to the average of prime rates made available to preferred borrowers by Bank of America, N.T. & S.A., Los Angeles Branch (or any successor thereto) determined as of the first working day of each calendar month prior to the complete distribution of a Deferral Account.

(h) “Deferral Account” means the account maintained on the books of account of the Corporation for a Participant’s Incentive Awards deferred pursuant to Section 5.4.

(i) “Deferral Agreement” means a written agreement entered into by the Corporation and a Participant to defer an Incentive Award pursuant to Section 5.4 for the Performance Cycle specified in the Deferral Agreement until the later of Participant’s termination of employment or the date specified under the Plan for payment in the absence of a deferral election. A separate Deferral Agreement must be entered into by the Corporation and a Participant for each Performance Cycle for which the Participant elects to defer payment of such Performance Cycle’s Performance Award. In the first Deferral Agreement that a Participant enters into under this Plan, the Participant may elect whether, upon a Change in Control, the Incentive Awards deferred under Section 5.4 shall (i) accelerate and be paid in accordance with Article 7 or (ii) be paid in accordance with the Participant’s deferral election pursuant to Section 5.4. If a Participant fails to make an election regarding the effect of a Change in Control in such Deferral Agreement, the provisions of the Participant’s deferral election pursuant to Section 5.4 shall apply so that payments of all Incentive Awards will not be accelerated as a result of a Change in Control.

(j) “Disability” means a Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation.

(k) "Incentive Award" means a grant of Performance Units under this Plan.

(l) "Participant" means each senior officer, other key management or highly compensated employee of Parsons Corporation and its subsidiaries determined to be eligible to participate in the Plan.

(m) "Performance Award" means the payment value, if any, of the Participant's residual Performance Units following the completion of a Performance Cycle

(n) "Performance Cycle" means a period of one or more consecutive fiscal years of the Corporation, beginning with a date during the fiscal year in which the Performance Units are granted and over which the established performance goals are measured for the purpose of determining the payment value of Performance Units. Each Performance Cycle will be a period of at least twelve (12) consecutive months.

(o) "Performance Cycle Memorandum" means the document prepared by the Committee, or its designee, at the beginning of and not later than ninety (90) days after the commencement of each Performance Cycle, which shall specify the applicable conditions of each Performance Cycle such as, but not limited to, the performance goals and criteria for determining the value of a Performance Unit, and the timing and conditions of payment of a Performance Award for the particular Performance Cycle. Each Performance Cycle Memorandum shall become a part of and be incorporated into the Plan.

(p) "Performance Unit" means an award of the contingent right to receive a cash amount that is to be distributed to a Participant in the event certain performance and employment criteria have been achieved. A Performance Unit shall have the value as determined by the calculation of value of the Performance Award, specified in the applicable Performance Cycle Memorandum.

(q) "Plan" means the Parsons Corporation Shareholder Value Plan as herein set out and as it may be amended.

(r) "Plan Account" means the balance posted to the record of each Participant consisting of any Performance Award payments which have been paid or have been deferred pursuant to Article 5 of the Plan.

(s) “Plan Year” means the calendar year beginning January 1st and ending December 31st.

(t) “Retire” or “Retirement” means a Participant’s voluntary termination of employment from the Corporation or its subsidiary after having attained age 64 or older.

(u) “Subaccount” means, with respect to a Performance Cycle, the subaccount of the Participant’s Deferral Account maintained on the books of account of the Corporation for a Participant’s deferred Performance Award, if any, with respect to such Performance Cycle. The sum of the balances of all a Participant’s Subaccounts shall equal the balance of the Participant’s Deferral Account.

(v) “Unforeseeable Emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), or (d)(1)(B)) of the Participant; loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined in accordance with Treasury Regulations Section 1.409A-3(i)(3). The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case.

### ARTICLE 3

#### ELIGIBILITY, VALUE AND NUMBER OF PERFORMANCE UNITS AND TIME OF GRANT

Section 3.1 Participants, Unit Value, Number and Time of Grants. With respect to Incentive Awards, the Board shall in its discretion:

- (a) decide which employees will participate in the Plan,
- (b) determine the value of a Performance Unit,
- (c) determine any limitations on the maximum value of a Performance Unit,
- (d) determine the number of Performance Units to be granted to a Participant,
- (e) determine the time or times at which Performance Units will be granted, and

- (f) determine the length of the Performance Cycle with respect to such Performance Units granted under the Plan.
- (g) add Participants to the Plan during any given Performance Cycle.

The Board may delegate to the Committee the authority to determine any and all of the above listed items and any and all such determinations as are delegated to the Committee are hereby ratified and approved by the Board

Section 3.2 Granting of Awards. In determining the persons to whom Incentive Awards shall be granted and the number of Performance Units to be included in each award, the Board shall receive advice from the Chief Executive Officer regarding the duties of the respective candidates, their present and potential contributions to the success of the Corporation and such other facts as the Board shall deem relevant to the purpose of the Plan.

Section 3.3 Determination of Performance Criteria. The Board shall approve the applicable performance criteria and the measurement thereof, including the level of performance, upon which Incentive Awards will be paid. The applicable performance criteria shall be established not later than 90 days after the commencement of the Performance Cycle and at a time when the outcome of the applicable performance criteria is substantially uncertain.

Section 3.4 Successive Grants. The Board hereby authorizes, but does not require, the successive grant of Incentive Awards to Participants each year that the Plan remains in force and effect so that multiple Performance Cycles may be in progress simultaneously. A Participant in any Performance Cycle may or may not be granted Performance Units for a different cycle or cycles. Incentive Awards, Unit values, performance goals and criteria for payment of Performance Awards and other relevant provisions applicable to the Plan in successive years shall be set out in the applicable Performance Cycle Memorandum.

Section 3.5 Performance Goals. With respect to any Performance Cycle, the Board will approve the Corporation's performance goals applicable to such Performance Cycle. Performance goals may be expressed in terms of overall financial results of the Corporation or such other measurement as the Board may determine in its discretion. The applicable performance goals will be established not later than 90 days after the commencement of the Performance Cycle and at a time when the outcome of the applicable performance goals is substantially uncertain.



ARTICLE 4  
ADMINISTRATION

Section 4.1 Administrative Committee. The Plan shall be administered under the supervision of the Administrative Committee, composed of not less than three (3) senior executives of the Corporation. The Committee will consist of persons that are selected from the following: Chief Executive Officer, any Executive Vice President, Senior Vice President or Vice President of Parsons Corporation. Committee members shall be appointed and removed at the sole discretion of the Chief Executive Officer. The members of the Administrative Committee shall be eligible to participate in the Plan. A member of the Committee shall not vote or act upon any matter which relates solely to himself as a Participant.

Section 4.2 Authority. Subject to Section 3.1, the Committee shall have full and final authority to: (i) operate, manage, interpret and administer the Plan on behalf of the Corporation; (ii) prescribe, amend or rescind rules and regulations relating to the Plan; and (iii) do all things and take all actions respecting the Plan and its administration which in their reasonable judgment are necessary and proper. All Committee interpretations, determinations and actions will be final, conclusive and binding on all parties.

Section 4.3 Quorum. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members in the absence of a meeting, shall be the acts of the Committee.

ARTICLE 5  
FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS

Section 5.1 Unfunded Plan. The Plan is an unfunded, nonqualified plan. The benefits provided under the Plan shall be payable by the Corporation from its general assets.

Section 5.2 Basis for Payment of Performance Awards. The basis for payment of Performance Units for a given Performance Cycle will be determined by comparing actual performance of the Corporation at the conclusion of a Performance Cycle (based on performance criteria selected by the Board), with the target expected performance goals established at the beginning of the Performance Cycle, as defined in the applicable Performance Cycle Memorandum.

Section 5.3 Payment of Performance Awards. The dates and conditions of payment are defined in each Performance Cycle Memorandum.

Section 5.4 Deferral of Payment.

5.4.1 Deferral Election Agreement

- (a) A Participant may elect to defer payment of 0% or from 25% to 100% (the “Performance Award Deferral Percentage”) of the Performance Award that may become payable for such Performance Cycle until the later of Participant’s termination of employment or the date specified under the Plan for payment in the absence of a deferral election. Such election shall be made by entering into a Deferral Agreement within thirty (30) days after the Performance Cycle Memorandum for the Performance Cycle is approved, and in all events before the date that is six (6) months before the end of the Performance Cycle. Except as provided in Section 5.4.1(c) below, deferral elections may only be made by Participants who have been continuously employed by or providing services to the Corporation from the date the Performance Cycle Memorandum for the Performance Cycle is approved and the applicable performance criteria and goals are approved.
- (b) At the time of entering into a Deferral Agreement for a Performance Cycle, a Participant may elect that the form of distribution of the deferred portion of the Performance Award for that Performance Cycle that becomes payable as a result of a termination of employment due to Retirement or Disability be a single payment, five substantially equal annual installments, or ten substantially equal annual installments, subject to the limitation that, if the aggregate balance of the Subaccounts to which a five-year or ten-year installment election applies is less than \$75,000, the amounts subject to such election shall be paid in a lump sum payment. For the avoidance of doubt, any deferred portion of the Performance Award that becomes payable on the date specified under the Plan for payment in the absence of a deferral election because such date occurs later than the Participant’s Retirement or Disability shall be paid on such date and shall not be paid in installments.
- (c) A newly hired employee who becomes a Participant upon commencement of employment with the Corporation may make a deferral election under this Section 5.4 for the Performance Cycle during which the Participant’s employment commences by entering into a Deferral Agreement for such Performance Cycle within 30 days following the date the employee commences employment with the Corporation. Any such election shall apply to that portion of the Performance Award earned during such Performance Cycle that is equal to the total amount of the Performance Award multiplied by the ratio of the number of days remaining in the Performance Cycle after the Participant enters into the Deferral Agreement over the total number of days during the Performance Cycle.

#### 5.4.2 Deferral Accounts; Interest

- (a) The Committee shall establish and maintain a separate Deferral Account for each Participant who elects to defer a Performance Award pursuant to this Section 5.4. The Committee shall further establish a separate Subaccount within each such Participant's Deferral Account for such Participant's Performance Award for each Performance Cycle for which the Participant makes a deferral election pursuant to Section 5.4. For purposes of calculating interest that is credited to a Participant's Deferral Account, in the event that a Performance Cycle Memorandum stipulates the payment of a Performance Award in two or more installments, the amount of each tranche of a Participant's Performance Award for a Performance Cycle shall be credited to the appropriate Subaccount as of the date such tranche would otherwise be payable to such Participant. Each Subaccount of a Participant's Deferral Account shall be reduced by the amount of any payments made by the Corporation to the Participant or the Participant's Beneficiary pursuant to this Plan that relate to Performance Awards allocated to such Subaccount.
- (b) Each Subaccount of a Participant's Deferral Account shall be deemed to bear interest, compounded annually, on the balance in such Subaccount at the Declared Rate from the date as of which such Subaccount is first credited with any portion of a deferred Performance Award through the date such Subaccount is fully distributed.

#### 5.4.3 Deferral Payments

- (a) Retirement. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 that become payable as a result of the Participant's Retirement shall be paid, or installments shall begin, within 60 days following the Participant's Retirement. The Participant shall not have the right to designate the taxable year of such payment. In the case of installment payments, the next installment shall be paid within 60 days following the end of the Plan Year during which the first installment is paid, and each subsequent installment shall be paid within 60 days following the end of each subsequent Plan Year.
- (b) Disability. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 that become payable as a result of the Participant's Disability while employed shall be paid,

or installments shall begin, within 60 days following the Participant's Disability. The Participant shall not have the right to designate the taxable year of such payment. In the case of installment payments, the next installment shall be paid within 60 days following the end of the Plan Year during which the first installment is paid, and each subsequent installment shall be paid within 60 days following the end of each subsequent Plan Year.

- (c) Death. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 shall be paid in single lump sum in the event a Participant dies while employed. Payment shall be made by the end of the calendar year in which the Participant dies. If a Participant was receiving installment payments pursuant to this Section 5.4 at the time of the Participant's death, all remaining installment payments shall be paid in a lump sum in accordance with the previous sentence.
- (d) Termination of Employment for a Reason Other than Retirement, Disability or Death. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 that become payable as a result of the Participant's termination of employment other than by reason of Retirement, Disability, or death shall be paid in single lump sum. Payment shall be made within 60 days following the date the Participant's employment terminates. The Participant shall not have the right to designate the taxable year of such payment.
- (e) Termination of Employment Prior to Payment Date Specified in the Plan. If a Participant terminates employment with the Corporation for any reason prior to the date specified under the Plan for payment in the absence of a deferral election, that portion of the Performance Award shall be forfeited or paid on the fixed payment date specified in accordance with the terms of the Plan as if the Participant had made no deferral election with respect to such portion of the Performance Award.

5.4.4 Unforeseeable Emergency. If a Participant experiences an Unforeseeable Emergency prior to the time his Deferral Account has been fully distributed, the Committee may, in its sole discretion, permit the distribution to Participant of all or a portion of the Deferral Account. Such distribution for an Unforeseeable Emergency shall be subject to approval by the Committee and may be made only to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution). The Committee may treat a distribution as necessary to satisfy the hardship if it relies on the

Participant's written representation, unless the Committee has actual knowledge to the contrary, that the hardship cannot reasonably be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (3) by cessation of deferrals under this Plan. The burden of substantiating and demonstrating an Unforeseeable Emergency shall be borne by the Participant. Distributions in the event of an Unforeseeable Emergency shall be made proportionately from all of a Participant's Subaccounts.

5.4.5 Potential Six-Month Delay. Notwithstanding anything in the Plan to the contrary, any payment under this Plan that the Corporation reasonably determines is subject to Code Section 409A(a)(2)(b)(i) shall not be paid or payment commenced until the later of (i) six months after the date of the Participant's termination of employment or the Participant's death and (ii) the payment date or commencement date specified in this Plan for such payment(s). On the earliest date on which such payment can be made or commenced without violating the requirements of Code Section 409A(a)(2)(b)(i), the Participant shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence.

Section 5.5 Modification of Performance Standards. If, during a Performance Cycle, the Board determines, by the application of reasonable criteria, that the established performance measures or objectives are no longer applicable due to a change in the Corporation's business, operations, corporate structure, capital structure including, but not limited to, a merger, acquisition, divestiture, stock splits, issuance of new shares, additional shares or different classes of shares, warrants or the like, or other conditions the Board deems to be material, the Board may modify the performance measures and standards as considered appropriate and equitable.

Section 5.6 Limitation on Rights of Participants and Beneficiaries. No Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any asset of the Corporation before the time that any such asset is paid to a Participant or Beneficiary. The right of a Participant or Beneficiary to receive a benefit hereunder shall be the claim of a general, unsecured creditor of the Corporation, and the Plan constitutes a mere promise by the Corporation to pay benefits in the future. Distribution to a Participant or Beneficiary in good faith of the Participant's Plan Account shall be considered a full and complete discharge of the Corporation's obligation under the Plan.

Section 5.7 Forfeiture of Units. If a Participant's employment with the Corporation terminates during a Performance Cycle, for any reason other than death, disability, or Retirement, all outstanding Performance Units related to any uncompleted Performance Cycle shall thereupon be forfeited by the Participant and Participant shall have no further right or interest in such Incentive Award, Performance Unit or payment thereunder; provided, however, that in the case of special circumstances as determined by the Committee, the Committee may, in its sole discretion, waive, in whole or in part, any or all of the remaining performance criteria or any time period or service requirement. If any amounts become payable under the Plan as a result of the Committee's exercise of discretion to waive all or any part of the remaining performance criteria, the Committee will determine whether such waiver will cause such payments not to qualify as "performance-based compensation" within the meaning of Code Section 409A. Any such payments that do not qualify as "performance based compensation" will not be subject to any deferral election provided for in a Deferral Agreement.

ARTICLE 6  
RETIREMENT, DISABILITY, DEATH BENEFITS AND BENEFICIARIES

Section 6.1 Termination After Completion of a Performance Cycle. If a Participant Retires from the service of the Corporation, or if the Participant's employment terminates by reason of death or disability after completion of a Performance Cycle, all Performance Units granted to such Participant which have a determined value as a result of the completion of a Performance Cycle will be paid at the time or times stipulated in the Performance Cycle Memorandum. If the Participant has executed a Deferral Agreement pursuant to Section 5.4, the provisions of Section 5.4 and such Agreement shall govern the time and method of payment.

Section 6.2 Termination Before Completion of a Performance Cycle. If a Participant Retires from service of the Corporation, or if the Participant's employment terminates by reason of death or disability prior to the completion of a Performance Cycle, the value of such Participant's Performance Units will be determined in the same manner and time as set forth in Section 5.2 and the applicable Performance Cycle Memorandum; provided however, that except as provided below in this Section 6.2, the number of Performance Units such Participant will be entitled to will be prorated for the number of months actually worked as a full-time or part-time regular employee during the applicable Performance Cycle. Pro-ration and reduction in the number of Performance Units will occur for any months during the applicable Performance Cycle in which Participant works exclusively in a casual, temporary or contract employment status, or as a consultant. In the case of termination of employment by reason of Retirement, death or disability prior to completion of a Performance Cycle, the Participant or his Beneficiary will be

paid the prorated amount due in cash at the times stipulated in the applicable Performance Cycle Memorandum. If the Participant has entered into a Deferral Agreement pursuant to Section 5.4, the provisions of Section 5.4 and such Agreement shall govern the time and method of payment. Beginning with the 2015 Plan Year and for Performance Cycles commencing on or after the start of the 2015 Plan Year, the Committee may, in its sole discretion, permit a Participant who Retires from service of the Corporation to receive the full value of such Participant's Performance Units for any one or more in-progress Performance Cycles as determined in the same manner and time as set forth in Section 5.2 (i.e., the Participant's Performance Units would not be prorated and the original number of Performance Units awarded to the Participant would be eligible to become payable, subject to Section 5.2). If the Committee decides to exercise such discretion with respect to any Participant who Retires from the Corporation, the value of any additional Performance Units becoming payable pursuant to Section 5.2 as a result of the Committee's exercise of its discretion shall be paid to the Participant in cash at the times specified in the applicable Performance Cycle Memorandum, subject to the provisions of Section 5.4 if a Deferral Agreement has been entered into.

Section 6.3 Beneficiaries. At any time and from time to time, each Participant shall have the right to designate the Beneficiary or Beneficiaries to receive all or a portion of his death benefit or to revoke such designation; provided that (i) a Participant's designation of a Beneficiary other than his spouse shall not be valid unless such spouse has consented to the designation in a form and manner satisfactory to the Committee and (ii) any finalized divorce of a Participant subsequent to the date of filing of a designation of the Participant's former spouse as a Beneficiary shall automatically revoke such designation. Each Beneficiary designation shall be evidenced by a written instrument signed by the Participant and filed with the Committee or its designee. If there is no valid Beneficiary designation filed with the Committee, the Beneficiary will be the Participant's estate.

## ARTICLE 7 CHANGE IN CONTROL

Section 7.1 Change in Control of the Corporation. Upon a Change in Control of the Corporation, the value of Performance Units granted to eligible Participants for uncompleted Performance Cycles will be determined by the Board and shall, except as provided in Section 7.2 for Participants who have entered into Deferral Agreements pursuant to Section 5.4, be paid to eligible Participants and beneficiaries within 30 days following such Change in Control. Except as provided in Section 7.2 for Participants who have entered into Deferral Agreements pursuant to Section 5.4, in the event Performance Awards for completed Performance Cycles have not been fully paid to eligible Participants at the time of a Change in Control, all remaining amounts scheduled for future payment will be paid to eligible Participants and beneficiaries within 30 days following such Change in Control.

Section 7.2 Awards Subject to Deferred Payment Election. A current or former Participant with unpaid Performance Awards that are subject to deferred payment elections under Section 5.4 may elect, in the first Deferral Agreement entered into under this Plan, that, in the event of a Change of Control, such deferred amounts shall be paid upon the Change in Control or as soon as practicable thereafter, but in no event more than thirty (30) days following the Change in Control. In the event that a current or former Participant elected to not accelerate distribution of the Deferral Account upon a Change in Control, amounts otherwise payable to that Participant pursuant to Section 7.1 shall be credited to the Participant's Deferral Account within 30 days following the Change in Control and the provisions of Section 5.4 and the Participant's Deferral Agreement shall govern the time and method of payment.

Section 7.3 Board of Directors. Any determination to be made by the Board under this Article 7 shall be made by the Board prior to the date of the Change in Control, and such determination shall apply (and be binding upon the Corporation) for all purposes of the Plan and any agreements entered into or adopted under the Plan.

ARTICLE 8  
AGREEMENT BY PARTICIPANT REGARDING TAXES

Section 8.1 Taxation. If the Committee shall so require, as a condition of receiving payment of a Performance Award, each Participant shall agree that no later than the date of payment of a Performance Award granted hereunder, the Participant will pay the Corporation or make arrangements satisfactory to the Committee regarding payment of any federal, state, or local taxes of any kind required by law to be withheld upon payment of a Performance Award.

Section 8.2 Alternate Taxation. Alternatively, the Committee may provide that a Participant may elect, to the extent permitted by law, to have the Corporation deduct federal, state and local taxes of any kind required by law to be withheld upon the exercise and realization of any Performance Award from any payment of any kind to the Participant.

ARTICLE 9  
AMENDMENT AND TERMINATION OF THE PLAN

The Board at any time and from time to time may suspend, terminate, modify, or amend the Plan. Except as otherwise provided, no suspension, termination, modification, or amendment of the Plan may adversely affect any Performance Award or Performance Unit previously earned unless the written consent of the Participant is obtained.



ARTICLE 10  
GENERAL PROVISIONS

Section 10.1 Written Instruments. All Incentive Awards shall be evidenced by an instrument in such form as the Committee shall prescribe from time to time in accordance with the terms of the Plan (and with other such terms and conditions not inconsistent with the terms of this Plan as the Committee, in its sole and absolute discretion, shall establish).

Section 10.2 No Guarantee of Employment. Nothing in this plan shall be construed as guaranteeing future employment to a Participant and no agreement of employment is created hereunder. Unless otherwise provided in a separate agreement, a Participant shall continue to be a common law employee of the Corporation solely at the will of the Corporation or a subsidiary thereof.

Section 10.3 Liability of Corporation. Nothing in the Plan shall constitute the creation of a trust or other fiduciary relationship between the Corporation and any Participant, Beneficiary or other person. The Corporation shall not be considered a trustee by reason of the Plan.

Section 10.4 Liability of Board and Committee. No member of the Board or of the Committee will be personally liable for any action taken or determination made in good faith with respect to the Plan, its interpretation, management or administration or any Incentive Award or Performance Unit granted hereunder.

Section 10.5 Assignment and Alienation. No rights under the Plan may be anticipated, assigned, transferred, alienated, pledged, sold, attached, garnished or encumbered by a Participant or Beneficiary.

Section 10.6 Construction. The section and subsection heading are contained herein for convenience only and shall not affect the construction hereof.

Section 10.7 Severability and Survival of the Agreement. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect and the remaining provisions hereof shall be liberally construed in order to carry out the provision hereof and the invalidity or unenforceability of such provision in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 10.8 Gender and Number. The masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

Section 10.9 Governing Law. This Plan shall be regulated, construed and administered under the laws of the State of California to the extent that such laws are not preempted by the laws of the United States of America.

Section 10.10 Code Section 409A. It is intended that any amounts payable under this Plan shall either be exempt from Code Section 409A or shall comply with Code Section 409A (including Treasury Regulations and other published guidance related thereto) so as not to subject Participants to payment of any additional tax, penalty, or interest imposed under Code Section 409A. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty, or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefits payable to Participants. For purposes of this Plan, all references to a Participant's termination of employment with the Corporation shall mean a "separation from service" as defined in Code Section 409A and Treasury Regulations Section 1.409A-1(h) without regard to the optional alternative definitions available thereunder.

END

**PARSONS CORPORATION**  
**LONG TERM GROWTH PLAN**

Adopted April 16, 2012

Amended January 1, 2015

Amended October 17, 2016

Amended January 1, 2019

## TABLE OF CONTENTS

	<b>Page</b>
Article 1. PREFACE	1
Section 1.1    Effective Date and Term	
Section 1.2    Purpose of the Plan	
Article 2. DEFINITIONS	1
Article 3. ELIGIBILITY AND DETERMINATION OF LONG TERM GROWTH OPPORTUNITY TARGETS	4
Section 3.1    Authority of the Board	
Section 3.2    Determination of Eligibility	
Section 3.3    Determination of Performance Criteria	
Section 3.4    Successive Long Term Growth Opportunity Targets	
Section 3.5    Performance Goals	
Article 4. ADMINISTRATION	6
Section 4.1    Administrative Committee	
Section 4.2    Authority	
Section 4.3    Quorum	
Article 5. FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS	7
Section 5.1    Unfunded Plan	
Section 5.2    Basis for Payment	
Section 5.3    Payment of Long Term Growth Awards	
Section 5.4    Deferral of Payment	
Section 5.5    Modification of Performance Standards	
Section 5.6    Limitation on Rights of Participants and Beneficiaries	
Section 5.7    Forfeiture of Long Term Growth Opportunity	
Article 6. RETIREMENT, DISABILITY, DEATH BENEFITS AND BENEFICIARIES	13
Section 6.1    Termination After Completion of a Performance Cycle	
Section 6.2    Termination Before Completion of a Performance Cycle.	
Section 6.3    Beneficiary Designation	

	<b>Page</b>
Article 7. CHANGE IN CONTROL	15
Section 7.1    Change in Control of the Corporation	
Section 7.2    Awards Subject to Deferred Payment Election	
Article 8. AGREEMENT BY PARTICIPANT REGARDING TAXES	16
Article 9. AMENDMENT AND TERMINATION OF THE PLAN	16
Article 10. GENERAL PROVISIONS	16
Section 10.1    Written Instruments	
Section 10.2    No Guarantee of Employment	
Section 10.3    Liability of Corporation	
Section 10.4    Liability of Board and Committee	
Section 10.5    Assignment and Alienation	
Section 10.6    Construction	
Section 10.7    Severability and Survival of the Agreement	
Section 10.8    Gender and Number	
Section 10.9    Governing Law	
Section 10.10   Code Section 409A	

**PARSONS CORPORATION**

**LONG TERM GROWTH PLAN**

Parsons Corporation, a Delaware corporation with its principal place of business in California, (the "Corporation") hereby establishes and sets forth the terms and conditions of the Parsons Corporation Long Term Growth Plan (the "Plan") for the benefit of eligible employees of the Corporation on the terms and conditions described hereinafter:

ARTICLE 1.

PREFACE

Section 1.1 Effective Date and Term. The Plan shall be effective on the date the Plan was approved by the Parsons Corporation Board of Directors, April 16, 2012, and shall continue in force and effect until terminated by the Board.

Section 1.2 Purpose of the Plan. The Plan is intended to encourage participating key employees of the Corporation to remain in its employ and to motivate such participants to exert maximum effort to achieve the Corporation's goals.

ARTICLE 2.

DEFINITIONS

The words and phrases identified in quotation marks below, when used in the Plan and related documents, shall have the meanings set forth in this Article 2, unless the context clearly indicates otherwise.

- (a) "Administrative Committee" or "Committee" means the committee responsible for performing the functions and administration of the Plan as provided herein.
- (b) "Beneficiary" means the person or estate of a deceased Participant, entitled to benefits hereunder, upon the death of a Participant.
- (c) "Board" means the Board of Directors of Parsons Corporation.
- (d) "Change in Control" means a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Code Section 409A and the regulations promulgated thereunder.

- (e) "Code" means the Internal Revenue Code of 1986, as amended, and any rulings or regulations thereunder.
- (f) "Corporation" means Parsons Corporation and any of its subsidiary companies of any tier.
- (g) "Declared Rate" means with respect to any Plan Year an annual rate of interest equal to the average of prime rates made available to preferred borrowers by Bank of America, N.T.& S.A., Los Angeles Branch (or any successor thereto) determined as of the first working day of each calendar month prior to the complete distribution of a Deferral Account
- (h) "Deferral Account" means the account maintained on the books of account of the Corporation for a Participant's Long Term Growth Awards deferred pursuant to Section 5.4.
- (i) "Deferral Agreement" means a written agreement entered into by the Corporation and a Participant to defer a Long Term Growth Award pursuant to Section 5.4 for the Performance Cycle specified in the Deferral Agreement until the later of Participant's termination of employment or the date specified under the Plan for payment in the absence of a deferral election. A separate Deferral Agreement must be entered into by the Corporation and a Participant for each Performance Cycle for which the Participant elects to defer payment of such Performance Cycle's Long Term Growth Award. In the first Deferral Agreement that a Participant enters into under this Plan, the Participant may elect whether, upon a Change in Control, the Long Term Growth Awards deferred under Section 5.4 shall (i) accelerate and be paid in accordance with Article 7 or (ii) be paid in accordance with the Participant's deferral election pursuant to Section 5.4. If a Participant fails to make an election regarding the effect of a Change in Control in such Deferral Agreement, the provisions of the Participant's deferral election pursuant to Section 5.4 shall apply so that payments of all Long Term Growth Awards will not be accelerated as a result of a Change in Control.
- (j) "Disability" means a Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Corporation.

(k) "Long Term Growth Opportunity Target" means the target dollar value of the incentive which could potentially be earned by an eligible Participant in respect of a Performance Cycle.

(l) "Long Term Growth Award" means the value of the Long Term Growth Opportunity Target earned by an eligible Participant in respect of a completed Performance Cycle.

(m) "Participant" means each senior officer, other key management or highly compensated employee of Parsons Corporation and its subsidiaries determined to be eligible to participate in the Plan.

(n) "Performance Cycle" or "Cycle" means a fiscal year of the Corporation (or such other period as may be designated for this purpose by the Administrative Committee) in respect of which a Long Term Growth Opportunity Target is defined for an eligible Participant and over which the established performance goals are measured for the purpose of determining the amount of any Long Term Growth Award to be paid to each eligible Participant. Each Performance Cycle will be a period of at least twelve (12) consecutive months.

(o) "Performance Cycle Memorandum" means the document prepared by the Committee, or its designee, which shall, in the Committee's discretion, specify the applicable conditions of each Performance Cycle such as, but not limited to, criteria upon which a Long Term Growth Award may potentially be earned. Each Performance Cycle Memorandum shall become a part of and be incorporated into the Plan. For Performance Cycles beginning in 2013 and following years, the Performance Cycle Memorandum will be prepared at the beginning of and not later than ninety (90) days after the commencement of the Performance Cycle.

(p) "Plan" means the Parsons Corporation Long Term Growth Plan as herein set out and as it may be amended from time to time.



(q) "Plan Account" means the balance posted to the record of each Participant consisting of any Long Term Growth Award payments which have been paid or have been deferred pursuant to Article 5 of the Plan.

(r) "Plan Year" means the calendar year beginning January 1st and ending December 31st.

(s) "Retire" or "Retirement" means a Participant's voluntary termination of employment from the Corporation or its subsidiary after having attained age 64

(t) "Subaccount" means, with respect to a Performance Cycle, the subaccount of the Participant's Deferral Account maintained on the books of account of the Corporation for a Participant's deferred Long Term Growth Award, if any, with respect to such Performance Cycle. The sum of the balances of all a Participant's Subaccounts shall equal the balance of the Participant's Deferral Account

(u) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), or (d)(1)(B)) of the Participant; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined in accordance with Treasury Regulations Section 1.409A-3(i)(3). The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case.

ARTICLE 3.  
ELIGIBILITY AND DETERMINATION OF  
LONG TERM GROWTH OPPORTUNITY TARGETS

Section 3.1 Authority of the Board. With respect to the Plan, the Board shall in its

(a) decide which employees will participate in the Plan,

(b) determine the Long Term Growth Opportunity Target for each eligible Participant and approve the amounts actually earned as Long Term Growth Awards,

(c) determine the time or times at which Participants will be given notice that a Long Term Growth Opportunity Target has been established for each of them,

(d) determine the length of the Performance Cycle with respect to such Long Term Growth Opportunity Targets,

(e) add Participants to the Plan during any given Performance Cycle, and

(f) make all other determinations and take all other actions as may be necessary, appropriate or advisable for the administration of the Plan, to the extent not delegated to the Administrative Committee pursuant to Article 4 or otherwise.

The Board may delegate to the Committee the authority to determine any and all of the above listed items and any and all such determinations as are delegated to the Committee are hereby ratified and approved by the Board.

Section 3.2 Determination of Eligibility. In determining the persons for whom Long Term Growth Opportunity Targets shall be established, the Board shall receive advice from the Chief Executive Officer regarding the duties of the respective candidates, their present and potential contributions to the success of the Corporation and such other facts as the Board shall deem relevant to the purpose of the Plan.

Section 3.3 Determination of Performance Criteria. The Board shall approve the applicable performance criteria and the measurement thereof, including the level or levels of performance, upon which the potential amount or amounts payable will be determined in respect of a Long Term Growth Opportunity Target, subject to adjustment in the Board's discretion at or after the date when a Long Term Growth Opportunity Target is established but prior to or at the completion of the Performance Cycle. The applicable performance criteria shall be established at a time when the outcome of the applicable performance criteria is substantially uncertain, and for Performance Cycles beginning in 2013 and following years, such performance criteria shall be established not later than 90 days after the commencement of the Performance Cycle

Section 3.4 Successive Long Term Growth Opportunity Targets. A Participant in any Performance Cycle may or may not receive a Long Term Growth Opportunity Target for a

different cycle or cycles. Long Term Growth Opportunity Targets, performance goals and other criteria for payment of Long Term Growth Awards and other relevant provisions applicable to the Plan in successive years shall be set out in the applicable Performance Cycle Memorandum.

Section 3.5 Performance Goals. With respect to any Performance Cycle, the Board will establish the Corporation's performance goals applicable to such Performance Cycle either before or after the start of the Performance Cycle but not later than 90 days after the commencement of any Performance Cycle beginning in 2013 or following years. With respect to any Performance Cycle, including Performance Cycles beginning in 2012, the applicable performance goals will be established at a time when the outcome of the applicable performance goals is substantially uncertain. Performance goals may be expressed in terms of overall financial results of the Corporation on an absolute or relative basis, such as, but not limited to, its results in relation to a budgeted target or its results in relation to industry benchmarks, or such other measurement as the Board may determine in its discretion.

#### ARTICLE 4. ADMINISTRATION

Section 4.1 Administrative Committee. The Plan shall be administered under the supervision of the Administrative Committee composed of not less than three (3) senior executives of the Corporation. Unless otherwise specified by the Board, the Committee will consist of persons who are selected from the following: Chief Executive Officer, any Executive Vice President, Senior Vice President or Vice President of Parsons Corporation. The Board hereby delegates to the Chief Executive Officer, the discretionary authority to appoint and remove Committee members. The members of the Administrative Committee shall be eligible to participate in the Plan. A member of the Committee shall not vote or act upon any matter which relates solely to himself as a Participant.

Section 4.2 Authority. Subject to Section 3.1, the Committee shall have full and final authority to: (i) operate, manage, interpret and administer the Plan on behalf of the Corporation; ii) prescribe, amend or rescind rules and regulations relating to the Plan; and (iii) do all things and take all actions respecting the Plan and its administration which in their reasonable judgment are necessary and proper. All Committee interpretations, determinations and actions will be final, conclusive and binding on all parties.

Section 4.3 Quorum. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all the members in the absence of a meeting, shall be the acts of the Committee.

ARTICLE 5.  
FUNDING, PAYMENT AND RIGHTS OF PARTICIPANTS

Section 5.1 Unfunded Plan. The Plan is an unfunded, nonqualified plan. The benefits provided under the Plan shall be payable by the Corporation from its general assets.

Section 5.2 Basis for Payment. The primary basis for determining the amount payable in respect of a Long Term Growth Opportunity Target for a given Performance Cycle will be to compare actual performance of the Corporation at the conclusion of a Performance Cycle (based on performance criteria selected by the Board), with the target expected performance goals established at the beginning of the Performance Cycle, as defined in the applicable Performance Cycle Memorandum. The Board may also adjust the amount so determined, either upward or downward, or determine that no amount is payable in its complete and absolute discretion to take into account such other objective or subjective factors and criteria as it determines to be relevant to its determination of the amount payable to a Participant in respect of a Long Term Growth Opportunity Target; provided that such adjustments shall be made prior to or at the completion of the Performance Cycle.

Section 5.3 Payment of Long Term Growth Awards. The dates and conditions of payment are defined in each Performance Cycle Memorandum. Long Term Growth Awards will be paid in the form of cash; provided, however, that for any Performance Cycle commencing on or after January 1, 2019, the Performance Awards may be paid in either cash or, in the sole discretion of the Committee, shares of the Corporation's common voting stock equal to the number of units into which the Participant's Long Term Growth Award is converted into pursuant to the terms of the Performance Cycle Memorandum.

Section 5.4 Deferral of Payment.

5.4.1 Deferral Election Agreement

(a) A Participant may elect to defer payment of 0% or from 25% to 100% (the “Long Term Growth Award Deferral Percentage”) of the Long Term Growth Award that may become payable for such Performance Cycle until the later of Participant’s termination of employment or the date specified under the Plan for payment in the absence of a deferral election. Such election shall be made by entering into a Deferral Agreement within thirty (30) days after the Performance Cycle Memorandum for the Performance Cycle is approved, and in all events before the date that is six (6) months before the end of the Performance Cycle. Except as provided in Section 5.4.1(c) below, deferral elections may only be made by Participants who have been continuously employed by or providing services to the Corporation from the date the Performance Cycle Memorandum for the Performance Cycle is approved and the applicable performance criteria and goals are approved. A deferral election is not permitted for Performance Cycles which commence prior to 2013 or for any amounts awarded or that become payable under the Plan that the Committee determines will not qualify as “performance based compensation” within the meaning of Code Section 409A.

(b) At the time of entering into a Deferral Agreement for a Performance Cycle, a Participant may elect that the form of distribution of the deferred portion of the Long Term Growth Award for that Performance Cycle that becomes payable as a result of a termination of employment due to Retirement or Disability be a single payment, five substantially equal annual installments, or ten substantially equal annual installments, subject to the limitation that, if the aggregate balance of the Subaccounts to which a five-year or ten-year installment election applies is less than \$75,000, the amounts subject to such election shall be paid in a lump sum payment. For the avoidance of doubt, any deferred portion of the Long Term Growth Award that becomes payable on the date specified under the Plan for payment in the absence of a deferral election because such date occurs later than the Participant’s Retirement or Disability shall be paid on such date and shall not be paid in installments.

(c) A newly hired employee who becomes a Participant upon commencement of employment with the Corporation may make a deferral election under this Section 5.4 for the

Performance Cycle during which the Participant's employment commences by entering into a Deferral Agreement for such Performance Cycle within 30 days following the date the employee commences employment with the Corporation. Any such election shall apply to that portion of the Long Term Growth Award earned during such Performance Cycle that is equal to the total amount of the Long Term Growth Award multiplied by the ratio of the number of days remaining in the Performance Cycle after the Participant enters into the Deferral Agreement over the total number of days during the Performance Cycle.

#### 5.4.2 Deferral Accounts; Interest.

(a) The Committee shall establish and maintain a separate Deferral Account for each Participant who elects to defer a Long Term Growth Award pursuant to this Section 5.4. The Committee shall further establish a separate Subaccount within each such Participant's Deferral Account for such Participant's Long Term Growth Award for each Performance Cycle for which the Participant makes a deferral election pursuant to Section 5.4. For purposes of calculating interest that is credited to a Participant's Deferral Account, in the event that a Performance Cycle Memorandum stipulates the payment of a Long Term Growth Award in two or more installments, the amount of each tranche of a Participant's Long Term Growth Award for a Performance Cycle shall be credited to the appropriate Subaccount as of the date such tranche would otherwise be payable to such Participant. Each Subaccount of a Participant's Deferral Account shall be reduced by the amount of any payments made by the Corporation to the Participant or the Participant's Beneficiary pursuant to this Plan that relate to Long Term Growth Awards allocated to such Subaccount.

(b) Each Subaccount of a Participant's Deferral Account shall be deemed to bear interest, compounded annually, on the balance in such Subaccount at the Declared Rate from the date as of which such Subaccount is first credited with any portion of a deferred Long Term Growth Award through the date such Subaccount is fully distributed.

#### 5.4.3 Deferral Payments.

(a) Retirement. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 that become payable as a result of the Participant's Retirement shall be paid, or

installments shall begin, within 60 days following the Participant's Retirement. The Participant shall not have the right to designate the taxable year of such payment. In the case of installment payments, the next installment shall be paid within 60 days following the end of the Plan Year during which the first installment is paid, and each subsequent installment shall be paid within 60 days following the end of each subsequent Plan Year.

(b) Disability. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 that become payable as a result of the Participant's Disability while employed shall be paid, or installments shall begin, within 60 days following the Participant's Disability. The Participant shall not have the right to designate the taxable year of such payment. In the case of installment payments, the next installment shall be paid within 60 days following the end of the Plan Year during which the first installment is paid, and each subsequent installment shall be paid within 60 days following the end of each subsequent Plan Year.

(c) Death. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 shall be paid in single lump sum in the event a Participant dies while employed. Payment shall be made by the end of the calendar year in which the Participant dies. If a Participant was receiving installment payments pursuant to this Section 5.4 at the time of the Participant's death, all remaining installment payments shall be paid in a Jump sum in accordance with the previous sentence.

(d) Termination of Employment for a Reason Other than Retirement, Disability or Death. Amounts credited to a Participant's Deferral Account pursuant to Section 5.4 that become payable as a result of the Participant's termination of employment other than by reason of Retirement, Disability, or death shall be paid in single Jump sum. Payment shall be made within 60 days following the date the Participant's employment terminates. The Participant shall not have the right to designate the taxable year of such payment.

(e) Termination of Employment Prior to Payment Date Specified in the Plan. If a Participant terminates employment with the Corporation for any reason prior to the date specified under the Plan for payment in the absence of a deferral election, that portion of the Long Term Growth Award shall be forfeited or paid on the fixed payment date specified in accordance with the terms of the Plan as if the Participant had made no deferral election with respect to such portion of the Long Term Growth Award.

5.4.4 Unforeseeable Emergency. If a Participant experiences an Unforeseeable Emergency prior to the time his Deferral Account has been fully distributed, the Committee may, in its sole discretion, permit the distribution to Participant of all or a portion of the Deferral Account. Such distribution for an Unforeseeable Emergency shall be subject to approval by the Committee and may be made only to the extent reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution). The Committee may treat a distribution as necessary to satisfy the hardship if it relies on the Participant's written representation, unless the Committee has actual knowledge to the contrary, that the hardship cannot reasonably be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (3) or by cessation of deferrals under this Plan. The burden of substantiating and demonstrating an Unforeseeable Emergency shall be borne by the Participant. Distributions in the event of an Unforeseeable Emergency shall be made proportionately from all of a Participant's Subaccounts.

5.4.5 Potential Six-Month Delay. Notwithstanding anything in the Plan to the contrary, any payment under this Plan that the Corporation reasonably determines is subject to Code Section 409A(a)(2)(b)(i) shall not be paid or payment commenced until the later of (i) six months after the date of the Participant's termination of employment or the Participant's death and (ii) the payment date or commencement date specified in this Plan for such payment(s). On the earliest date on which such payment can be made or commenced without violating the requirements of Code Section 409A(a)(2)(b)(i), the Participant shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence.



Section 5.5 Modification of Performance Standards. If, prior to completion of a Performance Cycle, the Board determines, in its absolute and complete discretion, that the established performance measures or objectives are no longer applicable due to a change in the Corporation's business, operations, corporate structure, capital structure including, but not limited to, a merger, acquisition, divestiture, stock splits, issuance of new shares, additional shares or different classes of shares, warrants or the like, or other conditions the Board deems to be material, the Board may modify the performance measures and standards in a manner that it considers to be appropriate and equitable.

Section 5.6 Limitation on Rights of Participants and Beneficiaries. No Participant or Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any asset of the Corporation before the time that any such asset is paid to a Participant or Beneficiary. The right of a Participant or Beneficiary to receive a benefit hereunder shall be the claim of a general, unsecured creditor of the Corporation, and the Plan constitutes a mere promise by the Corporation to pay benefits in the future. Distribution to a Participant or Beneficiary in good faith of any unpaid portion of Long Term Growth Awards earned by Participant shall be considered a full and complete discharge of the Corporation's obligation under the Plan.

Section 5.7 Forfeiture of Long Term Growth Opportunity. Unless otherwise provided in a Performance Cycle Memorandum, if a Participant's employment with the Corporation terminates during or after a Performance Cycle for any reason other than death, Disability, or Retirement, all outstanding Long Term Growth Opportunity Targets related to any completed or uncompleted Performance Cycle shall thereupon be forfeited by the Participant and Participant shall have no further right or interest in any Long Term Growth Award or payment thereunder; provided, however, that in the case of special circumstances as determined by the Committee, the Committee may, in its sole discretion, for vesting purposes deem that the Participant's termination of employment was due to Retirement and subject to the provisions of Section 6.2.

ARTICLE 6.  
RETIREMENT, DISABILITY, DEATH BENEFITS AND BENEFICIARIES

Section 6.1 Termination After Completion of a Performance Cycle. If a Participant Retires from the service of the Corporation, or if the Participant's employment terminates by reason of death or Disability, in either case after completion of a Performance Cycle, all Long Term Growth Awards earned by a Participant that have not yet been paid to a Participant, will be payable as set forth in Section 5.3 and the applicable Performance Cycle Memorandum as though the Participant's employment had not terminated. If the Participant has executed a Deferral Agreement pursuant to Section 5.4, the provisions of Section 5.4 and such Agreement shall govern the time and method of payment.

Section 6.2 Termination Before Completion of a Performance Cycle. If a Participant Retires from service of the Corporation, or if the Participant's employment terminates by reason of death or Disability, in either case prior to the completion of an applicable Performance Cycle, except as provided below in this Section 6.2, the amount of any Long Term Growth Opportunity Target for that Performance Cycle shall be prorated by the number of full months that the Participant actually worked as a full-time or part-time regular employee during the applicable Performance Cycle. The value of such prorated Long Term Growth Opportunity Target will be determined and be payable in the same manner and time as set forth in Section 5.3 and the applicable Performance Cycle Memorandum. If the Participant has entered into a Deferral Agreement pursuant to Section 5.4, the provisions of Section 5.4 and such Agreement shall govern the time and method of payment. Beginning with the 2015 Plan Year and for Performance Cycles commencing on or after the start of the 2015 Plan Year, the Committee may, in its sole discretion, permit a Participant who Retires from service of the Corporation to receive the full value of such Participant's Long Term Growth Opportunity Target for any one or more in-progress Performance Cycles as determined in the same manner and time as set forth in Section 5.3 and the applicable Performance Cycle Memorandum (*i.e.*, the Participant's Long Term Growth Opportunity Target would not be prorated and the full amount of the original award would be eligible to become payable, subject to Section 5.3). If the Committee decides to exercise such discretion with respect to any Participant who Retires from the Corporation, the value of any additional portion of any Long Term Growth Opportunity Target becoming payable pursuant to

Section 5.3 and the applicable Performance Cycle Memorandum as a result of the Committee's exercise of its discretion shall be paid to the Participant at the times specified in Section 5.3 and the applicable Performance Cycle Memorandum, subject to the provisions of Section 5.4 if a Deferral Agreement has been entered into.

Section 6.3 Beneficiary Designation. At any time prior to the complete payment of the Long Term Growth Awards due to a Participant under the Plan, he or she shall have the right to designate, change, and/or cancel, any person(s) or entity as his or her Beneficiary (either primary or contingent) to whom payment under this Plan shall be made in the event of his or her death. Each beneficiary designation shall become effective only when filed in writing with the Company during the Participant's lifetime on a form provided by the Company. The filing of a new beneficiary designation form will cancel all previously filed beneficiary designations relating to such Participant. Any finalized divorce of a Participant subsequent to the date of filing of a designation of the Participant's former spouse as a Beneficiary shall automatically revoke such designation.

Additionally, the spouse of a Participant domiciled in a community property jurisdiction shall consent to the Participant's designation of any Beneficiary other than such spouse in the form approved by the Corporation, which consent shall be notarized.

If a Participant fails to designate a Beneficiary as provided above, or if his or her beneficiary designation is revoked without execution of a new designation, or if all designated Beneficiaries predecease the Participant, then the distribution of such benefits shall be made to the Participant's estate in a lump sum. If the Participant's designated Beneficiary survives the Participant but dies before receiving all remaining, unpaid, Long Term Growth Awards earned by Participant, the unpaid Award amounts shall be paid to the estate of such Beneficiary in a lump sum.

ARTICLE 7.  
CHANGE IN CONTROL

Section 7.1 Change in Control of the Corporation. Upon a Change in Control of the Corporation:

(a) Long Term Growth Awards earned for completed Performance Cycles but not yet fully paid shall, except as provided in Section 7.2 for Participants who have entered into Deferral Agreements pursuant to Section 5.4, be paid to those Participants and beneficiaries who remained eligible for such payment at the time of such Change in Control, and in no event shall such payments be delayed beyond 30 days following such Change in Control.

(b) Long Term Growth Opportunity Targets established for Participants for any uncompleted Performance Cycle shall be pro-rated based on the number of months, including any partial month, that have elapsed since the beginning of the Performance Cycle(s). If cumulative progress against performance metrics for the Performance Cycle has been formally reported to Participants at any time during the Performance Cycle, the Board may consider performance progress reports preceding the Change in Control, or any other available metric or judgment, in determining the amount of funding to authorize for a Long Term Growth Award pool for an uncompleted Performance Cycle. The Board may also, in its sole discretion, and without respect to performance criteria of the Performance Cycle Memorandum, assign an award percentage to pro-rated Long Term Growth Opportunity Targets in an uncompleted Performance Cycle. If the Board authorizes payment of Long Term Growth Awards for uncompleted Performance Cycles which have been terminated due to a Change in Control, such Long Term Growth Award amounts shall, except as provided in Section 7.2 for Participants who have entered into Deferral Agreements pursuant to Section 5.4, be paid to remaining eligible Participants or eligible beneficiaries no later than 30 days following such Change in Control.

(c) Any determination to be made by the Board under this Article 7 shall be made by the Board prior to the date of the Change in Control, and such determination shall apply (and be binding upon the Corporation) for all purposes of the Plan and any agreements entered into or adopted under the Plan.

Section 7.2 Awards Subject to Deferred Payment Election. A current or former Participant with unpaid Long Term Growth Awards that are subject to deferred payment elections under Section 5.4 may elect, in the first Deferral Agreement entered into under this Plan, that, in the event of a Change of Control, such deferred amounts shall be paid upon the Change in Control or as soon as practicable thereafter, but in no event more than thirty (30) days following

the Change in Control. In the event that a current or former Participant elected to not accelerate distribution of the Deferral Account upon a Change in Control, amounts otherwise payable to that Participant pursuant to Section 7.1 shall be credited to the Participant's Deferral Account within 30 days following the Change in Control and the provisions of Section 5.4 and the Participant's Deferral Agreement shall govern the time and method of payment.

ARTICLE 8.  
AGREEMENT BY PARTICIPANT REGARDING TAXES

To the extent required by law, the Company shall withhold from payments made hereunder an amount equal to at least the minimum taxes required to be withheld by the federal and any state or local government.

ARTICLE 9.  
AMENDMENT AND TERMINATION OF THE PLAN

The Board at any time and from time to time may suspend, terminate, modify, or amend the Plan. Except as otherwise provided, no suspension, termination, modification, or amendment of the Plan may adversely affect any Long Term Growth Award previously earned unless the written consent of the Participant is obtained.

ARTICLE 10.  
GENERAL PROVISIONS

Section 10.1 Written Instruments. All Long Term Growth Opportunity Targets shall be evidenced by an instrument in such form as the Committee shall prescribe from time to time in accordance with the terms of the Plan (and with other such terms and conditions not inconsistent with the terms of this Plan as the Committee, in its sole and absolute discretion, shall establish).

Section 10.2 No Guarantee of Employment. Nothing in this plan shall be construed as guaranteeing future employment to a Participant and no agreement of employment is created hereunder. Unless otherwise provided in a separate agreement, a Participant shall continue to be a common law employee of the Corporation solely at the will of the Corporation or a subsidiary thereof.

Section 10.3 Liability of Corporation. Nothing in the Plan shall constitute the creation of a trust or other fiduciary relationship between the Corporation and any Participant, Beneficiary or other person. The Corporation shall not be considered a trustee by reason of the Plan.

Section 10.4 Liability of Board and Committee. No member of the Board or of the Committee will be personally liable for any action taken or determination made in good faith with respect to the Plan, its interpretation, management or administration or any Long Term Growth Opportunity Target granted hereunder.

Section 10.5 Assignment and Alienation. No rights under the Plan may be anticipated, assigned, transferred, alienated, pledged, sold, attached, garnished or encumbered by a Participant or Beneficiary.

Section 10.6 Construction. The section and subsection heading are contained herein for convenience only and shall not affect the construction hereof.

Section 10.7 Severability and Survival of the Agreement. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect and the remaining provisions hereof shall be liberally construed in order to carry out the provision hereof and the invalidity or unenforceability of such provision in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 10.8 Gender and Number. The masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

Section 10.9 Governing Law. This Plan shall be regulated, construed and administered under the laws of the State of California to the extent that such laws are not preempted by the laws of the United States of America.

Section 10.10 Code Section 409A. It is intended that any amounts payable under this Plan shall either be exempt from Code Section 409A or shall comply with Code Section 409A (including Treasury Regulations and other published guidance related thereto) so as not to subject

Participants to payment of any additional tax, penalty, or interest imposed under Code Section 409A. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty, or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefits payable to Participants. For purposes of this Plan, all references to a Participant's termination of employment with the Corporation shall mean a 'separation from service' as defined in Code Section 409A and Treasury Regulations Section 1.409A-1(h) without regard to the optional alternative definitions available thereunder.

PARSONS CORPORATION  
SHARE VALUE RETIREMENT PLAN  
FOR  
OUTSIDE DIRECTORS

Originally Effective June 1, 2001

Amended and Restated Effective February 1, 2011

Further Amended Effective January 1, 2015



PARSONS CORPORATION  
SHARE VALUE RETIREMENT PLAN FOR OUTSIDE DIRECTORS

Parsons Corporation, a Delaware corporation with its principal place of business in California, hereby establishes the Parsons Corporation Share Value Retirement Plan for Outside Directors on the terms and conditions described hereinafter:

This Plan has been established to provide retirement income for eligible Outside Directors.

ARTICLE I  
PREFACE

Section 1.1 Effective Date. The effective date of the Plan is June 1, 2001. The Plan is amended and restated effective February 1, 2011, and further amended effective January 1, 2015.

Section 1.2 Purpose of the Plan. The Plan is intended to provide retirement income for eligible Outside Directors.

ARTICLE II  
DEFINITIONS

As used in this Plan, the following terms shall have the meanings set forth below:

Section 2.1 "BOARD" shall mean the Board of Directors of Parsons Corporation.

Section 2.2 "BENEFICIARY" shall mean the person designated by an Outside Director on the form prescribed by the Committee to receive any survivor benefit payable under the Plan. The designation of a beneficiary other than a Participant's surviving spouse shall require spousal consent thereto. Any finalized divorce of a Participant subsequent to the date of filing of a designation of the Participant's former spouse as a Beneficiary shall automatically revoke such designation. In the absence of an effective designation, or if no named beneficiary shall survive the Outside Director, the beneficiary shall be the Outside Director's Spouse, if surviving, or if there is no surviving Spouse, the Outside Director's issue, per stirpes, or if there are no surviving issue, the Outside Director's estate.

Section 2.3 "CHANGE IN CONTROL" shall mean a change in the ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended ("CODE SECTION 409A"), and the regulations promulgated thereunder.

Section 2.4 "COMMITTEE" shall mean the Policy Committee which shall administer the Plan as provided for herein and whose members shall be appointed and removed at the sole discretion of the Chief Executive Officer. The Committee will consist of the Chief Executive Officer, the Chief Financial Officer, the General Counsel, and the Vice President of Human Resources, or any three of these officers as the Chief Executive Officer shall appoint.

Section 2.5 "CORPORATION" shall mean the Parsons Corporation and any person, firm or corporation which may hereafter succeed to the interest of Parsons Corporation by merger, consolidation or otherwise.

Section 2.6 "DISABILITY" shall mean, with respect to any Outside Director, an illness or other incapacitation which the Board or Committee determines is not a Section 409A Disability, but precludes such Outside Director from fully discharging his/her responsibilities as a member of the Board. "SECTION 409A DISABILITY" shall mean, with respect to any Outside Director, a disability as defined in Treasury Regulation Section 1.409A-3(i)(4)(i).

Section 2.7 "DISABILITY TERMINATION BENEFIT ENTITLEMENT DATE" shall mean the date determined in Section 5.4. "SECTION 409A DISABILITY BENEFIT ENTITLEMENT DATE" shall mean the date determined in Section 5.5.

Section 2.8 "EARLY BENEFIT ENTITLEMENT DATE" shall mean the date determined in Section 5.3.

Section 2.9 "EMPLOYEE DIRECTOR" shall mean a member of the Board who is also an employee or officer of the Corporation or one of its subsidiaries.

Section 2.10 "NORMAL BENEFIT ENTITLEMENT DATE" shall mean the date determined in Section 5.2.

Section 2.11 "OUTSIDE DIRECTOR" shall mean a member of the Board who is not currently an officer or employee of the Corporation or any of its subsidiaries.

Section 2.12 "OUTSIDE DIRECTORS' RETIREMENT PLAN" shall mean Parsons Corporation Retirement Plan for Outside Directors as restated effective May 20, 1997, which was terminated as to any new Participants and succeeded by this Plan effective June 1, 2001.

Section 2.13 "PARTICIPANT" shall mean an Outside Director eligible for participation in the Plan, who has not ceased to be a Participant, as described in Article III.

Section 2.14 "PLAN" shall mean the Parsons Corporation Share Value Retirement Plan for Outside Directors as it may be amended from time to time.

Section 2.15 "RETIREMENT ACCOUNT" shall mean the total number of Retirement Units posted to the record of each Outside Director (as maintained by the Corporation) prior to an Outside Director's retirement (as defined in Article V), and upon an Outside Director's retirement, and thereafter, the dollar value of the Retirement Units as determined in the manner defined in Section 4.3.

Section 2.16 "RETIREMENT UNITS" shall mean the units referred to in Section 4.1 that are credited to an Outside Director's Account for each month of service to the Corporation as an Outside Director and the aggregate number of such units in a Participant's Retirement Account at the time of entitlement to benefits as referred to at Article V.

Section 2.17 "SHARE VALUE" shall mean the dollar value of the Corporation's shares of common stock, as established at the most recent valuation thereof by the Corporation's independent share appraisal and valuation firm, adjusted to the extent, if any, that the Board in good faith deems appropriate to take into account events affecting the value of the Corporation's shares of common stock since the most recent valuation and/or the consideration received by the Corporation's stockholders in connection with a Change in Control

Section 2.18 "SPOUSE" shall mean the person to whom the Participant was legally married for at least 31 days immediately preceding the Participant's death.

Section 2.19 "VALUATION DATE" shall mean an Outside Director's benefit entitlement date, as defined in Article V and as may be applicable to an Outside Director.

### ARTICLE III PARTICIPATION

Section 3.1 Eligibility. Each Outside Director shall become a Participant in the Plan on the first day of the month (i) in which he/she is first elected or appointed to membership on the Board or, (ii) if his/her service on the Board commences while he/she is employed by the Corporation or an affiliate or subsidiary thereof, on the first day of the month in which his/her retirement or resignation from the Corporation or its affiliate or subsidiary occurs. An Outside Director who leaves the service of the Board on or after February 1, 2011, shall be entitled to receive a benefit under this Plan. An outside Director who left the service of the Board prior to February 1, 2011 and ceased to be a Participant for any reason other than death or Disability prior to attaining seventy (70) years of age shall be entitled to receive a benefit under the Plan only if he/she has completed at least seventy-two (72) months of service, whether or not consecutive, as an Outside Director and, if applicable, as an Employee Director.

Section 3.2 Duration. An Outside Director who becomes a Participant shall continue as a Participant until his/her service on the Board terminates for any reason and after termination until such time as all benefits to which he/she is entitled to hereunder are exhausted.

### ARTICLE IV RETIREMENT UNITS

Section 4.1 Monthly Unit Credits. Effective January 1, 2015, the Board will establish a target dollar value for the monthly Retirement Unit grant which will be reviewed periodically and changed if approved by the Compensation Committee and the Board. The Corporation shall credit Retirement Units to each Outside Director's Retirement Account each month, or portion of a month, that the Participant serves as an Outside Director of the Board. The number of Retirement Units credited per month will be determined by dividing the monthly target dollar value by the Share Value.

For the period up to and including December 2014, the Corporation shall credit each participating Outside Director's Retirement Account with one hundred twenty Retirement Units for each month, or portion of a month, that the Participant serves as an Outside Director of the Board.

Section 4.2 Valuation Date. The value of an Outside Director's Retirement Units shall be determined on the Outside Director's Valuation Date, which will be one of the following: a Normal Benefit Entitlement Date; Early Benefit Entitlement Date; or Disability Benefit Retirement Date or Section 409A Disability Benefit Entitlement Date; or death, as each is referred to in Article V.

Section 4.3 Valuing Units. The value of the Outside Director's Retirement Account shall be calculated on the Valuation Date by multiplying the total number of Retirement Units in the Outside Director's Retirement Account times the Share Value.

ARTICLE V  
ENTITLEMENT TO BENEFITS

Section 5.1 Benefit Entitlement. A Participant shall be entitled to receive the benefits provided under the Plan at his/her applicable benefit entitlement date as determined in Section 5.2 or 5.3, 5.4 or 5.5, or upon a Participant's death, which benefits shall be paid at the times and in the form described in Article VI.

Section 5.2 Normal Benefit Entitlement Date. A Participant's Normal Benefit Entitlement Date shall be the first day of the month following the date upon which a Participant who has attained age seventy (70) terminates service as a member of the Board.

Section 5.3 Early Benefit Entitlement Date. A Participant's Early Benefit Entitlement Date shall be the first day of the month following the date upon which a Participant terminates as a member of the Board, regardless of the Participant's age.

Section 5.4 Disability Termination Benefit Entitlement Date. A Participant's Disability Termination Benefit Entitlement Date shall be the first day of the month following the date the Participant has a termination of service due to Disability.

Section 5.5 Section 409A Disability Benefit Entitlement Date. A Participant's Section 409A Disability Benefit Entitlement Date shall be the first day of the month following the date upon which the Board or Committee determines that a Participant has suffered a Section 409A Disability.

ARTICLE VI  
BENEFIT AMOUNT AND PAYMENT

Section 6.1 Amount of Benefit. The total amount of the benefit payable to an Outside Director pursuant to the Plan shall be the aggregate value of the Outside Director's Retirement Account as calculated pursuant to Section 4.3 on the date an Outside Director becomes entitled to benefits under the Plan.

## Section 6.2 Payment and Amount.

(a) Payment Pursuant to Normal, Early or Disability Termination Benefit Entitlement Date. Effective for Participants who terminate service as a member of the Board on or after January 1, 2008, the normal form of benefit payable to a Participant who becomes entitled to a benefit pursuant to a Normal, Early or Disability Termination Benefit Entitlement Date shall be the value of the Participant's Retirement Account in a non-discounted lump sum in the amount described in Section 6.1. Such lump sum payment shall be made to a Participant who becomes entitled to benefits pursuant to a Normal Benefit Entitlement Date on the Normal Benefit Entitlement Date or as soon thereafter is administratively convenient, but in no event more than sixty (60) days following such date. In the case of a Participant entitled to receive benefits pursuant to an Early Benefit Entitlement Date or a Disability Termination Benefit Entitlement Date, the lump sum payment shall be made on the first day of the month following the day on which the Participant attains age sixty-five (65) or, if his/her Early Benefit Entitlement Date or Disability Termination Benefit Entitlement Date occurs after he/she has attained age sixty-five (65), on the Participant's Early Benefit Entitlement Date or Disability Termination Benefit Entitlement Date, whichever is applicable, or as soon thereafter as is administratively convenient, but in no event more than sixty (60) days following such date.

Notwithstanding the foregoing, in the event that a Participant's Early Benefit Entitlement Date or Disability Termination Benefit Entitlement Date occurs prior to the Participant's sixty-fifth (65th) birthday, the amount otherwise payable to the Participant shall be increased by crediting interest to such amount on a monthly basis at a rate equal to Bank of America's prime rate as of the January 1 of the calendar year in which the applicable month of crediting occurs from the Participant's Early Benefit Entitlement Date or Disability Termination Benefit Entitlement Date, whichever is applicable, to the date of payment under this Section 6.2(a).

(b) Payment upon Death or a Section 409A Disability Benefit Entitlement Date. If a Participant dies while serving as a member of the Board or after termination of service but prior to payment pursuant to Section 6.2(a) or commencement of payments pursuant to Section 6.3(c), the Participant's benefits shall be paid to his or her beneficiary in a non-discounted lump sum no later than the later of (i) ninety (90) days following the Participant's death or (ii) the end of the calendar year in which the Participant's death occurs. If a Participant incurs a Section 409A Disability, the Participant's benefits shall be paid to the Participant in a non-discounted lump sum on the Participant's Section 409A Disability Benefit Entitlement Date or as soon thereafter as is administratively convenient, but in no event more than sixty (60) days following such date.

## Section 6.3 Alternative Form of Payment upon Normal, Early or Disability Termination Benefit Entitlement Date.

### (a) Participants Eligible for Alternative Form of Payment.

(i) Benefits First Payable Prior to January 1, 2008. If a Participant becomes entitled to distribution of his/her Retirement Account pursuant to a Normal, Early or Disability Termination Benefit Entitlement Date that occurs before January 1, 2008, the distributions shall be in monthly installments as described in this Section 6.3.

(ii) Participants Becoming Directors on or after January 1, 2008. Immediately before or concurrently with his/her acceptance of the position as a Director on or after January 1, 2008, an individual may elect that the distribution of his/her Retirement Account to which he becomes entitled pursuant to a Normal, Early or

Disability Termination Benefit Entitlement Date shall be in the form of monthly installments as described in this Section 6.3. The same election will apply regardless of whether the Participant becomes entitled to benefits pursuant to a Normal, Early or Disability Termination Benefit Entitlement Date. (Distribution shall be governed by Section 6.2(b) in the event of the Participant's death or Section 409A Disability.) If an individual fails to make such an election at such time, his/her Retirement Account under this Plan shall be distributed in a lump sum as described in Section 6.2.

(b) Amount of Monthly Payments.

(i) Participants Who Retire Before January 1, 2008. In the case of a Participant who retires prior to January 1, 2008, the amount of each installment shall be determined by dividing the total dollar value of the Participant's Retirement Account by the number of months the Participant received a Monthly Unit Credit to his/her Retirement Account pursuant to Section 4.1.

(ii) Participants Who Retire on or After January 1, 2008. With respect to Participants who retire from the service of the Board on or after January 1, 2008 and elect to receive payment in installments, interest shall be credited on the unpaid balance of the benefits payable under the Plan until all benefits have been paid under the Plan. Accordingly, the amount of each monthly benefit shall be determined in a two-step process in which the "initial monthly benefit" is first determined and then each such monthly benefit is increased as described herein. In the case of a Participant who becomes entitled to benefits pursuant to a Normal Benefit Entitlement Date, or a Participant who becomes entitled to benefits pursuant to a Disability Termination Benefit Entitlement Date that occurs on or after the date he/she attains age sixty-five (65), the initial monthly benefit shall be determined by dividing the total dollar value of the Participant's Retirement Account by the number of months the Participant received a Monthly Unit Credit to his/her Retirement Account pursuant to Section 4.1. In the case of a Participant who becomes entitled to benefits pursuant to an Early Benefit Entitlement Date or a Disability Termination Benefit Entitlement Date that occurs before he/she attains age sixty-five (65), the initial monthly benefit shall be determined by (i) determining the value of the Participant's Retirement Account pursuant to Section 4.3 as of the applicable Valuation Date, (ii) for each month from the first month following the Participant's termination of service until the date the Participant's benefits commence pursuant to Section 6.3(c) below (the "Commencement Date"), crediting such amount with interest at a rate equal to Bank of America's prime rate as of January 1 of the calendar year in which the applicable month of crediting occurs, and (iii) dividing the increased value of the Retirement Account as of the Commencement Date by the number of months the Participant received a Monthly Unit Credit to his Retirement Account pursuant to Section 4.1. Each such initial monthly payment determined under this Section 6.3(b) to be paid during any calendar year shall then be increased by an amount equal to (i) the amount of interest that will be accrued on the aggregate unpaid benefits during such calendar year at a rate equal to the Bank of America's prime rate as of January 1 of such calendar year, compounded monthly, divided by (ii) 12, or if less, the number of months during such calendar year for which monthly payments will be made.

(c) Commencement and Duration of Monthly Payments. Monthly payments to a Participant who becomes entitled to benefits pursuant to a Normal Benefit Entitlement Date shall commence on the Normal Benefit Entitlement Date, or as soon thereafter as is administratively convenient, but in no event more than sixty (60) days following such date. In the case of a Participant entitled to receive benefits pursuant to an Early Benefit Entitlement Date or a Disability Termination Benefit Entitlement Date, monthly payments shall commence as of the first day of the month following the month in which the Participant attains age sixty-five (65) or, if his/her Early Benefit Entitlement Date or Disability Termination Benefit Entitlement Date occurs after he/she has attained age sixty-five (65), on the Early Benefit Entitlement Date or Disability Termination Benefit Entitlement Date, whichever is applicable, or as soon thereafter as is administratively convenient, but in no event more than sixty (60) days following such date. Monthly payments shall continue for the number of months that equals the number of months for which the Outside Director was a Participant in the Plan and received Monthly Retirement Units pursuant to Section 4.1. Upon the death of a Participant prior to the date upon which all payments due hereunder to the Participant have been made, any remaining payments shall be made to the Beneficiary in a single lump sum no later than ninety (90) days following the Participant's death. Upon a Change in Control that occurs prior to the date upon which all payment due hereunder to the Participant have been made, any remaining payments shall be made to the Participant in a single lump sum in accordance with Section 6.4.

Section 6.4 Change in Control. Notwithstanding anything to the contrary herein, in the event of a Change in Control that occurs on or after January 1, 2008, each then current Participant serving as a director immediately prior to the Change in Control and any former Participant who is vested in the right to receive a benefit under the Plan shall be entitled to receive the aggregate value of the Outside Director's Retirement Account as calculated pursuant to Section 4.3 on the date of the Change in Control in a non-discounted lump sum. Such payment shall be paid upon the Change in Control or as soon as practicable thereafter, but in no event more than thirty (30) days following the Change in Control.

## ARTICLE VII FUNDING

Section 7.1 General Assets. All amounts payable to Participants or their Beneficiaries hereunder shall be paid in cash from the general assets of the Corporation, and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts.

Section 7.2 Status of Participants. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, nor a fiduciary relationship between the Corporation and any Participant or any other person. To the extent that any person acquires a right to receive any amount from the Corporation under the Plan, such right shall be no greater than the right of an unsecured creditor of the Corporation.

ARTICLE VIII

[RESERVED]

ARTICLE IX

MISCELLANEOUS

Section 9.1 Right to Amend or Terminate. The Board reserves the right at any time from time to time to modify, suspend, amend, or terminate the Plan in whole or in part; provided, however, that no such amendment or termination shall adversely affect the existing rights of any Participant or Beneficiary under the Plan who at such time is receiving benefits, or of any member of the Board who has five or more years of Board membership.

Section 9.2 Board Member Relationships. Nothing contained herein shall be deemed to give any Board member the right to be continued as a member of the Board, to modify or affect the terms of Board membership or to interfere with the right of shareholders of the Corporation to elect members of the Board.

Section 9.3 Nonalienation of Benefits. To the extent permitted by law, no amount payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, garnishment, pledge or encumbrance. Any attempt to anticipate, alienate, sell, transfer, assign, attach, pledge or encumber the same shall be void, and no amount payable under the Plan shall be in any manner liable to or subject to the debts, contracts, liabilities, engagements or torts of any Participant or Beneficiary.

Section 9.4 Payments to Minors and Incompetents. If a Participant or any other person entitled to receive any benefit hereunder is deemed by the Committee or is adjudged to be legally incapable of giving valid receipt and discharge for such benefit, or is a minor, such benefit shall be paid to such person(s) as the Committee may designate or to a duly appointed guardian. Any such payment shall be in complete discharge of the liability of the Plan to the Participant or any such other person.

Section 9.5 Required Information. Each Participant shall file with the Committee such pertinent information concerning himself/herself, his/her Spouse, children or other dependents or any other person as the Committee may specify, and no Participant, Spouse, Beneficiary or other person shall have any rights or be entitled to any benefits under the Plan unless such information is filed by or with respect to him/her.

Section 9.6 Missing Persons. If the Committee cannot ascertain the whereabouts of any person to whom a payment is due under the Plan, and if, after five years from the date such payment is due, a notice of such payment due is mailed to the last known address of such person, as shown on the records of the Committee, and within three months after such mailing such person has not made written claim therefor, the Committee, if it so elects, may direct that such payment and all remaining payments otherwise due to such person be permanently canceled.

Section 9.7 Gender and Number. Wherever used herein, the masculine gender shall include the feminine gender and the singular shall include the plural, unless the context indicates otherwise.



Section 9.8 Interpretation. The Board and the Committee shall have responsibility for the administration and interpretation of the Plan, including determination of the amount of benefits payable in the event of a dispute. Any determination or interpretation of the Board or Committee with respect to the Plan shall be final, binding and conclusive on all persons.

Section 9.9 Withholding. The Corporation may withhold from any benefits payable under the Plan all federal, state, local or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

Section 9.10 Headings. The headings and titles used in the Articles and Sections of the Plan are for convenience only and shall not be considered or given any effect in interpreting the meaning of the Plan.

Section 9.11 Governing Law. The provisions of the Plan shall be regulated, governed and construed in accordance with the laws of the State of California, to the extent such laws are not preempted by the laws of the United States of America.

Section 9.12 Code Section 409A. It is intended that any amounts payable under this Plan shall either be exempt from Code Section 409A or shall comply with Code Section 409A (including Treasury Regulations and other published guidance related thereto) so as not to subject Participants to payment of any additional tax, penalty, or interest imposed under Code Section 409A. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty, or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefits payable to Participants. For purposes of this Plan, all references to a Participant's termination of service with the Corporation or termination as a member of the Board shall mean a "separation from service" as defined in Code Section 409A and Treasury Regulations Section 1.409A-1(h) without regard to the optional alternative definitions available thereunder.

END OF DOCUMENT

PARSONS CORPORATION  
SHARE VALUE RETIREMENT PLAN FOR OUTSIDE DIRECTORS  
BENEFICIARY DESIGNATION

I hereby revoke any and all prior designations of a Beneficiary under the Parsons Corporation Share Value Plan for Outside Directors (the "Plan").

I hereby revoke the following designation of only the following Beneficiary or Beneficiaries under the Plan:

\_\_\_\_\_  
[NAME]

\_\_\_\_\_  
[ADDRESS]

I hereby designate the following Beneficiary to receive the balance of payments to be made under the Plan, except for any amount to be paid to previously designated Beneficiary under an effective Beneficiary Designation in the event of my death, as follows, reserving the full right to revoke or modify this designation, or any modification thereof, at any time by a further written designation:

<u>Primary Beneficiary Name</u>	<u>Address</u>	<u>Relationship to me</u>	<u>(Birth date if a minor)</u>
_____	_____	_____	_____
_____	_____	_____	_____

provided, however, that if such Primary Beneficiary shall not survive me by at least sixty (60) days, the following shall be the Beneficiary:

<u>Contingent Beneficiary Name</u>	<u>Address</u>	<u>Relationship to me</u>	<u>(Birth date if a minor)</u>
_____	_____	_____	_____
_____	_____	_____	_____

I acknowledge that if I am married and have designated any primary Beneficiary other than my spouse, such Beneficiary designation will not be valid unless my spouse consents to such designation.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name and Signature of Employee

Consent of Spouse

I am the spouse of the employee who has executed this Beneficiary Designation and I acknowledge that I have read said document and approve of the provisions thereof, and agree that the same shall be binding upon me with the same effect as if I had executed said document personally.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Spouse's Signature

**PARSONS CORPORATION  
CHANGE IN CONTROL SEVERANCE AGREEMENT**

**THIS CHANGE IN CONTROL SEVERANCE AGREEMENT** (this “Agreement”) is made and entered into on this February 7, 2019 (the “Effective Date”), by and between Parsons Corporation, a Delaware corporation (hereinafter referred to as the “Company”) and George Ball (the “Executive”).

**RECITALS**

The Compensation Committee of the Board of Directors of Parsons Corporation (the “Committee”) and the Board of Directors have approved the Company’s entering into this Agreement with the Executive. The Executive is a key executive of the Company.

Should the possibility of a Change in Control (as defined below) arise, the Committee believes it imperative that the Company should be able to rely upon the Executive to continue in his or her position, and that the Company should be able to receive and rely upon the Executive’s advice, if requested, as to the best interests of the Company and its shareholders without concern that the Executive might be distracted by the personal uncertainties and risks created by the possibility of a Change in Control.

Should the possibility of a Change in Control arise, in addition to his or her regular duties, the Executive may be called upon to assist in the assessment of such a possible Change in Control, advise management and the Board of Directors as to whether such a Change in Control would be in the best interests of the Company and its shareholders, and to take such other actions as the Board of Directors might determine to be appropriate.

**NOW THEREFORE**, to assure the Company that it will have the continued dedication of the Executive and the availability of his or her advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control, and to induce the Executive to remain in the employ of the Company in the face of these circumstances and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Executive agree as follows:

**ARTICLE I  
CERTAIN DEFINITIONS**

Whenever used in this Agreement, the following terms shall have the meanings set forth below unless the context clearly indicates to the contrary:

- (a) “Base Salary” means the salary of record paid to the Executive by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- (b) “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

- (c) “Beneficiary” means the persons or entities designated or deemed designated by the Executive pursuant to Section 9.3.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Cause” means the occurrence of any one or more of the following:
  - (i) The Executive’s committing an act of fraud or embezzlement upon the Company.
  - (ii) The Executive’s conviction of, or pleading guilty or nolo contendere to a felony involving fraud, dishonesty or moral turpitude.
  - (iii) The Executive’s willful and continued failure to substantially perform material duties which is not remedied in a reasonable period of time after written demand for substantial performances is delivered by the Board.
- (f) “Change in Control” shall mean and include each of the following, and shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (iii) any acquisition which complies with Sections 2.9(c)(i), 2.9(c)(ii) and 2.9(c)(iii); or (iv) in respect of an Award held by a particular Holder, any acquisition by the Holder or any group of persons including the Holder (or any entity controlled by the Holder or any group of persons including the Holder); or
  - (ii) The Incumbent Directors cease for any reason to constitute a majority of the Board;

- (iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
- 1) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and
  - 2) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.9(c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and
  - 3) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or
- (iv) The date which is 10 business days prior to the completion of a liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (i), (ii), (iii) or (iv) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

For sake of clarity, a Change in Control will not occur by reason of the Parsons Employee Stock Ownership Plan (the "ESOP") owning less than fifty percent of (50%) of the voting power of the Company's (or any successor thereto) equity securities due to (A) the ESOP making distributions to participants and their beneficiaries, or (B) the ESOP selling equity securities to the public through underwritten registered public offerings.

The Board shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

- (g) “Code” means the United States Internal Revenue Code of 1986, as amended.
- (h) “Company” means Parsons Corporation, a Delaware corporation, any successor thereto or acquirer thereof.
- (i) “Disability” means, for all purposes of this Agreement, the incapacity of the Executive, due to injury, illness, disease, or bodily or mental infirmity, to engage in the performance of substantially all of the usual duties of his or her employment by the Company, such Disability to be determined by the Board upon receipt and in reliance on competent medical advice from one (1) or more individuals, selected or approved by the Board, who are qualified to give such professional medical advice.
- (j) “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.
- (k) “Good Reason” means, without the Executive’s express written consent, the occurrence of any one or more of the following, unless the action or failure giving rise to such occurrence is withdrawn, reversed or cured by the Company within thirty (30) days of the date of the occurrence, and is not thereafter reinstated by the Company during the term of this Agreement:
  - (i) A material reduction in the nature or status of the Executive’s authorities, duties, and/or responsibilities (when such authorities, duties, and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period.
  - (ii) A reduction by the Company of the Executive’s Base Salary as in effect on the day immediately prior to the start of the Protected Period.
  - (iii) A material reduction by the Company of the Executive’s aggregate welfare benefits and/or the value of the incentive programs provided under the Company’s management incentive and/or other short and/or long-term incentive programs, as such benefits and opportunities exist on the day immediately prior to the start of the Protected Period.
  - (iv) The relocation of the Executive’s principal office by the Company more than fifty (50) miles from the location of the Executive’s principal office immediately prior to the start of the Protected Period.

- (v) Any purported termination by the Company of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.4.
- (vi) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement, as contemplated by Article 8.
- (l) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as contemplated by Sections 13(d)(3) and 14(d)(2) thereof.
- (m) "Potential Change in Control" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) Any Person announces an intention to take an action that, if consummated, would result in a Change of Control and the Board expresses its good faith belief that such announced intention is serious.
  - (ii) The Company or the trustees of the Company's Employee Stock Ownership Plan enters into an agreement that, if consummated, would result in a Change in Control.
  - (iii) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding securities.
  - (iv) The Board declares that a Potential Change in Control has occurred for purposes of this Agreement.
- (n) "Protected Period" means the period related to a Change in Control commencing on the date of the Change in Control and ending on the date that is eighteen (18) months after the Change in Control.
- (o) "Qualifying Termination Event" means the occurrence of any one or more of the following events:
  - (i) A termination of the Executive's employment, within the Protected Period, at the initiation of the Company, without the Executive's consent, for reasons other than Cause;
  - (ii) A voluntary termination of employment by the Executive for Good Reason within the Protected Period;

- (iii) A successor company fails or refuses to assume by written instrument the Company's obligations under this Agreement, as contemplated by Article 8 within the Protected Period;
- (iv) The Company or any successor company repudiates or breaches any of the provisions of this Agreement within the Protected Period.

## ARTICLE II SERVICES DURING CERTAIN EVENTS

If a Potential Change in Control occurs, the Executive agrees that he or she will not voluntarily leave the employ of the Company and will render services until (a) the Board declares, or otherwise indicates, that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control, or (b) if a Change in Control occurs, until six (6) months after the Change in Control; provided, however, that, subject to any right that the Executive may have to benefits hereunder, the Company may terminate the Executive's employment at any time for any reason, and the Executive may terminate his or her employment at any time for Good Reason.

## ARTICLE III SEVERANCE BENEFITS

**3.1 Right to Severance Benefits.** The Executive shall be entitled to receive the benefits described in Section 3.2 if the Executive incurs a Qualifying Termination Event, provided that the Executive must (a) furnish the Company with written notice of Executive's exercise of the right to receive such benefits within thirty (30) days of the occurrence of a Qualifying Termination Event and (b) execute and deliver to the Company the Severance Agreement attached hereto as Exhibit A within fifty (50) days of the Qualifying Termination Event and not revoke it pursuant to any revocation rights afforded by law. If the Executive does not timely execute and deliver to the Company the Severance Agreement, or if the Executive has executed the Severance Agreement but revokes it, no severance benefits shall be paid. If more than one Qualifying Termination Event occurs, such events shall constitute a single Qualifying Termination Event and Executive shall be entitled to receive the benefits provided under Section 3.2(a) through (d) only once.

**3.2 Severance Benefits.** If a Qualifying Termination Event occurs and the Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 2<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following:

- (a) the Executive's accrued and unpaid Base Salary and accrued vacation pay through the date of Executive's termination, pursuant to a Qualifying Termination Event;
- (b) a pro-rata portion (based on the number of days that elapsed in the calendar year before the Qualifying Termination Event occurred) of the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the Executive's annual bonus that would have been paid (as determined by the Board in its discretion) assuming the year ended on the date of the Qualifying Termination Event and based on actual performance through that date;



- (c) an amount equal to the highest rate of the Executive's annualized Base Salary in effect at any time up to and including the Qualifying Termination Event multiplied by two (2); and
- (d) an amount equal to the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the average of the annual bonuses actually paid to the Executive for the two years preceding the year of the Qualifying Termination Event, multiplied by two (2).

In addition to the foregoing, if Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 2<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following: (i) the Company's estimate of the costs for the Executive's medical insurance coverage at the level and a cost to the Executive comparable to that provided to the Executive immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (which, in the Company's discretion, may be based on the applicable COBRA rates); (ii) the Company's estimate of the costs for the continuation of that level of the Executive's executive life insurance coverage that is in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event, or, if shorter, the period ending on the last day of the level premium rate guarantee period established by the applicable insurer for such coverage; and (iii) the Company's estimate of the costs for the continuation of the Executive's executive supplemental disability coverage under the Company's supplemental disability insurance plan in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (or the date the Executive attains age 65, if earlier), but the cash payment in this clause (iii) will only be paid if the terms of the applicable insurance policy under such disability insurance plan provide that the coverage may be continued following the Qualifying Termination Event and such costs to be estimated using the extent of the coverage allowed under the terms of such policy at a cost to the Company that is no greater than the cost borne by the Company immediately prior to the Qualifying Termination Event.

If the 2<sup>1</sup>/<sub>2</sub> month period following the Qualifying Termination Event for making the foregoing cash payments spans two calendar years, payment will in all cases be made in the second (later) calendar year.

Notwithstanding any provision of this Agreement to the contrary, to the extent that the Company determines that a delay in payment or benefits is required to avoid subjecting the Executive to taxes under Code Section 409A ("Section 409A"), the Executive shall not be entitled to receive any payments of, or benefits that constitute, deferred compensation (as defined in Section 409A) until the earlier of (i) the date which is six (6) months after his or her termination of employment or (ii) the date of his or her death (the "Section 409A Period"), at which time the Company shall pay all delayed payments to the Executive in a lump sum.

**3.3 Termination for Other Reasons.** Except as expressly provided below, the Company shall have no obligations (or no further obligations, as the case may be) to the Executive under this Agreement if:

- (a) Executive's employment is terminated by the Company for Cause;
- (b) Executive terminates his or her employment with the Company other than for Good Reason during a Protected Period;
- (c) Executive's employment by the Company terminates due to the Executive's Disability, retirement or death; or
- (d) Executive's employment by the Company is terminated by the Company or the Executive for any reason, if such termination does not occur during a Protected Period.
- (e) Prior to a Potential Change in Control, Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position and as a result the term of this Agreement terminates pursuant to Article VI.

If, during a Protected Period and immediately prior to the Executive's Disability or retirement, the Executive would have been entitled to terminate employment with the Company for Good Reason, then upon termination of his or her employment for Disability or retirement he shall be deemed to have terminated for Good Reason for purposes of this Agreement.

Notwithstanding anything else contained herein to the contrary, the Executive's termination of employment on account of reaching the normal retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, to the extent such policies are applicable to the Executive immediately prior to the commencement of the Protected Period and to the extent such policies are consistent with applicable law, shall not be a Qualifying Termination Event unless the Executive was otherwise able to terminate employment for Good Reason immediately prior to his or her retirement and his or her retirement occurred during a Protected Period.

**3.4 Notice of Termination.** Any termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The Notice of Termination shall be effective on the date specified in Section 9.8 of this Agreement.

**ARTICLE IV  
TAXES**

The Company has the right to withhold from any amount otherwise payable to the Executive under or pursuant to this Agreement the amount of any taxes that the Company may legally be required to withhold with respect to such payment (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes). In the event that tax withholding is required with respect to amounts or benefits payable or deliverable by the Company to the Executive and the Company cannot satisfy its tax withholding obligations in the manner described in the preceding sentence, the Company may require the Executive to pay or provide for the payment of such required tax withholding as a condition to the payment or delivery of such amounts or benefits.

The Executive (or his or her Beneficiaries, if applicable) shall be solely responsible for all income and employment taxes arising in connection with this Agreement or benefits hereunder.

**ARTICLE V  
THE COMPANY'S PAYMENT OBLIGATION**

**5.1 Payment Obligations Absolute.** Subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby, the Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset (except an offset for the amount of any debt that is due from Executive to Company for loans, advances or similar items provided by the Company to Executive prior to the date of Executive's notice to the Company of a Qualifying Termination Event), counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever, except as a result of an error in calculating the value of benefits payable under Section 3.2 or as otherwise provided in Article 7 and subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

**5.2 Unsecured General Creditor.** The Executive and his or her Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Agreement. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under this Agreement shall be merely that of an unfunded and unsecured promise of the entity to

pay money in the future, and the rights of the Executive and his or her Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Agreement be unfunded for purposes of the Code and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

**5.3 Pension Plans.** All payments, benefits and amounts provided under this Agreement shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan in which the Executive participates, and any disability, workers' compensation or other Company benefit plan distribution that the Executive is entitled to, under the terms of any such plan, at the time his or her employment by the Company terminates. Notwithstanding the foregoing, this Agreement shall not create an inference that any duplicate payments shall be required.

## **ARTICLE VI TERM OF AGREEMENT**

This Agreement will commence on the Effective Date and shall continue in effect through February 28, 2020. However, at the end of such initial period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless the Committee (or the Board) delivers written notice at least six (6) months prior to the end of such term, or extended term, to the Executive, that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term, or extended term, then in progress. If a Potential Change in Control occurs, the Committee (or the Board) may not give notice that the term of this Agreement will not be extended, or further extended, as the case may be, unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control.

Unless the Board expressly determines that the term of this Agreement shall continue in effect, the term of this Agreement will terminate if, prior to a Potential Change in Control, the Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position.

Notwithstanding anything to the contrary in this Agreement, in the event a Change in Control occurs during the initial or any extended term, this Agreement will remain in effect for the longer of: (a) eighteen (18) months beyond the month in which such Change in Control occurred; or (b) if the Executive incurs a Qualifying Termination Event, until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive.

Any subsequent Change in Control ("Subsequent Change in Control") that occurs during the term shall also continue the term until the later of: (a) the date the term then in effect, at the time of such Subsequent Change in Control, would end; or (b) until all obligations of the Company hereunder have been fulfilled and all benefits required hereunder have been paid to the Executive; provided, however, that if one or more Subsequent Changes in Control occur, such event (or events) shall be considered a Change in Control hereunder, and this Agreement will be applicable thereto only if it, or they, occur during a Protected Period in effect at the time of any Subsequent Change in Control.

Notwithstanding anything herein to the contrary, the Executive shall be entitled to receive the benefits provided in this Agreement one time only under this Agreement, regardless of the number of Changes in Control or Subsequent Changes in Control that may occur.

## ARTICLE VII RESOLUTION OF DISPUTES

**7.1 Arbitration of Claims.** The Company and the Executive hereby consent to the resolution by mandatory and binding arbitration of all claims or controversies arising out of or in connection with this Agreement and/or the Exhibits hereto that the Company may have against the Executive, or that the Executive may have against the Company or against its officers, directors, employees or agents acting in their capacity as such. Each party's promise to resolve all such claims or controversies by arbitration in accordance with this Agreement, rather than through the courts, is consideration for the other party's like promise. It is further agreed that the decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration shall be final and binding upon the Company and the Executive and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be before a sole arbitrator (the "Arbitrator") selected from Judicial Arbitration & Mediation Services, Inc., Los Angeles County, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Civil Procedure Code Section 1280 *et. seq.* as the exclusive remedy of such dispute.

The Arbitrator shall interpret this Agreement, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the Arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or this Agreement. Except as provided in the next paragraph, the Arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to, any claim that all or any part of this Agreement is voidable. The Arbitrator shall have the authority to decide dispositive motions. Following the completion of the arbitration, the Arbitrator shall issue a written decision disclosing the essential findings and conclusions upon which the award is based.

Notwithstanding the foregoing, provisional injunctive relief may, but need not, be sought by the Executive or the Company in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally resolved by the Arbitrator in accordance with the foregoing. Final resolution of any dispute through arbitration may include any remedy or relief which would otherwise be available at law and which the Arbitrator deems just and equitable. The Arbitrator shall have the authority to award full damages as provided by law. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.

The Company shall pay the reasonable fees and expenses of the Arbitrator and a stenographic reporter, if employed, and any other costs associated with the arbitration that are unique to arbitration. Each party shall pay its own legal fees and other expenses and costs incurred with respect to the arbitration as and to the same extent as if the matter were being heard in court.

## **ARTICLE VIII SUCCESSORS**

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty-one percent (51%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement in a written instrument prior to the effective date of any such succession shall be a breach of this Agreement and shall entitle the Executive to the benefits provided under this Agreement.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, trustees, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Executive's Beneficiary in accordance with the terms of this Agreement.

## **ARTICLE IX MISCELLANEOUS**

**9.1 Release and Agreement.** Notwithstanding anything else contained herein to the contrary, the Company's obligation to pay benefits hereunder to the Executive is subject to the condition precedent that the Executive execute a valid and effective Severance Agreement in the form attached hereto as Exhibit A (or such other form, which is substantially the same as the form attached hereto as Exhibit A, as the Committee may require) and such executed agreement is received by the Company and is not revoked by the Executive or otherwise rendered unenforceable by the Executive.

**9.2 Employment Status.** The Executive and the Company acknowledge that, except as may be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will," and may be terminated by either the Executive or the Company at any time, subject to applicable law and subject to the express provisions of Article 2.

**9.3 Beneficiaries.** Subject to the other provisions of this Section 9.3, the person or persons (including a trustee, personal representative or other fiduciary) last designated in writing by the Executive in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Executive's death shall be the Executive's Beneficiary or Beneficiaries.

No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Executive's spouse shall be effective unless such designation is consented to by the Executive's spouse on a form provided by and in accordance with procedures established by the Committee.

If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Executive's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Executive's estate (which shall include either the Executive's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Executive's estate duly appointed and acting in that capacity within 90 days after the Executive's death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Executive's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder.

Notwithstanding anything else herein to the contrary, in the event any amount is payable under this Agreement to a minor, payment shall not be made to the minor, but instead be paid: (a) to that person's living parent(s) to act as custodian; (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent; or (c) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

**9.4 Entire Agreement.** This Agreement, including the Exhibits hereto, contains the entire understanding of the Company and the Executive, and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, with respect to the subject matter hereof.

**9.5 Gender and Number.** Except where otherwise indicated by the context any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

**9.6 Severability.** In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

**9.7 Modification.** No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive (or the Executive's legal representative) and by an authorized member of the Committee (or the Board) or its designee or legal representative.

**9.8 Notice.** For purposes of this Agreement, notices, including Notice of Termination, and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (a) if to the Executive, to his or her latest address as reflected on the records of the Company, and (b) if to the Company, to Parsons Corporation, 100 West Walnut Street, Pasadena, California 91124, Attn: Chair, Compensation Committee, or to such other address as either party may furnish to the other in writing for the delivery of notices to that party, with specific reference to this Agreement and the importance of the notice, except that a notice of change of address shall be effective only upon receipt by the other party.

**9.9 Applicable Law.** To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Agreement, without regard to principles of conflicts of laws. Any statutory reference in this Agreement shall also be deemed to refer to all final rules and final regulations promulgated under or with respect to the referenced statutory provision.

**9.10 Code Sections 280G and 4999.** Notwithstanding anything contained in this Agreement to the contrary, if following a change in ownership or effective control or in the ownership of a substantial portion of assets (in each case, within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash payments under this Agreement, then by reducing or eliminating any accelerated vesting of any long term cash incentive awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The provisions of this Section 9.10 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any benefits or compensation.





**PARSONS CORPORATION  
CHANGE IN CONTROL SEVERANCE AGREEMENT**

**THIS CHANGE IN CONTROL SEVERANCE AGREEMENT** (this “Agreement”) is made and entered into on this April 5, 2019 (the “Effective Date”), by and between Parsons Corporation, a Delaware corporation (hereinafter referred to as the “Company”) and Charles L. Harrington (the “Executive”).

**RECITALS**

The Compensation Committee of the Board of Directors of Parsons Corporation (the “Committee”) and the Board of Directors have approved the Company’s entering into this Agreement with the Executive. The Executive is a key executive of the Company.

Should the possibility of a Change in Control (as defined below) arise, the Committee believes it imperative that the Company should be able to rely upon the Executive to continue in his or her position, and that the Company should be able to receive and rely upon the Executive’s advice, if requested, as to the best interests of the Company and its shareholders without concern that the Executive might be distracted by the personal uncertainties and risks created by the possibility of a Change in Control.

Should the possibility of a Change in Control arise, in addition to his or her regular duties, the Executive may be called upon to assist in the assessment of such a possible Change in Control, advise management and the Board of Directors as to whether such a Change in Control would be in the best interests of the Company and its shareholders, and to take such other actions as the Board of Directors might determine to be appropriate.

**NOW THEREFORE**, to assure the Company that it will have the continued dedication of the Executive and the availability of his or her advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control, and to induce the Executive to remain in the employ of the Company in the face of these circumstances and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Executive agree as follows:

**ARTICLE I  
CERTAIN DEFINITIONS**

Whenever used in this Agreement, the following terms shall have the meanings set forth below unless the context clearly indicates to the contrary:

- (a) “Base Salary” means the salary of record paid to the Executive by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- (b) “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

- (c) “Beneficiary” means the persons or entities designated or deemed designated by the Executive pursuant to Section 9.3.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Cause” means the occurrence of any one or more of the following:
  - (i) The Executive’s committing an act of fraud or embezzlement upon the Company.
  - (ii) The Executive’s conviction of, or pleading guilty or nolo contendere to a felony involving fraud, dishonesty or moral turpitude.
  - (iii) The Executive’s willful and continued failure to substantially perform material duties which is not remedied in a reasonable period of time after written demand for substantial performances is delivered by the Board.
- (f) “Change in Control” shall mean and include each of the following, and shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (iii) any acquisition which complies with Sections 2.9(c)(i), 2.9(c)(ii) and 2.9(c)(iii); or (iv) in respect of an Award held by a particular Holder, any acquisition by the Holder or any group of persons including the Holder (or any entity controlled by the Holder or any group of persons including the Holder); or
  - (ii) The Incumbent Directors cease for any reason to constitute a majority of the Board;

- (iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
- 1) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and
  - 2) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.9(c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and
  - 3) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or
- (iv) The date which is 10 business days prior to the completion of a liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (i), (ii), (iii) or (iv) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

For sake of clarity, a Change in Control will not occur by reason of the Parsons Employee Stock Ownership Plan (the "ESOP") owning less than fifty percent of (50%) of the voting power of the Company's (or any successor thereto) equity securities due to (A) the ESOP making distributions to participants and their beneficiaries, or (B) the ESOP selling equity securities to the public through underwritten registered public offerings.

The Board shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

- (g) “Code” means the United States Internal Revenue Code of 1986, as amended.
- (h) “Company” means Parsons Corporation, a Delaware corporation, any successor thereto or acquirer thereof.
- (i) “Disability” means, for all purposes of this Agreement, the incapacity of the Executive, due to injury, illness, disease, or bodily or mental infirmity, to engage in the performance of substantially all of the usual duties of his or her employment by the Company, such Disability to be determined by the Board upon receipt and in reliance on competent medical advice from one (1) or more individuals, selected or approved by the Board, who are qualified to give such professional medical advice.
- (j) “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.
- (k) “Good Reason” means, without the Executive’s express written consent, the occurrence of any one or more of the following, unless the action or failure giving rise to such occurrence is withdrawn, reversed or cured by the Company within thirty (30) days of the date of the occurrence, and is not thereafter reinstated by the Company during the term of this Agreement:
  - (i) A material reduction in the nature or status of the Executive’s authorities, duties, and/or responsibilities (when such authorities, duties, and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period.
  - (ii) A reduction by the Company of the Executive’s Base Salary as in effect on the day immediately prior to the start of the Protected Period.
  - (iii) A material reduction by the Company of the Executive’s aggregate welfare benefits and/or the value of the incentive programs provided under the Company’s management incentive and/or other short and/or long-term incentive programs, as such benefits and opportunities exist on the day immediately prior to the start of the Protected Period.
  - (iv) The relocation of the Executive’s principal office by the Company more than fifty (50) miles from the location of the Executive’s principal office immediately prior to the start of the Protected Period.

- (v) Any purported termination by the Company of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.4.
- (vi) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement, as contemplated by Article 8.
- (l) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as contemplated by Sections 13(d)(3) and 14(d)(2) thereof.
- (m) "Potential Change in Control" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) Any Person announces an intention to take an action that, if consummated, would result in a Change of Control and the Board expresses its good faith belief that such announced intention is serious.
  - (ii) The Company or the trustees of the Company's Employee Stock Ownership Plan enters into an agreement that, if consummated, would result in a Change in Control.
  - (iii) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding securities.
  - (iv) The Board declares that a Potential Change in Control has occurred for purposes of this Agreement.
- (n) "Protected Period" means the period related to a Change in Control commencing on the date of the Change in Control and ending on the date that is eighteen (18) months after the Change in Control.
- (o) "Qualifying Termination Event" means the occurrence of any one or more of the following events:
  - (i) A termination of the Executive's employment, within the Protected Period, at the initiation of the Company, without the Executive's consent, for reasons other than Cause;
  - (ii) A voluntary termination of employment by the Executive for Good Reason within the Protected Period;

- (iii) A successor company fails or refuses to assume by written instrument the Company's obligations under this Agreement, as contemplated by Article 8 within the Protected Period;
- (iv) The Company or any successor company repudiates or breaches any of the provisions of this Agreement within the Protected Period.

## ARTICLE II SERVICES DURING CERTAIN EVENTS

If a Potential Change in Control occurs, the Executive agrees that he or she will not voluntarily leave the employ of the Company and will render services until (a) the Board declares, or otherwise indicates, that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control, or (b) if a Change in Control occurs, until six (6) months after the Change in Control; provided, however, that, subject to any right that the Executive may have to benefits hereunder, the Company may terminate the Executive's employment at any time for any reason, and the Executive may terminate his or her employment at any time for Good Reason.

## ARTICLE III SEVERANCE BENEFITS

**3.1 Right to Severance Benefits.** The Executive shall be entitled to receive the benefits described in Section 3.2 if the Executive incurs a Qualifying Termination Event, provided that the Executive must (a) furnish the Company with written notice of Executive's exercise of the right to receive such benefits within thirty (30) days of the occurrence of a Qualifying Termination Event and (b) execute and deliver to the Company the Severance Agreement attached hereto as Exhibit A within fifty (50) days of the Qualifying Termination Event and not revoke it pursuant to any revocation rights afforded by law. If the Executive does not timely execute and deliver to the Company the Severance Agreement, or if the Executive has executed the Severance Agreement but revokes it, no severance benefits shall be paid. If more than one Qualifying Termination Event occurs, such events shall constitute a single Qualifying Termination Event and Executive shall be entitled to receive the benefits provided under Section 3.2(a) through (d) only once.

**3.2 Severance Benefits.** If a Qualifying Termination Event occurs and the Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 2<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following:

- (a) the Executive's accrued and unpaid Base Salary and accrued vacation pay through the date of Executive's termination, pursuant to a Qualifying Termination Event;
- (b) a pro-rata portion (based on the number of days that elapsed in the calendar year before the Qualifying Termination Event occurred) of the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the Executive's annual bonus that would have been paid (as determined by the Board in its discretion) assuming the year ended on the date of the Qualifying Termination Event and based on actual performance through that date;

- (c) an amount equal to the highest rate of the Executive's annualized Base Salary in effect at any time up to and including the Qualifying Termination Event multiplied by two (2); and
- (d) an amount equal to the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the average of the annual bonuses actually paid to the Executive for the two years preceding the year of the Qualifying Termination Event, multiplied by two (2).

In addition to the foregoing, if Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 21<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following: (i) the Company's estimate of the costs for the Executive's medical insurance coverage at the level and a cost to the Executive comparable to that provided to the Executive immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (which, in the Company's discretion, may be based on the applicable COBRA rates); (ii) the Company's estimate of the costs for the continuation of that level of the Executive's executive life insurance coverage that is in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event, or, if shorter, the period ending on the last day of the level premium rate guarantee period established by the applicable insurer for such coverage; and (iii) the Company's estimate of the costs for the continuation of the Executive's executive supplemental disability coverage under the Company's supplemental disability insurance plan in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (or the date the Executive attains age 65, if earlier), but the cash payment in this clause (iii) will only be paid if the terms of the applicable insurance policy under such disability insurance plan provide that the coverage may be continued following the Qualifying Termination Event and such costs to be estimated using the extent of the coverage allowed under the terms of such policy at a cost to the Company that is no greater than the cost borne by the Company immediately prior to the Qualifying Termination Event.

If the 21<sup>1</sup>/<sub>2</sub> month period following the Qualifying Termination Event for making the foregoing cash payments spans two calendar years, payment will in all cases be made in the second (later) calendar year.

Notwithstanding any provision of this Agreement to the contrary, to the extent that the Company determines that a delay in payment or benefits is required to avoid subjecting the Executive to taxes under Code Section 409A ("Section 409A"), the Executive shall not be entitled to receive any payments of, or benefits that constitute, deferred compensation (as defined in Section 409A) until the earlier of (i) the date which is six (6) months after his or her termination of employment or (ii) the date of his or her death (the "Section 409A Period"), at which time the Company shall pay all delayed payments to the Executive in a lump sum.



**3.3 Termination for Other Reasons.** Except as expressly provided below, the Company shall have no obligations (or no further obligations, as the case may be) to the Executive under this Agreement if:

- (a) Executive's employment is terminated by the Company for Cause;
- (b) Executive terminates his or her employment with the Company other than for Good Reason during a Protected Period;
- (c) Executive's employment by the Company terminates due to the Executive's Disability, retirement or death; or
- (d) Executive's employment by the Company is terminated by the Company or the Executive for any reason, if such termination does not occur during a Protected Period.
- (e) Prior to a Potential Change in Control, Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position and as a result the term of this Agreement terminates pursuant to Article VI.

If, during a Protected Period and immediately prior to the Executive's Disability or retirement, the Executive would have been entitled to terminate employment with the Company for Good Reason, then upon termination of his or her employment for Disability or retirement he shall be deemed to have terminated for Good Reason for purposes of this Agreement.

Notwithstanding anything else contained herein to the contrary, the Executive's termination of employment on account of reaching the normal retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, to the extent such policies are applicable to the Executive immediately prior to the commencement of the Protected Period and to the extent such policies are consistent with applicable law, shall not be a Qualifying Termination Event unless the Executive was otherwise able to terminate employment for Good Reason immediately prior to his or her retirement and his or her retirement occurred during a Protected Period.

**3.4 Notice of Termination.** Any termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The Notice of Termination shall be effective on the date specified in Section 9.8 of this Agreement.

**ARTICLE IV  
TAXES**

The Company has the right to withhold from any amount otherwise payable to the Executive under or pursuant to this Agreement the amount of any taxes that the Company may legally be required to withhold with respect to such payment (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes). In the event that tax withholding is required with respect to amounts or benefits payable or deliverable by the Company to the Executive and the Company cannot satisfy its tax withholding obligations in the manner described in the preceding sentence, the Company may require the Executive to pay or provide for the payment of such required tax withholding as a condition to the payment or delivery of such amounts or benefits.

The Executive (or his or her Beneficiaries, if applicable) shall be solely responsible for all income and employment taxes arising in connection with this Agreement or benefits hereunder.

**ARTICLE V  
THE COMPANY'S PAYMENT OBLIGATION**

**5.1 Payment Obligations Absolute.** Subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby, the Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset (except an offset for the amount of any debt that is due from Executive to Company for loans, advances or similar items provided by the Company to Executive prior to the date of Executive's notice to the Company of a Qualifying Termination Event), counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever, except as a result of an error in calculating the value of benefits payable under Section 3.2 or as otherwise provided in Article 7 and subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

**5.2 Unsecured General Creditor.** The Executive and his or her Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Agreement. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under this Agreement shall be merely that of an unfunded and unsecured promise of the entity to

pay money in the future, and the rights of the Executive and his or her Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Agreement be unfunded for purposes of the Code and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

**5.3 Pension Plans.** All payments, benefits and amounts provided under this Agreement shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan in which the Executive participates, and any disability, workers' compensation or other Company benefit plan distribution that the Executive is entitled to, under the terms of any such plan, at the time his or her employment by the Company terminates. Notwithstanding the foregoing, this Agreement shall not create an inference that any duplicate payments shall be required.

## **ARTICLE VI TERM OF AGREEMENT**

This Agreement will commence on the Effective Date and shall continue in effect through February 28, 2020. However, at the end of such initial period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless the Committee (or the Board) delivers written notice at least six (6) months prior to the end of such term, or extended term, to the Executive, that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term, or extended term, then in progress. If a Potential Change in Control occurs, the Committee (or the Board) may not give notice that the term of this Agreement will not be extended, or further extended, as the case may be, unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control.

Unless the Board expressly determines that the term of this Agreement shall continue in effect, the term of this Agreement will terminate if, prior to a Potential Change in Control, the Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position.

Notwithstanding anything to the contrary in this Agreement, in the event a Change in Control occurs during the initial or any extended term, this Agreement will remain in effect for the longer of: (a) eighteen (18) months beyond the month in which such Change in Control occurred; or (b) if the Executive incurs a Qualifying Termination Event, until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive.

Any subsequent Change in Control ("Subsequent Change in Control") that occurs during the term shall also continue the term until the later of: (a) the date the term then in effect, at the time of such Subsequent Change in Control, would end; or (b) until all obligations of the Company hereunder have been fulfilled and all benefits required hereunder have been paid to the Executive; provided, however, that if one or more Subsequent Changes in Control occur, such event (or events) shall be considered a Change in Control hereunder, and this Agreement will be applicable thereto only if it, or they, occur during a Protected Period in effect at the time of any Subsequent Change in Control.

Notwithstanding anything herein to the contrary, the Executive shall be entitled to receive the benefits provided in this Agreement one time only under this Agreement, regardless of the number of Changes in Control or Subsequent Changes in Control that may occur.

## **ARTICLE VII RESOLUTION OF DISPUTES**

**7.1 Arbitration of Claims.** The Company and the Executive hereby consent to the resolution by mandatory and binding arbitration of all claims or controversies arising out of or in connection with this Agreement and/or the Exhibits hereto that the Company may have against the Executive, or that the Executive may have against the Company or against its officers, directors, employees or agents acting in their capacity as such. Each party's promise to resolve all such claims or controversies by arbitration in accordance with this Agreement, rather than through the courts, is consideration for the other party's like promise. It is further agreed that the decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration shall be final and binding upon the Company and the Executive and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be before a sole arbitrator (the "Arbitrator") selected from Judicial Arbitration & Mediation Services, Inc., Los Angeles County, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Civil Procedure Code Section 1280 *et. seq.* as the exclusive remedy of such dispute.

The Arbitrator shall interpret this Agreement, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the Arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or this Agreement. Except as provided in the next paragraph, the Arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to, any claim that all or any part of this Agreement is voidable. The Arbitrator shall have the authority to decide dispositive motions. Following the completion of the arbitration, the Arbitrator shall issue a written decision disclosing the essential findings and conclusions upon which the award is based.

Notwithstanding the foregoing, provisional injunctive relief may, but need not, be sought by the Executive or the Company in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally resolved by the Arbitrator in accordance with the foregoing. Final resolution of any dispute through arbitration may include any remedy or relief which would otherwise be available at law and which the Arbitrator deems just and equitable. The Arbitrator shall have the authority to award full damages as provided by law. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.

The Company shall pay the reasonable fees and expenses of the Arbitrator and a stenographic reporter, if employed, and any other costs associated with the arbitration that are unique to arbitration. Each party shall pay its own legal fees and other expenses and costs incurred with respect to the arbitration as and to the same extent as if the matter were being heard in court.

## **ARTICLE VIII SUCCESSORS**

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty-one percent (51%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement in a written instrument prior to the effective date of any such succession shall be a breach of this Agreement and shall entitle the Executive to the benefits provided under this Agreement.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, trustees, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Executive's Beneficiary in accordance with the terms of this Agreement.

## **ARTICLE IX MISCELLANEOUS**

**9.1 Release and Agreement.** Notwithstanding anything else contained herein to the contrary, the Company's obligation to pay benefits hereunder to the Executive is subject to the condition precedent that the Executive execute a valid and effective Severance Agreement in the form attached hereto as Exhibit A (or such other form, which is substantially the same as the form attached hereto as Exhibit A, as the Committee may require) and such executed agreement is received by the Company and is not revoked by the Executive or otherwise rendered unenforceable by the Executive.

**9.2 Employment Status.** The Executive and the Company acknowledge that, except as may be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will," and may be terminated by either the Executive or the Company at any time, subject to applicable law and subject to the express provisions of Article 2.

**9.3 Beneficiaries.** Subject to the other provisions of this Section 9.3, the person or persons (including a trustee, personal representative or other fiduciary) last designated in writing by the Executive in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Executive's death shall be the Executive's Beneficiary or Beneficiaries.

No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Executive's spouse shall be effective unless such designation is consented to by the Executive's spouse on a form provided by and in accordance with procedures established by the Committee.

If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Executive's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Executive's estate (which shall include either the Executive's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Executive's estate duly appointed and acting in that capacity within 90 days after the Executive's death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Executive's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder.

Notwithstanding anything else herein to the contrary, in the event any amount is payable under this Agreement to a minor, payment shall not be made to the minor, but instead be paid: (a) to that person's living parent(s) to act as custodian; (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent; or (c) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

**9.4 Entire Agreement.** This Agreement, including the Exhibits hereto, contains the entire understanding of the Company and the Executive, and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, with respect to the subject matter hereof.

**9.5 Gender and Number.** Except where otherwise indicated by the context any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

**9.6 Severability.** In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

**9.7 Modification.** No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive (or the Executive's legal representative) and by an authorized member of the Committee (or the Board) or its designee or legal representative.

**9.8 Notice.** For purposes of this Agreement, notices, including Notice of Termination, and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (a) if to the Executive, to his or her latest address as reflected on the records of the Company, and (b) if to the Company, to Parsons Corporation, 100 West Walnut Street, Pasadena, California 91124, Attn: Chair, Compensation Committee, or to such other address as either party may furnish to the other in writing for the delivery of notices to that party, with specific reference to this Agreement and the importance of the notice, except that a notice of change of address shall be effective only upon receipt by the other party.

**9.9 Applicable Law.** To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Agreement, without regard to principles of conflicts of laws. Any statutory reference in this Agreement shall also be deemed to refer to all final rules and final regulations promulgated under or with respect to the referenced statutory provision.

**9.10 Code Sections 280G and 4999.** Notwithstanding anything contained in this Agreement to the contrary, if following a change in ownership or effective control or in the ownership of a substantial portion of assets (in each case, within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash payments under this Agreement, then by reducing or eliminating any accelerated vesting of any long term cash incentive awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The provisions of this Section 9.10 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any benefits or compensation.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first set forth above.

**Executive**

By: /s/ Charles L. Harrington

Print Name: Charles L. Harrington

**Parsons Corporation**

By: /s/ Michael R. Kolloway

Print Name: Michael R. Kolloway

Its: Chief Legal Officer



**PARSONS CORPORATION  
CHANGE IN CONTROL SEVERANCE AGREEMENT**

**THIS CHANGE IN CONTROL SEVERANCE AGREEMENT** (this “Agreement”) is made and entered into on this February 7, 2019 (the “Effective Date”), by and between Parsons Corporation, a Delaware corporation (hereinafter referred to as the “Company”) and Michael Kolloway (the “Executive”).

**RECITALS**

The Compensation Committee of the Board of Directors of Parsons Corporation (the “Committee”) and the Board of Directors have approved the Company’s entering into this Agreement with the Executive. The Executive is a key executive of the Company.

Should the possibility of a Change in Control (as defined below) arise, the Committee believes it imperative that the Company should be able to rely upon the Executive to continue in his or her position, and that the Company should be able to receive and rely upon the Executive’s advice, if requested, as to the best interests of the Company and its shareholders without concern that the Executive might be distracted by the personal uncertainties and risks created by the possibility of a Change in Control.

Should the possibility of a Change in Control arise, in addition to his or her regular duties, the Executive may be called upon to assist in the assessment of such a possible Change in Control, advise management and the Board of Directors as to whether such a Change in Control would be in the best interests of the Company and its shareholders, and to take such other actions as the Board of Directors might determine to be appropriate.

**NOW THEREFORE**, to assure the Company that it will have the continued dedication of the Executive and the availability of his or her advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control, and to induce the Executive to remain in the employ of the Company in the face of these circumstances and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Executive agree as follows:

**ARTICLE I  
CERTAIN DEFINITIONS**

Whenever used in this Agreement, the following terms shall have the meanings set forth below unless the context clearly indicates to the contrary:

- (a) “Base Salary” means the salary of record paid to the Executive by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- (b) “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

- (c) “Beneficiary” means the persons or entities designated or deemed designated by the Executive pursuant to Section 9.3.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Cause” means the occurrence of any one or more of the following:
  - (i) The Executive’s committing an act of fraud or embezzlement upon the Company.
  - (ii) The Executive’s conviction of, or pleading guilty or nolo contendere to a felony involving fraud, dishonesty or moral turpitude.
  - (iii) The Executive’s willful and continued failure to substantially perform material duties which is not remedied in a reasonable period of time after written demand for substantial performances is delivered by the Board.
- (f) “Change in Control” shall mean and include each of the following, and shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (iii) any acquisition which complies with Sections 2.9(c)(i), 2.9(c)(ii) and 2.9(c)(iii); or (iv) in respect of an Award held by a particular Holder, any acquisition by the Holder or any group of persons including the Holder (or any entity controlled by the Holder or any group of persons including the Holder); or
  - (ii) The Incumbent Directors cease for any reason to constitute a majority of the Board;

- (iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
- 1) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and
  - 2) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.9(c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and
  - 3) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or
- (iv) The date which is 10 business days prior to the completion of a liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (i), (ii), (iii) or (iv) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

For sake of clarity, a Change in Control will not occur by reason of the Parsons Employee Stock Ownership Plan (the "ESOP") owning less than fifty percent of (50%) of the voting power of the Company's (or any successor thereto) equity securities due to (A) the ESOP making distributions to participants and their beneficiaries, or (B) the ESOP selling equity securities to the public through underwritten registered public offerings.

The Board shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

- (g) “Code” means the United States Internal Revenue Code of 1986, as amended.
- (h) “Company” means Parsons Corporation, a Delaware corporation, any successor thereto or acquirer thereof.
- (i) “Disability” means, for all purposes of this Agreement, the incapacity of the Executive, due to injury, illness, disease, or bodily or mental infirmity, to engage in the performance of substantially all of the usual duties of his or her employment by the Company, such Disability to be determined by the Board upon receipt and in reliance on competent medical advice from one (1) or more individuals, selected or approved by the Board, who are qualified to give such professional medical advice.
- (j) “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.
- (k) “Good Reason” means, without the Executive’s express written consent, the occurrence of any one or more of the following, unless the action or failure giving rise to such occurrence is withdrawn, reversed or cured by the Company within thirty (30) days of the date of the occurrence, and is not thereafter reinstated by the Company during the term of this Agreement:
  - (i) A material reduction in the nature or status of the Executive’s authorities, duties, and/or responsibilities (when such authorities, duties, and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period.
  - (ii) A reduction by the Company of the Executive’s Base Salary as in effect on the day immediately prior to the start of the Protected Period.
  - (iii) A material reduction by the Company of the Executive’s aggregate welfare benefits and/or the value of the incentive programs provided under the Company’s management incentive and/or other short and/or long-term incentive programs, as such benefits and opportunities exist on the day immediately prior to the start of the Protected Period.
  - (iv) The relocation of the Executive’s principal office by the Company more than fifty (50) miles from the location of the Executive’s principal office immediately prior to the start of the Protected Period.

- (v) Any purported termination by the Company of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.4.
- (vi) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement, as contemplated by Article 8.
- (l) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as contemplated by Sections 13(d)(3) and 14(d)(2) thereof.
- (m) "Potential Change in Control" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) Any Person announces an intention to take an action that, if consummated, would result in a Change of Control and the Board expresses its good faith belief that such announced intention is serious.
  - (ii) The Company or the trustees of the Company's Employee Stock Ownership Plan enters into an agreement that, if consummated, would result in a Change in Control.
  - (iii) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding securities.
  - (iv) The Board declares that a Potential Change in Control has occurred for purposes of this Agreement.
- (n) "Protected Period" means the period related to a Change in Control commencing on the date of the Change in Control and ending on the date that is eighteen (18) months after the Change in Control.
- (o) "Qualifying Termination Event" means the occurrence of any one or more of the following events:
  - (i) A termination of the Executive's employment, within the Protected Period, at the initiation of the Company, without the Executive's consent, for reasons other than Cause;
  - (ii) A voluntary termination of employment by the Executive for Good Reason within the Protected Period;

- (iii) A successor company fails or refuses to assume by written instrument the Company's obligations under this Agreement, as contemplated by Article 8 within the Protected Period;
- (iv) The Company or any successor company repudiates or breaches any of the provisions of this Agreement within the Protected Period.

## ARTICLE II SERVICES DURING CERTAIN EVENTS

If a Potential Change in Control occurs, the Executive agrees that he or she will not voluntarily leave the employ of the Company and will render services until (a) the Board declares, or otherwise indicates, that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control, or (b) if a Change in Control occurs, until six (6) months after the Change in Control; provided, however, that, subject to any right that the Executive may have to benefits hereunder, the Company may terminate the Executive's employment at any time for any reason, and the Executive may terminate his or her employment at any time for Good Reason.

## ARTICLE III SEVERANCE BENEFITS

**3.1 Right to Severance Benefits.** The Executive shall be entitled to receive the benefits described in Section 3.2 if the Executive incurs a Qualifying Termination Event, provided that the Executive must (a) furnish the Company with written notice of Executive's exercise of the right to receive such benefits within thirty (30) days of the occurrence of a Qualifying Termination Event and (b) execute and deliver to the Company the Severance Agreement attached hereto as Exhibit A within fifty (50) days of the Qualifying Termination Event and not revoke it pursuant to any revocation rights afforded by law. If the Executive does not timely execute and deliver to the Company the Severance Agreement, or if the Executive has executed the Severance Agreement but revokes it, no severance benefits shall be paid. If more than one Qualifying Termination Event occurs, such events shall constitute a single Qualifying Termination Event and Executive shall be entitled to receive the benefits provided under Section 3.2(a) through (d) only once.

**3.2 Severance Benefits.** If a Qualifying Termination Event occurs and the Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 2<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following:

- (a) the Executive's accrued and unpaid Base Salary and accrued vacation pay through the date of Executive's termination, pursuant to a Qualifying Termination Event;
- (b) a pro-rata portion (based on the number of days that elapsed in the calendar year before the Qualifying Termination Event occurred) of the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the Executive's annual bonus that would have been paid (as determined by the Board in its discretion) assuming the year ended on the date of the Qualifying Termination Event and based on actual performance through that date;

- (c) an amount equal to the highest rate of the Executive's annualized Base Salary in effect at any time up to and including the Qualifying Termination Event multiplied by two (2); and
- (d) an amount equal to the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the average of the annual bonuses actually paid to the Executive for the two years preceding the year of the Qualifying Termination Event, multiplied by two (2).

In addition to the foregoing, if Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 21<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following: (i) the Company's estimate of the costs for the Executive's medical insurance coverage at the level and a cost to the Executive comparable to that provided to the Executive immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (which, in the Company's discretion, may be based on the applicable COBRA rates); (ii) the Company's estimate of the costs for the continuation of that level of the Executive's executive life insurance coverage that is in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event, or, if shorter, the period ending on the last day of the level premium rate guarantee period established by the applicable insurer for such coverage; and (iii) the Company's estimate of the costs for the continuation of the Executive's executive supplemental disability coverage under the Company's supplemental disability insurance plan in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (or the date the Executive attains age 65, if earlier), but the cash payment in this clause (iii) will only be paid if the terms of the applicable insurance policy under such disability insurance plan provide that the coverage may be continued following the Qualifying Termination Event and such costs to be estimated using the extent of the coverage allowed under the terms of such policy at a cost to the Company that is no greater than the cost borne by the Company immediately prior to the Qualifying Termination Event.

If the 21<sup>1</sup>/<sub>2</sub> month period following the Qualifying Termination Event for making the foregoing cash payments spans two calendar years, payment will in all cases be made in the second (later) calendar year.

Notwithstanding any provision of this Agreement to the contrary, to the extent that the Company determines that a delay in payment or benefits is required to avoid subjecting the Executive to taxes under Code Section 409A ("Section 409A"), the Executive shall not be entitled to receive any payments of, or benefits that constitute, deferred compensation (as defined in Section 409A) until the earlier of (i) the date which is six (6) months after his or her termination of employment or (ii) the date of his or her death (the "Section 409A Period"), at which time the Company shall pay all delayed payments to the Executive in a lump sum.

**3.3 Termination for Other Reasons.** Except as expressly provided below, the Company shall have no obligations (or no further obligations, as the case may be) to the Executive under this Agreement if:

- (a) Executive's employment is terminated by the Company for Cause;
- (b) Executive terminates his or her employment with the Company other than for Good Reason during a Protected Period;
- (c) Executive's employment by the Company terminates due to the Executive's Disability, retirement or death; or
- (d) Executive's employment by the Company is terminated by the Company or the Executive for any reason, if such termination does not occur during a Protected Period.
- (e) Prior to a Potential Change in Control, Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position and as a result the term of this Agreement terminates pursuant to Article VI.

If, during a Protected Period and immediately prior to the Executive's Disability or retirement, the Executive would have been entitled to terminate employment with the Company for Good Reason, then upon termination of his or her employment for Disability or retirement he shall be deemed to have terminated for Good Reason for purposes of this Agreement.

Notwithstanding anything else contained herein to the contrary, the Executive's termination of employment on account of reaching the normal retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, to the extent such policies are applicable to the Executive immediately prior to the commencement of the Protected Period and to the extent such policies are consistent with applicable law, shall not be a Qualifying Termination Event unless the Executive was otherwise able to terminate employment for Good Reason immediately prior to his or her retirement and his or her retirement occurred during a Protected Period.

**3.4 Notice of Termination.** Any termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The Notice of Termination shall be effective on the date specified in Section 9.8 of this Agreement.



**ARTICLE IV  
TAXES**

The Company has the right to withhold from any amount otherwise payable to the Executive under or pursuant to this Agreement the amount of any taxes that the Company may legally be required to withhold with respect to such payment (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes). In the event that tax withholding is required with respect to amounts or benefits payable or deliverable by the Company to the Executive and the Company cannot satisfy its tax withholding obligations in the manner described in the preceding sentence, the Company may require the Executive to pay or provide for the payment of such required tax withholding as a condition to the payment or delivery of such amounts or benefits.

The Executive (or his or her Beneficiaries, if applicable) shall be solely responsible for all income and employment taxes arising in connection with this Agreement or benefits hereunder.

**ARTICLE V  
THE COMPANY'S PAYMENT OBLIGATION**

**5.1 Payment Obligations Absolute.** Subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby, the Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset (except an offset for the amount of any debt that is due from Executive to Company for loans, advances or similar items provided by the Company to Executive prior to the date of Executive's notice to the Company of a Qualifying Termination Event), counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever, except as a result of an error in calculating the value of benefits payable under Section 3.2 or as otherwise provided in Article 7 and subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

**5.2 Unsecured General Creditor.** The Executive and his or her Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Agreement. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under this Agreement shall be merely that of an unfunded and unsecured promise of the entity to

pay money in the future, and the rights of the Executive and his or her Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Agreement be unfunded for purposes of the Code and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

**5.3 Pension Plans.** All payments, benefits and amounts provided under this Agreement shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan in which the Executive participates, and any disability, workers' compensation or other Company benefit plan distribution that the Executive is entitled to, under the terms of any such plan, at the time his or her employment by the Company terminates. Notwithstanding the foregoing, this Agreement shall not create an inference that any duplicate payments shall be required.

## **ARTICLE VI TERM OF AGREEMENT**

This Agreement will commence on the Effective Date and shall continue in effect through February 28, 2020. However, at the end of such initial period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless the Committee (or the Board) delivers written notice at least six (6) months prior to the end of such term, or extended term, to the Executive, that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term, or extended term, then in progress. If a Potential Change in Control occurs, the Committee (or the Board) may not give notice that the term of this Agreement will not be extended, or further extended, as the case may be, unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control.

Unless the Board expressly determines that the term of this Agreement shall continue in effect, the term of this Agreement will terminate if, prior to a Potential Change in Control, the Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position.

Notwithstanding anything to the contrary in this Agreement, in the event a Change in Control occurs during the initial or any extended term, this Agreement will remain in effect for the longer of: (a) eighteen (18) months beyond the month in which such Change in Control occurred; or (b) if the Executive incurs a Qualifying Termination Event, until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive.

Any subsequent Change in Control ("Subsequent Change in Control") that occurs during the term shall also continue the term until the later of: (a) the date the term then in effect, at the time of such Subsequent Change in Control, would end; or (b) until all obligations of the Company hereunder have been fulfilled and all benefits required hereunder have been paid to the Executive; provided, however, that if one or more Subsequent Changes in Control occur, such event (or events) shall be considered a Change in Control hereunder, and this Agreement will be applicable thereto only if it, or they, occur during a Protected Period in effect at the time of any Subsequent Change in Control.

Notwithstanding anything herein to the contrary, the Executive shall be entitled to receive the benefits provided in this Agreement one time only under this Agreement, regardless of the number of Changes in Control or Subsequent Changes in Control that may occur.

## **ARTICLE VII RESOLUTION OF DISPUTES**

**7.1 Arbitration of Claims.** The Company and the Executive hereby consent to the resolution by mandatory and binding arbitration of all claims or controversies arising out of or in connection with this Agreement and/or the Exhibits hereto that the Company may have against the Executive, or that the Executive may have against the Company or against its officers, directors, employees or agents acting in their capacity as such. Each party's promise to resolve all such claims or controversies by arbitration in accordance with this Agreement, rather than through the courts, is consideration for the other party's like promise. It is further agreed that the decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration shall be final and binding upon the Company and the Executive and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be before a sole arbitrator (the "Arbitrator") selected from Judicial Arbitration & Mediation Services, Inc., Los Angeles County, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Civil Procedure Code Section 1280 *et. seq.* as the exclusive remedy of such dispute.

The Arbitrator shall interpret this Agreement, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the Arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or this Agreement. Except as provided in the next paragraph, the Arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to, any claim that all or any part of this Agreement is voidable. The Arbitrator shall have the authority to decide dispositive motions. Following the completion of the arbitration, the Arbitrator shall issue a written decision disclosing the essential findings and conclusions upon which the award is based.

Notwithstanding the foregoing, provisional injunctive relief may, but need not, be sought by the Executive or the Company in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally resolved by the Arbitrator in accordance with the foregoing. Final resolution of any dispute through arbitration may include any remedy or relief which would otherwise be available at law and which the Arbitrator deems just and equitable. The Arbitrator shall have the authority to award full damages as provided by law. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.

The Company shall pay the reasonable fees and expenses of the Arbitrator and a stenographic reporter, if employed, and any other costs associated with the arbitration that are unique to arbitration. Each party shall pay its own legal fees and other expenses and costs incurred with respect to the arbitration as and to the same extent as if the matter were being heard in court.

## **ARTICLE VIII SUCCESSORS**

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty-one percent (51%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement in a written instrument prior to the effective date of any such succession shall be a breach of this Agreement and shall entitle the Executive to the benefits provided under this Agreement.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, trustees, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Executive's Beneficiary in accordance with the terms of this Agreement.

## **ARTICLE IX MISCELLANEOUS**

**9.1 Release and Agreement.** Notwithstanding anything else contained herein to the contrary, the Company's obligation to pay benefits hereunder to the Executive is subject to the condition precedent that the Executive execute a valid and effective Severance Agreement in the form attached hereto as Exhibit A (or such other form, which is substantially the same as the form attached hereto as Exhibit A, as the Committee may require) and such executed agreement is received by the Company and is not revoked by the Executive or otherwise rendered unenforceable by the Executive.

**9.2 Employment Status.** The Executive and the Company acknowledge that, except as may be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will," and may be terminated by either the Executive or the Company at any time, subject to applicable law and subject to the express provisions of Article 2.

**9.3 Beneficiaries.** Subject to the other provisions of this Section 9.3, the person or persons (including a trustee, personal representative or other fiduciary) last designated in writing by the Executive in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Executive's death shall be the Executive's Beneficiary or Beneficiaries.

No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Executive's spouse shall be effective unless such designation is consented to by the Executive's spouse on a form provided by and in accordance with procedures established by the Committee.

If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Executive's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Executive's estate (which shall include either the Executive's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Executive's estate duly appointed and acting in that capacity within 90 days after the Executive's death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Executive's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder.

Notwithstanding anything else herein to the contrary, in the event any amount is payable under this Agreement to a minor, payment shall not be made to the minor, but instead be paid: (a) to that person's living parent(s) to act as custodian; (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent; or (c) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

**9.4 Entire Agreement.** This Agreement, including the Exhibits hereto, contains the entire understanding of the Company and the Executive, and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, with respect to the subject matter hereof.

**9.5 Gender and Number.** Except where otherwise indicated by the context any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

**9.6 Severability.** In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

**9.7 Modification.** No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive (or the Executive's legal representative) and by an authorized member of the Committee (or the Board) or its designee or legal representative.

**9.8 Notice.** For purposes of this Agreement, notices, including Notice of Termination, and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (a) if to the Executive, to his or her latest address as reflected on the records of the Company, and (b) if to the Company, to Parsons Corporation, 100 West Walnut Street, Pasadena, California 91124, Attn: Chair, Compensation Committee, or to such other address as either party may furnish to the other in writing for the delivery of notices to that party, with specific reference to this Agreement and the importance of the notice, except that a notice of change of address shall be effective only upon receipt by the other party.

**9.9 Applicable Law.** To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Agreement, without regard to principles of conflicts of laws. Any statutory reference in this Agreement shall also be deemed to refer to all final rules and final regulations promulgated under or with respect to the referenced statutory provision.

**9.10 Code Sections 280G and 4999.** Notwithstanding anything contained in this Agreement to the contrary, if following a change in ownership or effective control or in the ownership of a substantial portion of assets (in each case, within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash payments under this Agreement, then by reducing or eliminating any accelerated vesting of any long term cash incentive awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The provisions of this Section 9.10 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any benefits or compensation.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date first set forth above.

**Executive**

Signature:  /s/ Michael Kolloway

Print Name: Michael Kolloway

**Parsons Corporation**

By:  /s/ Charles L. Harrington

Print Name: Charles L. Harrington

Its: Chief Executive Officer

**PARSONS CORPORATION  
CHANGE IN CONTROL SEVERANCE AGREEMENT**

**THIS CHANGE IN CONTROL SEVERANCE AGREEMENT** (this “Agreement”) is made and entered into on this March 9, 2019 (the “Effective Date”), by and between Parsons Corporation, a Delaware corporation (hereinafter referred to as the “Company”) and Carey Smith (the “Executive”).

**RECITALS**

The Compensation Committee of the Board of Directors of Parsons Corporation (the “Committee”) and the Board of Directors have approved the Company’s entering into this Agreement with the Executive. The Executive is a key executive of the Company.

Should the possibility of a Change in Control (as defined below) arise, the Committee believes it imperative that the Company should be able to rely upon the Executive to continue in his or her position, and that the Company should be able to receive and rely upon the Executive’s advice, if requested, as to the best interests of the Company and its shareholders without concern that the Executive might be distracted by the personal uncertainties and risks created by the possibility of a Change in Control.

Should the possibility of a Change in Control arise, in addition to his or her regular duties, the Executive may be called upon to assist in the assessment of such a possible Change in Control, advise management and the Board of Directors as to whether such a Change in Control would be in the best interests of the Company and its shareholders, and to take such other actions as the Board of Directors might determine to be appropriate.

**NOW THEREFORE**, to assure the Company that it will have the continued dedication of the Executive and the availability of his or her advice and counsel notwithstanding the possibility, threat, or occurrence of a Change in Control, and to induce the Executive to remain in the employ of the Company in the face of these circumstances and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Executive agree as follows:

**ARTICLE I  
CERTAIN DEFINITIONS**

Whenever used in this Agreement, the following terms shall have the meanings set forth below unless the context clearly indicates to the contrary:

- (a) “Base Salary” means the salary of record paid to the Executive by the Company as annual salary (whether or not deferred), but excludes amounts received under incentive or other bonus plans.
- (b) “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.



- (c) “Beneficiary” means the persons or entities designated or deemed designated by the Executive pursuant to Section 9.3.
- (d) “Board” means the Board of Directors of the Company.
- (e) “Cause” means the occurrence of any one or more of the following:
  - (i) The Executive’s committing an act of fraud or embezzlement upon the Company.
  - (ii) The Executive’s conviction of, or pleading guilty or nolo contendere to a felony involving fraud, dishonesty or moral turpitude.
  - (iii) The Executive’s willful and continued failure to substantially perform material duties which is not remedied in a reasonable period of time after written demand for substantial performances is delivered by the Board.
- (f) “Change in Control” shall mean and include each of the following, and shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (iii) any acquisition which complies with Sections 2.9(c)(i), 2.9(c)(ii) and 2.9(c)(iii); or (iv) in respect of an Award held by a particular Holder, any acquisition by the Holder or any group of persons including the Holder (or any entity controlled by the Holder or any group of persons including the Holder); or
  - (ii) The Incumbent Directors cease for any reason to constitute a majority of the Board;

- (iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
- 1) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and
  - 2) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.9(c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and
  - 3) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or
- (iv) The date which is 10 business days prior to the completion of a liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (i), (ii), (iii) or (iv) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

For sake of clarity, a Change in Control will not occur by reason of the Parsons Employee Stock Ownership Plan (the "ESOP") owning less than fifty percent of (50%) of the voting power of the Company's (or any successor thereto) equity securities due to (A) the ESOP making distributions to participants and their beneficiaries, or (B) the ESOP selling equity securities to the public through underwritten registered public offerings.

The Board shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

- (g) “Code” means the United States Internal Revenue Code of 1986, as amended.
- (h) “Company” means Parsons Corporation, a Delaware corporation, any successor thereto or acquirer thereof.
- (i) “Disability” means, for all purposes of this Agreement, the incapacity of the Executive, due to injury, illness, disease, or bodily or mental infirmity, to engage in the performance of substantially all of the usual duties of his or her employment by the Company, such Disability to be determined by the Board upon receipt and in reliance on competent medical advice from one (1) or more individuals, selected or approved by the Board, who are qualified to give such professional medical advice.
- (j) “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.
- (k) “Good Reason” means, without the Executive’s express written consent, the occurrence of any one or more of the following, unless the action or failure giving rise to such occurrence is withdrawn, reversed or cured by the Company within thirty (30) days of the date of the occurrence, and is not thereafter reinstated by the Company during the term of this Agreement:
  - (i) A material reduction in the nature or status of the Executive’s authorities, duties, and/or responsibilities (when such authorities, duties, and/or responsibilities are viewed in the aggregate) from their level in effect on the day immediately prior to the start of the Protected Period.
  - (ii) A reduction by the Company of the Executive’s Base Salary as in effect on the day immediately prior to the start of the Protected Period.
  - (iii) A material reduction by the Company of the Executive’s aggregate welfare benefits and/or the value of the incentive programs provided under the Company’s management incentive and/or other short and/or long-term incentive programs, as such benefits and opportunities exist on the day immediately prior to the start of the Protected Period.
  - (iv) The relocation of the Executive’s principal office by the Company more than fifty (50) miles from the location of the Executive’s principal office immediately prior to the start of the Protected Period.

- (v) Any purported termination by the Company of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.4.
- (vi) The failure of the Company to obtain a satisfactory agreement from any successor to the Company to assume and agree to perform the Company's obligations under this Agreement, as contemplated by Article 8.
- (l) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as contemplated by Sections 13(d)(3) and 14(d)(2) thereof.
- (m) "Potential Change in Control" shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:
  - (i) Any Person announces an intention to take an action that, if consummated, would result in a Change of Control and the Board expresses its good faith belief that such announced intention is serious.
  - (ii) The Company or the trustees of the Company's Employee Stock Ownership Plan enters into an agreement that, if consummated, would result in a Change in Control.
  - (iii) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing ten percent (10%) or more of the combined voting power of the Company's then outstanding securities.
  - (iv) The Board declares that a Potential Change in Control has occurred for purposes of this Agreement.
- (n) "Protected Period" means the period related to a Change in Control commencing on the date of the Change in Control and ending on the date that is eighteen (18) months after the Change in Control.
- (o) "Qualifying Termination Event" means the occurrence of any one or more of the following events:
  - (i) A termination of the Executive's employment, within the Protected Period, at the initiation of the Company, without the Executive's consent, for reasons other than Cause;
  - (ii) A voluntary termination of employment by the Executive for Good Reason within the Protected Period;

- (iii) A successor company fails or refuses to assume by written instrument the Company's obligations under this Agreement, as contemplated by Article 8 within the Protected Period;
- (iv) The Company or any successor company repudiates or breaches any of the provisions of this Agreement within the Protected Period.

## ARTICLE II SERVICES DURING CERTAIN EVENTS

If a Potential Change in Control occurs, the Executive agrees that he or she will not voluntarily leave the employ of the Company and will render services until (a) the Board declares, or otherwise indicates, that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control, or (b) if a Change in Control occurs, until six (6) months after the Change in Control; provided, however, that, subject to any right that the Executive may have to benefits hereunder, the Company may terminate the Executive's employment at any time for any reason, and the Executive may terminate his or her employment at any time for Good Reason.

## ARTICLE III SEVERANCE BENEFITS

**3.1 Right to Severance Benefits.** The Executive shall be entitled to receive the benefits described in Section 3.2 if the Executive incurs a Qualifying Termination Event, provided that the Executive must (a) furnish the Company with written notice of Executive's exercise of the right to receive such benefits within thirty (30) days of the occurrence of a Qualifying Termination Event and (b) execute and deliver to the Company the Severance Agreement attached hereto as Exhibit A within fifty (50) days of the Qualifying Termination Event and not revoke it pursuant to any revocation rights afforded by law. If the Executive does not timely execute and deliver to the Company the Severance Agreement, or if the Executive has executed the Severance Agreement but revokes it, no severance benefits shall be paid. If more than one Qualifying Termination Event occurs, such events shall constitute a single Qualifying Termination Event and Executive shall be entitled to receive the benefits provided under Section 3.2(a) through (d) only once.

**3.2 Severance Benefits.** If a Qualifying Termination Event occurs and the Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 2<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following:

- (a) the Executive's accrued and unpaid Base Salary and accrued vacation pay through the date of Executive's termination, pursuant to a Qualifying Termination Event;
- (b) a pro-rata portion (based on the number of days that elapsed in the calendar year before the Qualifying Termination Event occurred) of the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the Executive's annual bonus that would have been paid (as determined by the Board in its discretion) assuming the year ended on the date of the Qualifying Termination Event and based on actual performance through that date;

- (c) an amount equal to the highest rate of the Executive's annualized Base Salary in effect at any time up to and including the Qualifying Termination Event multiplied by two (2); and
- (d) an amount equal to the greater of (i) the Executive's target annual bonus for the year of the Qualifying Termination Event or (ii) the average of the annual bonuses actually paid to the Executive for the two years preceding the year of the Qualifying Termination Event, multiplied by two (2).

In addition to the foregoing, if Executive satisfies the conditions set forth in Section 3.1 above, the Company will pay the Executive as soon as practicable following his or her satisfaction of such conditions, but in no event more than 2<sup>1</sup>/<sub>2</sub> months following the Qualifying Termination Event, a non-discounted cash lump sum amount equal to the sum of the following: (i) the Company's estimate of the costs for the Executive's medical insurance coverage at the level and a cost to the Executive comparable to that provided to the Executive immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (which, in the Company's discretion, may be based on the applicable COBRA rates); (ii) the Company's estimate of the costs for the continuation of that level of the Executive's executive life insurance coverage that is in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event, or, if shorter, the period ending on the last day of the level premium rate guarantee period established by the applicable insurer for such coverage; and (iii) the Company's estimate of the costs for the continuation of the Executive's executive supplemental disability coverage under the Company's supplemental disability insurance plan in effect immediately prior to the Qualifying Termination Event for a period of two (2) years following such Qualifying Termination Event (or the date the Executive attains age 65, if earlier), but the cash payment in this clause (iii) will only be paid if the terms of the applicable insurance policy under such disability insurance plan provide that the coverage may be continued following the Qualifying Termination Event and such costs to be estimated using the extent of the coverage allowed under the terms of such policy at a cost to the Company that is no greater than the cost borne by the Company immediately prior to the Qualifying Termination Event.

If the 2<sup>1</sup>/<sub>2</sub> month period following the Qualifying Termination Event for making the foregoing cash payments spans two calendar years, payment will in all cases be made in the second (later) calendar year.

Notwithstanding any provision of this Agreement to the contrary, to the extent that the Company determines that a delay in payment or benefits is required to avoid subjecting the Executive to taxes under Code Section 409A ("Section 409A"), the Executive shall not be entitled to receive any payments of, or benefits that constitute, deferred compensation (as defined in Section 409A) until the earlier of (i) the date which is six (6) months after his or her termination of employment or (ii) the date of his or her death (the "Section 409A Period"), at which time the Company shall pay all delayed payments to the Executive in a lump sum.

**3.3 Termination for Other Reasons.** Except as expressly provided below, the Company shall have no obligations (or no further obligations, as the case may be) to the Executive under this Agreement if:

- (a) Executive's employment is terminated by the Company for Cause;
- (b) Executive terminates his or her employment with the Company other than for Good Reason during a Protected Period;
- (c) Executive's employment by the Company terminates due to the Executive's Disability, retirement or death; or
- (d) Executive's employment by the Company is terminated by the Company or the Executive for any reason, if such termination does not occur during a Protected Period.
- (e) Prior to a Potential Change in Control, Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position and as a result the term of this Agreement terminates pursuant to Article VI.

If, during a Protected Period and immediately prior to the Executive's Disability or retirement, the Executive would have been entitled to terminate employment with the Company for Good Reason, then upon termination of his or her employment for Disability or retirement he shall be deemed to have terminated for Good Reason for purposes of this Agreement.

Notwithstanding anything else contained herein to the contrary, the Executive's termination of employment on account of reaching the normal retirement age, as such age may be defined from time to time in policies adopted by the Company prior to the commencement of the Protected Period, to the extent such policies are applicable to the Executive immediately prior to the commencement of the Protected Period and to the extent such policies are consistent with applicable law, shall not be a Qualifying Termination Event unless the Executive was otherwise able to terminate employment for Good Reason immediately prior to his or her retirement and his or her retirement occurred during a Protected Period.

**3.4 Notice of Termination.** Any termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. The Notice of Termination shall be effective on the date specified in Section 9.8 of this Agreement.

**ARTICLE IV  
TAXES**

The Company has the right to withhold from any amount otherwise payable to the Executive under or pursuant to this Agreement the amount of any taxes that the Company may legally be required to withhold with respect to such payment (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes). In the event that tax withholding is required with respect to amounts or benefits payable or deliverable by the Company to the Executive and the Company cannot satisfy its tax withholding obligations in the manner described in the preceding sentence, the Company may require the Executive to pay or provide for the payment of such required tax withholding as a condition to the payment or delivery of such amounts or benefits.

The Executive (or his or her Beneficiaries, if applicable) shall be solely responsible for all income and employment taxes arising in connection with this Agreement or benefits hereunder.

**ARTICLE V  
THE COMPANY'S PAYMENT OBLIGATION**

**5.1 Payment Obligations Absolute.** Subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby, the Company's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset (except an offset for the amount of any debt that is due from Executive to Company for loans, advances or similar items provided by the Company to Executive prior to the date of Executive's notice to the Company of a Qualifying Termination Event), counterclaim, recoupment, defense, or other right which the Company may have against the Executive or anyone else. All amounts payable by the Company hereunder shall be paid without notice or demand. Each and every payment made hereunder by the Company shall be final, and the Company shall not seek to recover all or any part of such payment from the Executive or from whomsoever may be entitled thereto, for any reasons whatsoever, except as a result of an error in calculating the value of benefits payable under Section 3.2 or as otherwise provided in Article 7 and subject to the Executive's compliance with Section 9.1 and the agreement contemplated thereby.

The Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Agreement, and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

**5.2 Unsecured General Creditor.** The Executive and his or her Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of the Company. No assets of the Company shall be held under any trust, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Agreement. Any and all of the Company's assets shall be, and remain, the general unpledged, unrestricted assets of the Company. The Company's obligation under this Agreement shall be merely that of an unfunded and unsecured promise of the entity to



pay money in the future, and the rights of the Executive and his or her Beneficiaries shall be no greater than those of unsecured general creditors. It is the intention of the Company that this Agreement be unfunded for purposes of the Code and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

**5.3 Pension Plans.** All payments, benefits and amounts provided under this Agreement shall be in addition to and not in substitution for any pension rights under the Company's tax-qualified pension plan in which the Executive participates, and any disability, workers' compensation or other Company benefit plan distribution that the Executive is entitled to, under the terms of any such plan, at the time his or her employment by the Company terminates. Notwithstanding the foregoing, this Agreement shall not create an inference that any duplicate payments shall be required.

## **ARTICLE VI TERM OF AGREEMENT**

This Agreement will commence on the Effective Date and shall continue in effect through February 28, 2020. However, at the end of such initial period and, if extended, at the end of each additional year thereafter, the term of this Agreement shall be extended automatically for one (1) additional year, unless the Committee (or the Board) delivers written notice at least six (6) months prior to the end of such term, or extended term, to the Executive, that this Agreement will not be extended. In such case, this Agreement will terminate at the end of the term, or extended term, then in progress. If a Potential Change in Control occurs, the Committee (or the Board) may not give notice that the term of this Agreement will not be extended, or further extended, as the case may be, unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control.

Unless the Board expressly determines that the term of this Agreement shall continue in effect, the term of this Agreement will terminate if, prior to a Potential Change in Control, the Executive ceases to perform services on a full-time basis in either the same position Executive was serving on the Effective Date or a more senior position.

Notwithstanding anything to the contrary in this Agreement, in the event a Change in Control occurs during the initial or any extended term, this Agreement will remain in effect for the longer of: (a) eighteen (18) months beyond the month in which such Change in Control occurred; or (b) if the Executive incurs a Qualifying Termination Event, until all obligations of the Company hereunder have been fulfilled, and until all benefits required hereunder have been paid to the Executive.

Any subsequent Change in Control ("Subsequent Change in Control") that occurs during the term shall also continue the term until the later of: (a) the date the term then in effect, at the time of such Subsequent Change in Control, would end; or (b) until all obligations of the Company hereunder have been fulfilled and all benefits required hereunder have been paid to the Executive; provided, however, that if one or more Subsequent Changes in Control occur, such event (or events) shall be considered a Change in Control hereunder, and this Agreement will be applicable thereto only if it, or they, occur during a Protected Period in effect at the time of any Subsequent Change in Control.

Notwithstanding anything herein to the contrary, the Executive shall be entitled to receive the benefits provided in this Agreement one time only under this Agreement, regardless of the number of Changes in Control or Subsequent Changes in Control that may occur.

## ARTICLE VII RESOLUTION OF DISPUTES

**7.1 Arbitration of Claims.** The Company and the Executive hereby consent to the resolution by mandatory and binding arbitration of all claims or controversies arising out of or in connection with this Agreement and/or the Exhibits hereto that the Company may have against the Executive, or that the Executive may have against the Company or against its officers, directors, employees or agents acting in their capacity as such. Each party's promise to resolve all such claims or controversies by arbitration in accordance with this Agreement, rather than through the courts, is consideration for the other party's like promise. It is further agreed that the decision of an arbitrator on any issue, dispute, claim or controversy submitted for arbitration shall be final and binding upon the Company and the Executive and that judgment may be entered on the award of the arbitrator in any court having proper jurisdiction.

Except as otherwise provided in this procedure or by mutual agreement of the parties, any arbitration shall be before a sole arbitrator (the "Arbitrator") selected from Judicial Arbitration & Mediation Services, Inc., Los Angeles County, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Civil Procedure Code Section 1280 *et. seq.* as the exclusive remedy of such dispute.

The Arbitrator shall interpret this Agreement, any applicable Company policy or rules and regulations, any applicable substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or applicable federal law. In reaching his or her decision, the Arbitrator shall have no authority to change or modify any lawful Company policy, rule or regulation, or this Agreement. Except as provided in the next paragraph, the Arbitrator, and not any federal, state or local court or agency, shall have exclusive and broad authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to, any claim that all or any part of this Agreement is voidable. The Arbitrator shall have the authority to decide dispositive motions. Following the completion of the arbitration, the Arbitrator shall issue a written decision disclosing the essential findings and conclusions upon which the award is based.

Notwithstanding the foregoing, provisional injunctive relief may, but need not, be sought by the Executive or the Company in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally resolved by the Arbitrator in accordance with the foregoing. Final resolution of any dispute through arbitration may include any remedy or relief which would otherwise be available at law and which the Arbitrator deems just and equitable. The Arbitrator shall have the authority to award full damages as provided by law. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.

The Company shall pay the reasonable fees and expenses of the Arbitrator and a stenographic reporter, if employed, and any other costs associated with the arbitration that are unique to arbitration. Each party shall pay its own legal fees and other expenses and costs incurred with respect to the arbitration as and to the same extent as if the matter were being heard in court.

## **ARTICLE VIII SUCCESSORS**

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Company or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty-one percent (51%) of the total business and/or assets of the Company) to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform them if no such succession had taken place. Failure of the Company to obtain such assumption and agreement in a written instrument prior to the effective date of any such succession shall be a breach of this Agreement and shall entitle the Executive to the benefits provided under this Agreement.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, trustees, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive should die while any amount would still be payable to him hereunder had he continued to live, all such amounts, unless otherwise provided herein, shall be paid to the Executive's Beneficiary in accordance with the terms of this Agreement.

## **ARTICLE IX MISCELLANEOUS**

**9.1 Release and Agreement.** Notwithstanding anything else contained herein to the contrary, the Company's obligation to pay benefits hereunder to the Executive is subject to the condition precedent that the Executive execute a valid and effective Severance Agreement in the form attached hereto as Exhibit A (or such other form, which is substantially the same as the form attached hereto as Exhibit A, as the Committee may require) and such executed agreement is received by the Company and is not revoked by the Executive or otherwise rendered unenforceable by the Executive.

**9.2 Employment Status.** The Executive and the Company acknowledge that, except as may be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will," and may be terminated by either the Executive or the Company at any time, subject to applicable law and subject to the express provisions of Article 2.

**9.3 Beneficiaries.** Subject to the other provisions of this Section 9.3, the person or persons (including a trustee, personal representative or other fiduciary) last designated in writing by the Executive in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Executive's death shall be the Executive's Beneficiary or Beneficiaries.

No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Executive's spouse shall be effective unless such designation is consented to by the Executive's spouse on a form provided by and in accordance with procedures established by the Committee.

If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Executive's surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Executive's estate (which shall include either the Executive's probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Executive's estate duly appointed and acting in that capacity within 90 days after the Executive's death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Executive's death), then Beneficiary shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder.

Notwithstanding anything else herein to the contrary, in the event any amount is payable under this Agreement to a minor, payment shall not be made to the minor, but instead be paid: (a) to that person's living parent(s) to act as custodian; (b) if that person's parents are then divorced, and one parent is the sole custodial parent, to such custodial parent; or (c) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

**9.4 Entire Agreement.** This Agreement, including the Exhibits hereto, contains the entire understanding of the Company and the Executive, and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, with respect to the subject matter hereof.

**9.5 Gender and Number.** Except where otherwise indicated by the context any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

**9.6 Severability.** In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

**9.7 Modification.** No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in writing and signed by the Executive (or the Executive's legal representative) and by an authorized member of the Committee (or the Board) or its designee or legal representative.

**9.8 Notice.** For purposes of this Agreement, notices, including Notice of Termination, and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed: (a) if to the Executive, to his or her latest address as reflected on the records of the Company, and (b) if to the Company, to Parsons Corporation, 100 West Walnut Street, Pasadena, California 91124, Attn: Chair, Compensation Committee, or to such other address as either party may furnish to the other in writing for the delivery of notices to that party, with specific reference to this Agreement and the importance of the notice, except that a notice of change of address shall be effective only upon receipt by the other party.

**9.9 Applicable Law.** To the extent not preempted by the laws of the United States, the laws of the State of California shall be the controlling law in all matters relating to this Agreement, without regard to principles of conflicts of laws. Any statutory reference in this Agreement shall also be deemed to refer to all final rules and final regulations promulgated under or with respect to the referenced statutory provision.

**9.10 Code Sections 280G and 4999.** Notwithstanding anything contained in this Agreement to the contrary, if following a change in ownership or effective control or in the ownership of a substantial portion of assets (in each case, within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code or any similar or successor tax (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise (collectively, the "Total Payments"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, the Company shall reduce or eliminate the Total Payments by first reducing or eliminating any cash payments under this Agreement, then by reducing or eliminating any accelerated vesting of any long term cash incentive awards, then by reducing or eliminating any other remaining Total Payments, in each case in reverse order beginning with the payments which are to be paid the farthest in time from the date of the transaction triggering the Excise Tax. The provisions of this Section 9.10 shall take precedence over the provisions of any other plan, arrangement or agreement governing the Executive's rights and entitlements to any benefits or compensation.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date first set forth above.

**Executive**

Signature:  /s/ Carey Smith

Print Name: Carey Smith

**Parsons Corporation**

By:  /s/ Charles L. Harrington

Print Name: Charles L. Harrington

Its: Chief Executive Officer

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PARSONS CORPORATION

\$250,000,000

\$50,000,000 4.44% Senior Notes, Series A, due July 15, 2021  
\$100,000,000 4.98% Senior Notes, Series B, due July 15, 2024  
\$60,000,000 5.13% Senior Notes, Series C, due July 15, 2026  
\$40,000,000 5.38% Senior Notes, Series D, due July 16, 2029

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NOTE PURCHASE AGREEMENT

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Dated as of May 9, 2014

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## TABLE OF CONTENTS

SECTION	HEADING	PAGE
SECTION 1.	AUTHORIZATION OF NOTES	1
SECTION 2.	SALE AND PURCHASE OF NOTES	1
SECTION 3.	CLOSING	2
SECTION 4.	CONDITIONS TO CLOSING	2
Section 4.1.	Representations and Warranties	2
Section 4.2.	Performance; No Default	2
Section 4.3.	Compliance Certificates	3
Section 4.4.	Opinions of Counsel	3
Section 4.5.	Purchase Permitted By Applicable Law, Etc.	3
Section 4.6.	Sale of Other Notes	3
Section 4.7.	Payment of Special Counsel Fees	3
Section 4.8.	Private Placement Number	4
Section 4.9.	Changes in Corporate Structure	4
Section 4.10.	Funding Instructions	4
Section 4.11.	Proceedings and Documents	4
Section 4.12.	Subsidiary Guaranties	4
Section 4.13.	Offeree Letter	5
SECTION 5.	REPRESENTATIONS AND WARRANTIES OF THE COMPANY	5
Section 5.1.	Organization; Power and Authority	5
Section 5.2.	Authorization, Etc.	5
Section 5.3.	Disclosure	5
Section 5.4.	Organization and Ownership of Shares of Subsidiaries; Affiliates	6
Section 5.5.	Financial Statements; Material Liabilities	6
Section 5.6.	Compliance with Laws, Other Instruments, Etc.	7
Section 5.7.	Governmental Authorizations, Etc.	7
Section 5.8.	Litigation; Observance of Agreements, Statutes and Orders	7
Section 5.9.	Taxes	7
Section 5.10.	Title to Property; Leases	8
Section 5.11.	Licenses, Permits, Etc.	8
Section 5.12.	Compliance with ERISA	8
Section 5.13.	Private Offering by the Company	9
Section 5.14.	Use of Proceeds; Margin Regulations	9
Section 5.15.	Existing Debt; Future Liens	10
Section 5.16.	Foreign Assets Control Regulations, Etc.	10
Section 5.17.	Status under Certain Statutes	12
Section 5.18.	Environmental Matters	12



SECTION 6.	REPRESENTATIONS OF THE PURCHASERS	13
Section 6.1.	Purchase for Investment	13
Section 6.2.	Source of Funds	13
SECTION 7.	INFORMATION AS TO COMPANY	15
Section 7.1.	Financial and Business Information	15
Section 7.2.	Officer's Certificate	17
Section 7.3.	Visitation	18
Section 7.4.	Electronic Delivery	18
SECTION 8.	PAYMENT AND PREPAYMENT OF THE NOTES	19
Section 8.1.	Maturity	19
Section 8.2.	Optional Prepayments with Make-Whole Amount	19
Section 8.3.	Allocation of Partial Prepayments	20
Section 8.4.	Maturity; Surrender, Etc.	20
Section 8.5.	Purchase of Notes	20
Section 8.6.	Make-Whole Amount	20
Section 8.7.	OFAC Sanctions Prepayment	22
Section 8.8.	Offer to Prepay upon Asset Disposition	23
Section 8.9.	Offer to Prepay in the Event of a Change of Control	24
Section 8.10.	Payments Due on Non-Business Days	25
SECTION 9.	AFFIRMATIVE COVENANTS	25
Section 9.1.	Compliance with Law	25
Section 9.2.	Insurance	25
Section 9.3.	Maintenance of Properties	25
Section 9.4.	Payment of Taxes and Claims	26
Section 9.5.	Corporate Existence, Etc.	26
Section 9.6.	Books and Records	26
Section 9.7.	Subsidiary Guarantors	26
Section 9.8.	Most Favored Lender Status	28
SECTION 10.	NEGATIVE COVENANTS	29
Section 10.1.	Transactions with Affiliates	29
Section 10.2.	Merger and Sale of Assets	29
Section 10.3.	Line of Business	30
Section 10.4.	Terrorism Sanctions Regulations	30
Section 10.5.	Liens	30
Section 10.6.	Leverage Ratio	32
Section 10.7.	Consolidated Fixed Charge Coverage Ratio	32
Section 10.8.	Priority Debt	32
SECTION 11.	EVENTS OF DEFAULT	32

SECTION 12.	REMEDIES ON DEFAULT, ETC.	35
Section 12.1.	Acceleration	35
Section 12.2.	Other Remedies	36
Section 12.3.	Rescission	36
Section 12.4.	No Waivers or Election of Remedies, Expenses, Etc.	36
SECTION 13.	REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES	36
Section 13.1.	Registration of Notes	36
Section 13.2.	Transfer and Exchange of Notes	37
Section 13.3.	Replacement of Notes	37
SECTION 14.	PAYMENTS ON NOTES	38
Section 14.1.	Place of Payment	38
Section 14.2.	Home Office Payment	38
SECTION 15.	EXPENSES, ETC.	38
Section 15.1.	Transaction Expenses	38
Section 15.2.	Survival	39
SECTION 16.	SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT	39
SECTION 17.	AMENDMENT AND WAIVER	39
Section 17.1.	Requirements	39
Section 17.2.	Solicitation of Holders of Notes	40
Section 17.3.	Binding Effect, etc.	40
Section 17.4.	Notes Held by Company, etc.	40
SECTION 18.	NOTICES	41
SECTION 19.	REPRODUCTION OF DOCUMENTS	41
SECTION 20.	CONFIDENTIAL INFORMATION	42
SECTION 21.	SUBSTITUTION OF PURCHASER	43
SECTION 22.	MISCELLANEOUS	43
Section 22.1.	Successors and Assigns	43
Section 22.2.	Accounting Terms	43
Section 22.3.	Severability	44
Section 22.4.	Construction, etc.	44
Section 22.5.	Counterparts	44
Section 22.6.	Governing Law	44



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SCHEDULE A	—	DEFINED TERMS
SCHEDULE 1(a)	—	FORM OF 4.44% SENIOR NOTE, SERIES A, DUE JULY 15, 2021
SCHEDULE 1(b)	—	FORM OF 4.98% SENIOR NOTE, SERIES B, DUE JULY 15, 2024
SCHEDULE 1(c)	—	FORM OF 5.13% SENIOR NOTE, SERIES C, DUE JULY 15, 2026
SCHEDULE 1(d)	—	FORM OF 5.38% SENIOR NOTE, SERIES D, DUE JULY 16, 2029
SCHEDULE 4.4(a)(1)	—	FORM OF OPINION OF GENERAL COUNSEL FOR THE COMPANY
SCHEDULE 4.4(a)(2)	—	FORM OF OPINION OF SPECIAL COUNSEL FOR THE COMPANY
SCHEDULE 4.4(b)	—	FORM OF OPINION OF SPECIAL COUNSEL FOR THE PURCHASERS
SCHEDULE 5.3	—	DISCLOSURE MATERIALS
SCHEDULE 5.4	—	SUBSIDIARIES OF THE COMPANY AND OWNERSHIP OF SUBSIDIARY STOCK
SCHEDULE 5.5	—	FINANCIAL STATEMENTS
SCHEDULE 5.8	—	LITIGATION
SCHEDULE 5.15	—	EXISTING DEBT
SCHEDULE B	—	INFORMATION RELATING TO PURCHASERS
SCHEDULE C	—	FORM OF SUBSIDIARY GUARANTY
SCHEDULE D	—	NON-RECOURSE DEBT AND NON-RECOURSE INVESTMENTS

PARSONS CORPORATION  
100 WEST WALNUT STREET  
PASADENA, CALIFORNIA 91124

4.44% SENIOR NOTES, SERIES A, DUE JULY 15, 2021  
4.98% SENIOR NOTES, SERIES B, DUE JULY 15, 2024  
5.13% Senior Notes, Series C, due July 15, 2026  
5.38% Senior Notes, Series D, due July 16, 2029

May 9, 2014

TO EACH OF THE PURCHASERS LISTED IN  
SCHEDULE B HERETO:

Ladies and Gentlemen:

PARSONS CORPORATION, a Delaware corporation (together with any successor thereto that becomes a party hereto pursuant to Section 10.2, the “**Company**”), agrees with each of the Purchasers as follows:

**SECTION 1. AUTHORIZATION OF NOTES.**

The Company will authorize the issue and sale of (i) \$50,000,000 aggregate principal amount of its 4.44% Senior Notes, Series A, due July 15, 2021 (the “**Series A Notes**”), (ii) \$100,000,000 aggregate principal amount of its 4.98% Senior Notes, Series B, due July 15, 2024 (the “**Series B Notes**”), (iii) \$60,000,000 aggregate principal amount of its 5.13% Senior Notes, Series C, due July 15, 2026 (the “**Series C Notes**”), and (iv) \$40,000,000 aggregate principal amount of its 5.38% Senior Notes, Series D, due July 16, 2029 (the “**Series D Notes**” and, together with the Series A Notes, the Series B Notes and the Series C Notes, the “**Notes**”), in each case as amended, restated or otherwise modified from time to time pursuant to Section 17 and including any such notes issued in substitution therefor pursuant to Section 13. The Series A Notes shall be substantially in the form set out in Schedule 1(a). The Series B Notes shall be substantially in the form set out in Schedule 1(b). The Series C Notes shall be substantially in the form set out in Schedule 1(c). The Series D Notes shall be substantially in the form set out in Schedule 1(d). Certain capitalized and other terms used in this Agreement are defined in Schedule A. References to a “Schedule” are references to a Schedule attached to this Agreement unless otherwise specified. References to a “Section” are references to a Section of this Agreement unless otherwise specified.

## SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount and in the Series specified opposite such Purchaser's name in Schedule B at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

## SECTION 3. CLOSING.

The execution and delivery of this Agreement will be made at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, IL 60603 on May 9, 2014.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, IL 60603, at 10:00 a.m., Chicago time, at a closing (the "**Closing**") on July 1, 2014 or on such other Business Day thereafter on or prior to July 15, 2014 as may be agreed upon by the Company and the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note of each Series to be purchased by such Purchaser (or such greater number of Notes in denominations of at least \$500,000, or any integral multiple of \$10,000 in excess thereof as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company in accordance with the funding instructions provided pursuant to **Section 4.10**. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of any of the conditions specified in Section 4 not having been fulfilled to such Purchaser's satisfaction or such failure by the Company to tender such Notes.

## SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

**Section 4.1. Representations and Warranties.** The representations and warranties of the Company in this Agreement shall be correct when made and at the Closing.

**Section 4.2. Performance; No Default.** The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and from the date of this Agreement to the Closing assuming that Sections 9 and 10 are applicable from the date of this Agreement. From the date of this Agreement until the Closing, before and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 had such Section applied since such date.

### **Section 4.3. Compliance Certificates.**

(a) *Officer's Certificate.* The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Secretary's Certificate.* The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of the Closing, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement and (ii) the Company's organizational documents as then in effect.

**Section 4.4. Opinions of Counsel.** Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Clyde E. Ellis Jr., General Counsel of the Company, and from Chapman and Cutler LLP, special counsel for the Company, covering the matters set forth in Schedules 4.4(a)(1) and 4.4(a)(2), respectively, and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinions to the Purchasers) and (b) from Foley & Lardner LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Schedule 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

**Section 4.5. Purchase Permitted By Applicable Law, Etc.** On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

**Section 4.6. Sale of Other Notes.** Contemporaneously with the Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule B.

**Section 4.7. Payment of Special Counsel Fees.** Without limiting Section 15.1, the Company shall have paid on or before the Closing the reasonable and documented fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4(b) to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

**Section 4.8. Private Placement Number.** A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Notes of each Series.

**Section 4.9. Changes in Corporate Structure.** The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

**Section 4.10. Funding Instructions.** At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions executed by an authorized financial officer of the Company on letterhead of the Company directing the manner of the payment of funds for the purchase of the Notes and setting forth (i) the name of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

**Section 4.11. Proceedings and Documents.** All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

**Section 4.12. Subsidiary Guaranties.** As to each Subsidiary which on or before the date of Closing has delivered a guaranty pursuant to or is a borrower or an additional or co-obligor under the Credit Agreement, the Company will cause each such Subsidiary to, on the date of Closing, (a) enter into a Subsidiary Guaranty and (b) deliver the following to each Purchaser:

(i) an executed counterpart of such Subsidiary Guaranty;

(ii) a certificate signed by an authorized responsible officer of such Subsidiary containing representations and warranties on behalf of such Subsidiary to the same effect as those contained in Section 4 of the Subsidiary Guaranty attached hereto as Schedule C;

(iii) all such documents as may be reasonably requested by the Purchasers to evidence the due organization, continuing existence and good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations under the Subsidiary Guaranty; and

(iv) an opinion of counsel reasonably satisfactory to the Purchasers covering the matters described in Schedules 4.4(a)(1) and 4.4(a)(2).



**Section 4.13. Offeree Letter.** Mitsubishi UFJ Securities (USA), Inc. and U.S. Bancorp Investments, Inc. shall have delivered to the Company, its counsel, each of the Purchasers and the Purchasers' special counsel an offeree letter, in form and substance reasonably satisfactory to the Company and its counsel and each Purchaser, confirming the manner of the offering of the Notes by Mitsubishi UFJ Securities (USA), Inc. and U.S. Bancorp Investments, Inc.

## **SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.**

The Company represents and warrants to each Purchaser that:

**Section 5.1. Organization; Power and Authority.** The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

**Section 5.2. Authorization, Etc.** This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

**Section 5.3. Disclosure.** The Company, through its agents, Mitsubishi UFJ Securities (USA), Inc. and U.S. Bancorp Investments, Inc., has delivered to each Purchaser a copy of a Private Placement Memorandum, dated March 2014 (the "**Memorandum**"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum, the financial statements listed in Schedule 5.5 and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company prior to April 8, 2014 in connection with the transactions contemplated hereby and identified in Schedule 5.3 (this Agreement, the Memorandum and such documents, certificates or other writings and such financial statements delivered to each Purchaser being referred to, collectively, as the "**Disclosure Documents**"), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 27, 2013, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that could not, individually or in the aggregate, reasonably be

expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents. Notwithstanding the foregoing, the Company makes no representation or warranty as to the accuracy of any forecast or projection contained in the Disclosure Documents, except that such forecasts and projections were based on assumptions which the Company considered reasonable under the circumstances.

**Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates.** (a) Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company's Subsidiaries, showing, as to each Subsidiary, the name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) the Company's Affiliates, other than Subsidiaries, and (iii) the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of any Lien that is prohibited by this Agreement.

(c) Each Subsidiary is a corporation or other legal entity duly organized, validly existing and, where applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is subject to any legal, regulatory, contractual or other restriction (other than the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

**Section 5.5. Financial Statements; Material Liabilities.** The Company has delivered to each Purchaser copies of the consolidated financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of such consolidated financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed in the Disclosure Documents.

**Section 5.6. Compliance with Laws, Other Instruments, Etc.** The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, stockholders agreement or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

**Section 5.7. Governmental Authorizations, Etc.** No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

**Section 5.8. Litigation; Observance of Agreements, Statutes and Orders.** (a) Except as disclosed on Schedule 5.8, there are no actions, suits, investigations or proceedings pending or, to the best knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is (i) in default under any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or (iii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including, without limitation, Environmental Laws, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 5.16), which default or violation would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**Section 5.9. Taxes.** The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which, individually or in the aggregate, is not Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of U.S. federal, state or other taxes for all fiscal periods are adequate.

**Section 5.10. Title to Property; Leases.** The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after such date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

**Section 5.11. Licenses, Permits, Etc.** (a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Company, no product or service of the Company or any of its Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

**Section 5.12. Compliance with ERISA.** (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that would, individually or in the aggregate, reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to section 430(k) of the Code or any such penalty or excise tax provisions under the Code or federal law or section 4068 of ERISA or by the granting of a security interest in connection with the amendment of a Plan, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The present value of the accrued benefit liabilities (whether or not vested) under each Non-U.S. Plan that is funded, determined as of the end of the Company's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Non-U.S. Plan allocable to such benefit liabilities by more than \$3,500,000. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred (i) withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that that individually or in the aggregate are Material or (ii) any obligation in connection with the termination of or withdrawal from any Non-U.S. Plan that is Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) All Non-U.S. Plans have been established, operated, administered and maintained in compliance with all laws, regulations and orders applicable thereto, except where failure so to comply would not be reasonably expected to have a Material Adverse Effect. All premiums, contributions and any other amounts required by applicable Non-U.S. Plan documents or applicable laws to be paid or accrued by the Company and its Subsidiaries have been paid or accrued as required, except where failure so to pay or accrue would not be reasonably expected to have a Material Adverse Effect.

(f) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(f) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by such Purchaser.

**Section 5.13. Private Offering by the Company.** Neither the Company nor anyone authorized to act on its behalf has offered the Notes or any similar Securities for sale to, or solicited any offer to buy the Notes or any similar Securities from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than fifty-one (51) other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of section 5 of the Securities Act.

**Section 5.14. Use of Proceeds; Margin Regulations.** The Company will apply the proceeds of the sale of the Notes hereunder for contributions or other distributions to the ESOP to facilitate purchases of shares of stock of the Company, to finance acquisitions and for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning

of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 15% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 15% of the value of such assets. As used in this Section, the terms “**margin stock**” and “**purpose of buying or carrying**” shall have the meanings assigned to them in said Regulation U.

**Section 5.15. Existing Debt; Future Liens.** (a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Debt of the Company and its Subsidiaries as of December 31, 2013 (including descriptions of the obligors and obligees, principal amounts outstanding, any collateral therefor and any Guaranties thereof), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Subsidiaries other than changes in the ordinary course of business in the working capital borrowing of the Company and its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary the outstanding principal amount of which exceeds \$1,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Debt or to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Debt.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Debt of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt of the Company, except as disclosed in Schedule 5.15.

**Section 5.16. Foreign Assets Control Regulations, Etc.** (a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury (“**OFAC**”) (an “**OFAC Listed Person**”) (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the

International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act (“**CISADA**”) or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, “**U.S. Economic Sanctions**”) (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a “**Blocked Person**”). Neither the Company nor any Controlled Entity has been notified in writing that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or regulation governing such activities (collectively, “**Anti-Money Laundering Laws**”) or any U.S. Economic Sanctions violations, (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in material compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d) (1) Neither the Company nor any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, “**Anti-Corruption Laws**”), (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any law or regulation applicable to such holder; and

(3) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any illegal payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Corruption Laws.

**Section 5.17. Status under Certain Statutes.** Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

**Section 5.18. Environmental Matters.** (a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim and no proceeding has been instituted asserting any claim against the Company or any of its Subsidiaries or any of their respective real properties or other assets now or formerly owned, leased or operated by any of them, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them in a manner which is contrary to any Environmental Law that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) Neither the Company nor any Subsidiary has disposed of any Hazardous Materials in a manner which is contrary to any Environmental Law that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.



(e) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

## **SECTION 6. REPRESENTATIONS OF THE PURCHASERS.**

**Section 6.1. Purchase for Investment.** Each Purchaser severally represents that it (a) is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or such pension or trust fund's property shall at all times be within such Purchaser's or such pension or trust fund's control and (b) it is an "accredited investor" (as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act). Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

**Section 6.2. Source of Funds.** Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an “investment fund” (within the meaning of Part VI of PTE 84-14 (the “**QPAM Exemption**”)) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan’s assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be “related” within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Part IV(h) of PTE 96-23 (the “**INHAM Exemption**”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “**employee benefit plan**,” “**governmental plan**,” and “**separate account**” shall have the respective meanings assigned to such terms in section 3 of ERISA.

**SECTION 7. INFORMATION AS TO COMPANY.**

**Section 7.1. Financial and Business Information.** The Company shall deliver to each Purchaser and each holder of a Note that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), a copy of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income and cash flows of the Company and its Subsidiaries, for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that, in the event that the Company is at such time subject to the periodic reporting requirements of Section 13 of the Securities Exchange Act of 1934, delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q (the "**Form 10-Q**") prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) *Annual Statements* — within 105 days after the end of each fiscal year of the Company, a copy of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(ii) consolidated statements of income, changes in stockholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable

basis for such opinion in the circumstances, *provided* that, in the event that the Company is at such time subject to the periodic reporting requirements of Section 13 of the Securities Exchange Act of 1934, the delivery within the time period specified above of the Company's Annual Report on Form 10-K (the "**Form 10-K**") for such fiscal year (together with the Company's annual report to stockholders, if any, prepared pursuant to Rule 14a-3 under the Securities Exchange Act of 1934) prepared in accordance with the requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to its public Securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Purchaser or holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; or

(iv) receipt of notice of the imposition of a Material financial penalty (which for this purpose shall mean any Material tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans;

(f) *Notices from Governmental Authority* — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) *Maximum ESOP Liability* — annually, written disclosure of the amount of the estimated maximum Repurchase Liability of the Company under the ESOP; and

(h) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries (including, but without limitation, actual copies of the Company's Form 10-Q and Form 10-K) or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such Purchaser or holder of a Note.

**Section 7.2. Officer's Certificate.** Each set of financial statements delivered to a Purchaser or a holder of a Note pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer:

(a) *Covenant Compliance* — setting forth the information from such financial statements that is required in order to establish whether the Company was in compliance with the requirements of Section 10.6, Section 10.7 and Section 10.8 during the quarterly or annual period covered by the statements then being furnished, (including with respect to each such provision that involves mathematical calculations, the information from such financial statements that is required to perform such calculations) and detailed calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Section, and the calculation of the amount, ratio or percentage then in existence. In the event that the Company or any Subsidiary has made an election to measure any financial liability using fair value (which election is being disregarded for purposes of determining compliance with this Agreement pursuant to Section 22.2) as to the period covered by any such financial statement, such Senior Financial Officer's certificate as to such period shall include a reconciliation from GAAP with respect to such election; and

(b) *Event of Default* — certifying that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

**Section 7.3. Visitation.** The Company shall permit the representatives of each Purchaser and each holder of a Note that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such Purchaser or such holder and upon reasonable prior written notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times during normal business hours and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

**Section 7.4. Electronic Delivery.** Financial statements, opinions of independent certified public accountants, other information and Officer's Certificates that are required to be delivered by the Company pursuant to Sections 7.1(a), (b) or (c) and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

(i) such financial statements satisfying the requirements of Section 7.1(a) or (b) and related Officer's Certificate satisfying the requirements of Section 7.2 are delivered to each Purchaser or holder of a Note by e-mail to the email address of such Purchaser or holder listed in Schedule B hereto or at such other address as such Purchaser or holder shall from time to time specify to the Company in writing;

(ii) the Company shall have timely filed such Form 10-Q or Form 10-K, satisfying the requirements of Section 7.1(a) or Section 7.1(b), as the case may be, with the SEC on EDGAR and shall have made such form and the related Officer's Certificate satisfying the requirements of Section 7.2 available on its home page on the internet, which is located at <http://www.parsons.com> as of the date of this Agreement;

(iii) such financial statements satisfying the requirements of Section 7.1(a) or Section 7.1(b) and related Officer's Certificate(s) satisfying the requirements of Section 7.2 are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each holder of Notes has free access; or

(iv) the Company shall have filed any of the items referred to in Section 7.1(c) with the SEC on EDGAR and shall have made such items available on its home page on the internet or on IntraLinks or on any other similar website to which each holder of Notes has free access;

*provided however*, that in the case of any of clauses (ii), (iii) or (iv), the Company shall have given each holder of a Note prior written notice, which may be by e-mail or in accordance with Section 18, of such posting or filing in connection with each delivery, *provided further*, that upon request of any holder to receive paper copies of such forms, financial statements and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such holder.

#### **SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.**

**Section 8.1. Maturity.** As provided therein, the entire unpaid principal balance of each Note shall be due and payable on the Maturity Date thereof.

**Section 8.2. Optional Prepayments with Make-Whole Amount.** The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of any Series, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount, *provided* that if a Default or an Event of Default has occurred and is continuing at the time such notice is provided or on the prepayment date or if a Default or an Event of Default would result from the making of such prepayment, such prepayment shall be pro rata to the holders of all Notes then outstanding. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than ten days and not more than 60 days prior to the date fixed for such prepayment unless the Company and the Required Holders agree to another time period pursuant to Section 17. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes of each Series to be prepaid on such date, the principal amount of each Note of each Series held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due with respect to each Series of Notes to be prepaid in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

**Section 8.3. Allocation of Partial Prepayments.** In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated (i) among the Series of Notes at the time outstanding as directed by the Company in its notice of prepayment provided pursuant to Section 8.2 and (ii) among all of the Notes of a given Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All partial prepayments or purchases made pursuant to **Section 8.5(b), Section 8.7, Section 8.8** or **Section 8.9** shall be applied only to the Notes of the holders who have elected to participate in such prepayment or purchase.

**Section 8.4. Maturity; Surrender, Etc.** In the case of each optional prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

**Section 8.5. Purchase of Notes.** The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions (except to the extent necessary to reflect differences in the interest rates and maturities of the Notes of different Series). Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 25% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 5 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

#### **Section 8.6. Make-Whole Amount.**

**“Make-Whole Amount”** means, with respect to any Note of any Series, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:



**“Called Principal”** means, with respect to any Note of any Series, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

**“Discounted Value”** means, with respect to the Called Principal of any Note of any Series, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes of any Series is payable) equal to the Reinvestment Yield with respect to such Called Principal.

**“Reinvestment Yield”** means, with respect to the Called Principal of any Note of any Series, 0.50% over the yield to maturity implied by the yield(s) reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities (**“Reported”**) having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then **“Reinvestment Yield”** means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

**“Remaining Average Life”** means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

**“Remaining Scheduled Payments”** means, with respect to the Called Principal of any Note of any Series, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the Notes of any Series, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.4 or Section 12.1.

**“Settlement Date”** means, with respect to the Called Principal of any Note of any Series, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

#### **Section 8.7. OFAC Sanctions Prepayment.**

(a) If a Change in OFAC Sanctions should occur, and as a consequence of such Change in OFAC Sanctions, any holder of Notes who is a U.S. person or a person subject to U.S. jurisdiction (as those terms are defined under the applicable U.S. Economic Sanctions) (each, an **“Affected Noteholder”**) would be in violation of the U.S. Economic Sanctions as a consequence of the activities of the Company or its Subsidiaries (including, without limitation, the use of proceeds of the Notes) which were being conducted prior to the Change in OFAC Sanctions being continued after such Change in OFAC Sanctions (such event, an **“OFAC Change Event”**), then such Affected Noteholder may give written notice of such event to all holders of Notes and to the Company, in which case the Company shall promptly, and in any event within 10 Business Days, give written notice of its receipt of such notice (and the details thereof) to all other holders of Notes), which notice (the **“OFAC Change Notice”**) shall describe the facts and circumstances of such Change in OFAC Sanctions and OFAC Change Event.

(b) If an OFAC Change Event has occurred, then the Company shall within 30 days of the date of such OFAC Change Notice, make an offer (the **“Company Offer”**) to prepay the entire unpaid principal amount of Notes held by each Affected Noteholder (the **“Affected Notes”**), together with interest thereon to the prepayment date selected by the Company with respect to each Affected Note but without payment of any Make-Whole Amount with respect thereto, which prepayment shall be on a date not more than 60 days after the date of the Company Offer. Such Company Offer shall request each Affected Noteholder to notify the Company in writing by a stated date (the **“OFAC Event Response Date”**), which date is not less than 30 days after such Affected Noteholder’s receipt of the Company Offer, of its acceptance or rejection of such prepayment offer. If an Affected Noteholder does not notify the Company as to whether such Affected Noteholder accepts or rejects such Company Offer on or prior to the OFAC Event Response Date as provided above, then such holder shall be deemed to have rejected such offer.

(c) On the prepayment date specified in the Company Offer, the entire unpaid principal amount of the Affected Notes held by each Affected Noteholder who has accepted such prepayment offer (in accordance with subparagraph (b)), together with interest thereon to the prepayment date with respect to each such Affected Note but without payment of any Make-Whole Amount with respect thereto shall become due and payable.

(d) For purposes of this Agreement, a “**Change in OFAC Sanctions**” means (individually or collectively with one or more prior changes) an amendment to, or change in, any U.S. Economic Sanctions after the date of the Closing, or an amendment to, or change in, an official interpretation or application of such U.S. Economic Sanctions after the date of the Closing, which amendment or change is in force and continuing.

(e) Notwithstanding anything to the contrary contained in this Section 8.7, if an OFAC Change Event has occurred but the Company has taken such action(s) in relation to its activities so as to remedy any violation of U.S. Economic Sanctions by the Affected Noteholders (such that the Affected Noteholders shall no longer be in violation of U.S. Economic Sanctions) and the Company has so notified all holders of the Notes in writing either prior to the date the Company makes the Company Offer or the date an Affected Noteholder notifies the Company of its acceptance of the Company Offer, then the Company shall not be obliged to prepay the Affected Notes in relation to such OFAC Change Event which is no longer continuing.

#### **Section 8.8. Offer to Prepay upon Asset Disposition.**

(a) *Notice and Offer.* In the event of a Transfer where the Company has elected to apply all or a portion of the Net Proceeds Amount of such Transfer pursuant to **Section 10.2**, the Company shall, no later than the 305<sup>th</sup> day following the date of such Transfer, give written notice of such event (an “**Asset Disposition Prepayment Event**”) to each holder of Notes. Such notice shall contain, and shall constitute, an irrevocable offer to prepay a Ratable Portion of the Notes held by such holder on the date (which shall be a Business Day) specified in such notice (the “**Asset Disposition Prepayment Date**”) which date shall be not less than 30 days and not more than 60 days after such notice.

(b) *Acceptance and Payment.* A holder of Notes may accept or reject the offer to prepay pursuant to this **Section 8.8** by causing a notice of such acceptance or rejection to be delivered to the Company at least 10 days prior to the Asset Disposition Prepayment Date. A failure by a holder of the Notes to respond to an offer to prepay made pursuant to this **Section 8.8** shall be deemed to constitute a rejection of such offer by such holder. If so accepted, such offered prepayment in respect of the Ratable Portion of the Notes of each holder that has accepted such offer shall be due and payable on the Asset Disposition Prepayment Date. Such offered prepayment shall be made at 100% of the aggregate Ratable Portion of the Notes of each holder that has accepted such offer, together with interest on that portion of the Notes then being prepaid accrued to the Asset Disposition Prepayment Date, but without any Make-Whole Amount. If any holder of a Note rejects or is deemed to have rejected such offer of prepayment, the Company may use the Ratable Portion for such Note for general corporate purposes.

(c) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this **Section 8.8** shall be accompanied by a certificate, executed by a Senior Financial Officer and dated the date of such offer, specifying: (1) the Asset Disposition Prepayment Date; (2) that such offer is being made pursuant to this **Section 8.8** and that the failure by a holder to respond to such offer by the deadline established in **Section 8.8(b)** shall result in such offer to such holder being deemed rejected; (3) the Ratable Portion of each such Note offered to be prepaid; (4) the interest that would be due on the Ratable Portion of each such Note offered to be prepaid, accrued to the Asset Disposition Prepayment Date; (5) that the conditions of this **Section 8.8** have been satisfied and (6) in reasonable detail, a description of the nature and date of the Asset Disposition Prepayment Event giving rise to such offer of prepayment.

**Section 8.9. Offer to Prepay in the Event of a Change of Control.**

(a) *Notice of Change of Control.* The Company will, at least 30 days prior to any Change of Control, give written notice of such Change of Control to each holder of the Notes. Such notice shall contain and constitute an offer to prepay the Notes as described in **Section 8.9(c)** and shall be accompanied by the certificate described in **Section 8.9(f)**.

(b) *Notice of Acceptance of Offer under Section 8.9(a).* If the Company shall at any time receive an acceptance to an offer to prepay Notes under **Section 8.9(a)** from some, but not all, of the holders of the Notes, then the Company will, within ten Business Days after the receipt of such acceptance, give written notice of such acceptance to each other holder of the Notes.

(c) *Offer to Prepay Notes.* The offer to prepay Notes contemplated by **Section 8.9(a)** shall be an offer to prepay, in accordance with and subject to this **Section 8.9**, all, but not less than all, of the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) at the time of the occurrence of the Change of Control.

(d) *Rejection; Acceptance.* A holder of Notes may accept or reject the offer to prepay made pursuant to this **Section 8.9** by causing a notice of such acceptance or rejection to be delivered to the Company prior to the prepayment date. A failure by a holder of Notes to so respond to an offer to prepay made pursuant to this **Section 8.9** shall be deemed to constitute a rejection of such offer by such holder.

(e) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this **Section 8.9** shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment. The prepayment shall be made on the prepayment date described in the certificate delivered pursuant to **Section 8.9(f)**.

(f) *Officer's Certificate*. Each offer to prepay the Notes pursuant to this **Section 8.9** shall be accompanied by a certificate, executed by a Responsible Officer of the Company and dated the date of such offer, specifying (i) the proposed prepayment date (which shall be not more than 30 days after the date of the occurrence of the Change of Control), (ii) that such offer is made pursuant to this **Section 8.9**, (iii) the principal amount of each Note offered to be prepaid, (iv) the interest that would be due on each Note offered to be prepaid, accrued to the prepayment date, (v) that the conditions of this **Section 8.9** have been fulfilled, and (vi) in reasonable detail, the nature and anticipated date of the Change of Control.

**Section 8.10. Payments Due on Non-Business Days.** Anything in this Agreement or the Notes to the contrary notwithstanding, (x) subject to clause (y), any payment of interest on any Note that is due on a date that is not a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; and (y) any payment of principal of or Make-Whole Amount on any Note (including principal due on the Maturity Date of such Note) that is due on a date that is not a Business Day shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

## **SECTION 9. AFFIRMATIVE COVENANTS.**

From the date of this Agreement until the Closing and thereafter, so long as any of the Notes are outstanding, the Company covenants that:

**Section 9.1. Compliance with Laws.** Without limiting Section 10.4, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, Environmental Laws, the USA PATRIOT Act and the other laws and regulations that are referred to in Section 5.16, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

**Section 9.2. Insurance.** The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

**Section 9.3. Maintenance of Properties.** The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

**Section 9.4. Payment of Taxes and Claims.** The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary (such event is hereafter referred to as a “**Good Faith Contest**”) or (ii) the nonpayment of all such taxes, assessments, charges, levies and claims would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

**Section 9.5. Corporate Existence, Etc.** Subject to Section 10.2, the Company will at all times preserve and keep its corporate existence in full force and effect. Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not reasonably be expected, individually or in the aggregate, have a Material Adverse Effect.

**Section 9.6. Books and Records.** The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be. The Company will, and will cause each of its Subsidiaries to, keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets. The Company and its Subsidiaries have devised a system of internal accounting controls sufficient to provide reasonable assurances that their respective books, records, and accounts accurately reflect all transactions and dispositions of assets and the Company will, and will cause each of its Subsidiaries to, continue to maintain such system.

**Section 9.7 Subsidiary Guarantors.** The Company will cause each Subsidiary that guarantees or otherwise becomes liable at any time, whether as a borrower or an additional or co-borrower or otherwise, for or in respect of any Debt under any Material Credit Facility to concurrently therewith:

(a) enter into an agreement (substantially in the form of Schedule C attached hereto), or enter into a Joinder thereto, providing for the guaranty by such Subsidiary, on a joint and several basis with all other such Subsidiaries, of (i) the prompt payment in full when due of all amounts payable by the Company pursuant to the Notes (whether for principal, interest, Make-Whole Amount or otherwise) and this Agreement, including, without limitation, all indemnities, fees and expenses payable by the Company thereunder and (ii) the prompt, full and faithful performance, observance and discharge by the Company of each and every covenant, agreement, undertaking and provision required pursuant to the Notes or this Agreement to be performed, observed or discharged by it (a “**Subsidiary Guaranty**”); and

(b) deliver the following to each of holder of a Note:

(i) an executed counterpart of such Subsidiary Guaranty;

(ii) a certificate signed by an authorized responsible officer of such Subsidiary containing representations and warranties on behalf of such Subsidiary to the same effect as those contained in Section 4 of the Subsidiary Guaranty;

(iii) all documents as may be reasonably requested by the Required Holders to evidence the due organization, continuing existence and good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations thereunder; and

(iv) an opinion of counsel reasonably satisfactory to the Required Holders covering such matters relating to such Subsidiary and such Subsidiary Guaranty as described in Schedules 4.4(a)(1) and 4.4(a)(2).

(c) Subject to the requirements of Section 9.7(a), in the event that a Subsidiary Guarantor is no longer a borrower, co-obligor or guarantor or jointly liable under any Material Credit Facility, at the election of the Company and by written notice to each holder of Notes, any such Subsidiary Guarantor may be discharged from all of its obligations and liabilities under its Subsidiary Guaranty and shall be automatically released from its obligations thereunder without the need for the execution or delivery of any other document by the holders or any other Person, *provided*, in each case, that (i) after giving effect to such release no Default or Event of Default shall have occurred and be continuing, (ii) no amount is then due and payable under such Subsidiary Guaranty, (iii) each holder of Notes shall have received a certificate of a Responsible Officer to the foregoing effect and setting forth the information (including reasonably detailed computations) reasonably required to establish compliance with the foregoing requirements and (iv) if any fee or other consideration is paid or given to any holder of Debt under any Material Credit Facility solely for the purpose of obtaining such release, other than the repayment of all or a portion of such Debt under such Material Credit Facility, each holder of a Note shall have received equivalent consideration (based upon the magnitude of the outstanding Notes compared to the magnitude of such Material Credit Facility) on a pro rata basis.

**Section 9.8 Most Favored Lender Status.** (a) If at any time a Material Credit Facility contains a covenant (regardless of whether such provision is labeled or otherwise characterized as a covenant, a definition or a default) by the Company to maintain the Leverage Ratio (or a leverage test similar to the Leverage Ratio as defined herein) at a level more favorable to the lenders under such Material Credit Facility than the level set forth in Section 10.6 (any such provision (including any necessary definition), a **“More Favorable Covenant”**), then the Company shall provide a Most Favored Lender Notice in respect of such More Favorable Covenant. Unless waived in writing by the Required Holders within 15 days after each holder’s receipt of such notice, such More Favorable Covenant shall be deemed automatically incorporated by reference into Section 10.6 of this Agreement, mutatis mutandis, as if set forth in full herein, effective as of the date when such More Favorable Covenant shall have become effective under such Material Credit Facility.

(b) Any More Favorable Covenant incorporated into this Agreement (herein referred to as an **“Incorporated Covenant”**) pursuant to this Section 9.8 (i) shall be deemed automatically amended herein to reflect any subsequent amendments made to such More Favorable Covenant under the applicable Material Credit Facility (provided that, if a Default or an Event of Default then exists and the amendment of such More Favorable Covenant would make such covenant less restrictive on the Company, such Incorporated Covenant shall only be deemed automatically amended at such time, if it should occur, when such Default or Event of Default no longer exists) and (ii) shall be deemed automatically deleted from this Agreement at such time as such More Favorable Covenant is deleted or otherwise removed from the applicable Material Credit Facility or such applicable Material Credit Facility ceases to be a Material Credit Facility or shall be terminated (provided that, if a Default or an Event of Default then exists, such Incorporated Covenant shall only be deemed automatically deleted from this Agreement at such time, if it should occur, when such Default or Event of Default no longer exists).

(c) **“Most Favored Lender Notice”** means, in respect of any More Favorable Covenant, a written notice to each of the holders of the Notes delivered promptly, and in any event within twenty Business Days after the inclusion of such More Favorable Covenant in any Material Credit Facility (including by way of amendment or other modification of any existing provision thereof) from a Responsible Officer referring to the provisions of this Section 9.8 and setting forth a reasonably detailed description of such More Favorable Covenant (including any defined terms used therein) and related explanatory calculations, as applicable.

(d) Notwithstanding the foregoing, no covenant other than a covenant testing the Leverage Ratio (or a leverage test similar to the Leverage Ratio as defined herein) shall be deemed to be a More Favorable Covenant.

Although it will not be a Default or an Event of Default if the Company fails to comply with any provision of Section 9 on or after the date of this Agreement and prior to the Closing, if such a failure occurs, then any of the Purchasers may elect not to purchase the Notes on the date of Closing that is specified in Section 3.



## SECTION 10. NEGATIVE COVENANTS.

From the date of this Agreement until the Closing and thereafter, so long as any of the Notes are outstanding, the Company covenants that:

**Section 10.1. Transactions with Affiliates.** The Company will not and will not permit any Subsidiary to enter into any transaction of any kind with any Affiliate of the Company other than (a) salary, bonus, employee stock option and other advances, compensation arrangements with employees, directors or officers in the ordinary course of business, (b) transactions between or among the Company and its Subsidiaries or Affiliates undertaken in the ordinary course of business and expressly authorized by a resolution of the board of directors (or the executive committee of the board of directors) of the Company, and (c) other transactions undertaken in the ordinary course of business on overall terms at least as favorable to the Company or its Subsidiaries as would be the case in an arm's-length transaction between unrelated parties of equal bargaining power.

**Section 10.2. Merger and Sale of Assets.** The Company will not merge with or into or consolidate with, or permit any of its Subsidiaries to merge with or into or consolidate with, any other Person or sell, lease or transfer or otherwise dispose of any assets if the book value or Fair Market Value (whichever is greater) of all Asset Dispositions by the Company and its Subsidiaries in any 12 month period exceeds 10% of Consolidated Equity, calculated as of the end of the most recently ended fiscal quarter, except that:

(a) any Subsidiary may merge with the Company (*provided* that the Company shall be the continuing or surviving corporation) or with or into any domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary, except that a Non-Guarantor Subsidiary may merge with or into another Non-Guarantor Subsidiary, and *provided* that such domestic Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or a domestic Wholly-Owned Subsidiary (except a Non-Guarantor Subsidiary);

(c) the Company or any Subsidiary may dispose of any assets which in the good faith judgment of the Company are obsolete or otherwise unproductive; and

(d) the Company may merge with another domestic corporation so long as the Company is the surviving corporation and no Default or Event of Default exists or would result after giving effect to the completion of such merger.

If the Net Proceeds Amount for any Transfer is, within 365 days after such Transfer, (1) applied to a Debt Prepayment Application, (2) applied to or would otherwise constitute a Property Reinvestment Application or (3) applied to any combination of the foregoing clauses (1) and (2), then such Transfer, for the purpose of determining compliance with this **Section 10.2**, shall be deemed not to be an Asset Disposition.

**Section 10.3. Line of Business.** The Company will not and will not permit any Subsidiary to engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the Line of Business.

**Section 10.4. Terrorism Sanctions Regulations.** The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction is prohibited by or subject to sanctions under any U.S. Economic Sanctions, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any Purchaser or holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions.

In the event of any breach of this Section 10.4 that results solely from a Change in OFAC Sanctions and such Change in OFAC Sanctions causes the occurrence of an OFAC Change Event, the relevant holders of Notes shall have only those rights and remedies set forth in Section 8.7. In the event of any other breach of this Section 10.4, the holders of Notes shall have all rights and remedies that may be available under Section 12.

**Section 10.5. Liens.** The Company will not and will not permit any of its Subsidiaries to directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental levies or charges not yet delinquent or which may be paid without penalty, or which are being actively contested in a Good Faith Contest;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums that are not yet delinquent or which may be paid without penalty, or which are subject to a Good Faith Contest;

(c) Liens on Property of a Subsidiary to secure obligations of such Subsidiary to the Company;

(d) Liens (other than any Lien imposed by ERISA) incurred, or deposits made, in the ordinary course of business such as workers' compensation Liens or statutory or legal obligation Liens or deposits to support an insurance program, *provided, however*, that such Liens or deposits were not incurred or made in connection with the borrowing of money, or the obtaining of advances or credit;

(e) minor survey exceptions or minor encumbrances, easements or reservations and related liens and incidental liens, that are necessary for the conduct of the operations of the Company and its Subsidiaries but were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of the Property of the Company or its Subsidiaries or materially impair the use thereof in the operation of the businesses of the Company and its Subsidiaries;

(f) Liens on contract advances and other related advances for which deposits have been received before services have been rendered;

(g) Liens incurred in connection with Non-Recourse Debt;

(h) cash deposited with issuing banks as collateral for letters of credit that are permitted under the Credit Agreement;

(i) Liens on assets consisting of interests in joint ventures or partnerships held by the Company or its Subsidiaries and the underlying assets in such joint ventures or partnerships granted to the other party in any such joint venture or partnership where the Company or such Subsidiary holds an interest in such joint venture or partnership of less than 50% so long as (a) no Default or Event of Default has occurred and is continuing, (b) the aggregate value of all assets subject to such Liens does not exceed 10% of Consolidated Equity and (c) the Company or such Subsidiary is granted a Lien in the joint venture or partnership interests and underlying assets held by the other party or parties in such joint venture or partnership;

(j) Liens existing on property at the time of its acquisition or existing on the property of any Person at the time such Person becomes a Subsidiary or is merged into or consolidated with the Company or any Subsidiary; *provided* that such Lien was not created in contemplation of such acquisition;

(k) Liens in favor of sureties issued for the benefit of the Company or any of its Subsidiaries in the ordinary course of their business;

(l) Liens consisting of (i) the delivery of cash collateral if and when required under Section 2.16 of the Credit Agreement or (ii) a pledge of stock in a Subsidiary in lieu of the delivery of a Subsidiary Guaranty (as contemplated by Section 6.10 of the Credit Agreement) so long as, in the case of this clause (ii), the Notes (and any guaranty delivered in connection therewith) shall concurrently be secured equally and ratably with such Debt under the Credit Agreement pursuant to documentation reasonably acceptable to the Required Holders in substance and in form, including, without limitation, an intercreditor agreement and opinions of counsel to the Company and/or any such Subsidiary, as the case may be, from counsel that is reasonably acceptable to the Required Holders; and

(m) other Liens securing Debt of the Company or any Subsidiary not otherwise permitted by clauses (a) through (l), provided that at the time of the creation or incurrence of such Lien and after giving effect to the incurrence of any Debt secured by such Lien Priority Debt shall not exceed 8% of Consolidated Total Assets (determined as of the end of the then most recently ended fiscal quarter), provided, further, that notwithstanding the foregoing, the Company shall not, and shall not permit any of its Subsidiaries to, secure pursuant to this Section 10.5(m) any Debt outstanding under or pursuant to any Material Credit Facility unless and until the Notes (and any guaranty delivered in connection therewith) shall concurrently be secured equally and ratably with such Debt pursuant to documentation reasonably acceptable to the Required Holders in substance and in form, including, without limitation, an intercreditor agreement and opinions of counsel to the Company and/or any such Subsidiary, as the case may be, from counsel that is reasonably acceptable to the Required Holders.

**Section 10.6. Leverage Ratio.** The Company will not permit at any time the Leverage Ratio to exceed 3.00 to 1.00.

**Section 10.7. Consolidated Fixed Charge Coverage Ratio.** The Company will not permit at any time the ratio of (a) the sum of Consolidated Cash Flow plus Consolidated Lease Expense to (b) the sum of Consolidated Interest Expense less the portion of Consolidated Interest Expense attributable to Non-Recourse Debt less any non-cash interest charges related to the MTA Judgment taken after the fiscal quarter in which the final MTA Judgment is entered by the court plus Consolidated Lease Expense, in each case for the four quarter fiscal period most recently ended, to be less than 2.00 to 1.00.

**Section 10.8. Priority Debt.** The Company will not permit at any time Priority Debt to exceed 8% of Consolidated Total Assets (determined as of the end of the then most recently ended fiscal quarter).

Although it will not be a Default or an Event of Default if the Company fails to comply with any provision of Section 10 before or after giving effect to the issuance of the Notes on a *pro forma* basis, if such a failure occurs, then any of the Purchasers may elect not to purchase the Notes on the date of Closing that is specified in Section 3.

#### **SECTION 11. EVENTS OF DEFAULT.**

An “**Event of Default**” shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), 10.6, 10.7 or 10.8; or

(d) the Company or any Subsidiary Guarantor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) or in any Subsidiary Guaranty and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this Section 11(d)); or

(e) (i) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made, or (ii) any representation or warranty made in writing by or on behalf of any Subsidiary Guarantor or by any officer of such Subsidiary Guarantor in any Subsidiary Guaranty or any writing furnished in connection with such Subsidiary Guaranty proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Debt that is outstanding in an aggregate principal amount of at least \$25,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Debt in an aggregate outstanding principal amount of at least \$25,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Debt has become, or has been declared (or one or more Persons are entitled to declare such Debt to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Debt to convert such Debt into equity interests), (x) the Company or any Subsidiary has become obligated to purchase or repay Debt before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$25,000,000, or (y) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Debt; or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any

jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or other Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) one or more final judgments or orders for the payment of money, not fully covered by insurance, aggregating in excess of \$25,000,000, including, without limitation, any such final order enforcing a binding arbitration decision, are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the sum of (x) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, plus (y) the amount (if any) by which the aggregate present value of accrued benefit liabilities under all funded Non-U.S. Plans exceeds the aggregate current value of the assets of such Non-U.S. Plans allocable to such liabilities, shall exceed an amount that could reasonably be expected to have a Material Adverse Effect, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder, (vii) the Company or any Subsidiary fails to administer or maintain a Non-U.S. Plan in compliance with the requirements of any and all applicable laws, statutes, rules, regulations or court orders or any Non-U.S. Plan is involuntarily terminated or wound up or (viii) the Company or any Subsidiary becomes

subject to the imposition of a financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Non-U.S. Plans; and any such event or events described in clauses (i) through (viii) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect. As used in this Section 11(j), the terms “**employee benefit plan**” and “**employee welfare benefit plan**” shall have the respective meanings assigned to such terms in section 3 of ERISA; or

(k) any Subsidiary Guaranty shall cease to be in full force and effect, any Subsidiary Guarantor or any Person acting on behalf of any Subsidiary Guarantor shall contest in any manner the validity, binding nature or enforceability of any Subsidiary Guaranty, or the obligations of any Subsidiary Guarantor under any Subsidiary Guaranty are not or cease to be legal, valid, binding and enforceable in accordance with the terms of such Subsidiary Guaranty.

## **SECTION 12. REMEDIES ON DEFAULT, ETC.**

**Section 12.1. Acceleration.** (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) of Section 11 or described in clause (vi) of paragraph (g) of Section 11 by virtue of the fact that such clause encompasses clause (i) of paragraph (g) of Section 11 has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount, if any, determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

**Section 12.2. Other Remedies.** If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note or Subsidiary Guaranty, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby by law or otherwise.

**Section 12.3. Rescission.** At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

**Section 12.4. No Waivers or Election of Remedies, Expenses, Etc.** No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement, any Subsidiary Guaranty or any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

### **SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.**

**Section 13.1. Registration of Notes.** The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person(s) in whose name any Note(s) shall be registered shall be



deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

**Section 13.2. Transfer and Exchange of Notes.** Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same Series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note; *provided, however*, that the Company shall not be required to execute any new Note, or register the transfer of any Note, to a transferee who is a Competitor of the Company or any Subsidiary. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Schedule 1(a) or 1(b), as applicable. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

**Section 13.3. Replacement of Notes.** Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

#### **SECTION 14. PAYMENTS ON NOTES.**

**Section 14.1. Place of Payment.** Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of JPMorgan Chase Bank, N.A. in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

**Section 14.2. Home Office Payment.** So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, interest and all other amounts becoming due hereunder by the method and at the address specified for such purpose below such Purchaser's name in Schedule B, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes of the same Series pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

#### **SECTION 15. EXPENSES, ETC.**

**Section 15.1. Transaction Expenses.** Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, any Subsidiary Guaranty or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, any Subsidiary Guaranty or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, any Subsidiary Guaranty or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and any Subsidiary Guaranty and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO *provided*, that such costs and expenses under this clause (c) shall not exceed \$3,500.

**Section 15.2. Survival.** The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, any Subsidiary Guaranty or the Notes, and the termination of this Agreement.

**SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.**

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement, the Notes and any Subsidiary Guaranties embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

**SECTION 17. AMENDMENT AND WAIVER.**

**Section 17.1. Requirements.** This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), only with the written consent of the Company and the Required Holders, except that:

(a) no amendment or waiver of any of Sections 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing; and

(b) no amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding,  
(i) subject to Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of (x) interest on the Notes or (y) the Make-Whole Amount, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any amendment or waiver or the principal amount of the Notes that the Purchasers are to purchase pursuant to Section 2 upon the satisfaction of the conditions to Closing that appear in Section 4, or  
(iii) amend any of Sections 8 (except as set forth in the second sentence of Section 8.2 and Section 17.1(c)), 11(a), 11(b), 12, 17 or 20.

## **Section 17.2. Solicitation of Holders of Notes.**

(a) *Solicitation.* The Company will provide each Purchaser and each holder of a Note with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Purchaser and such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or any Subsidiary Guaranty. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 17 or any Subsidiary Guaranty to each Purchaser and each holder of a Note promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Purchasers or holders of Notes.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any Purchaser or holder of a Note as consideration for or as an inducement to the entering into by such Purchaser or holder of any waiver or amendment of any of the terms and provisions hereof or of any Subsidiary Guaranty or any Note unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each Purchaser and each holder of a Note even if such Purchaser or holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent given pursuant to this Section 17 or any Subsidiary Guaranty by a holder of a Note that has transferred or has agreed to transfer its Note to the Company, any Subsidiary or any Affiliate of the Company (either pursuant to a waiver under Section 17.1(c) or subsequent to Section 8.5 having been amended pursuant to Section 17.1(c)) in connection with such consent shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

**Section 17.3. Binding Effect, etc.** Any amendment or waiver consented to as provided in this Section 17 or any Subsidiary Guaranty applies equally to all Purchasers and holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and any Purchaser or holder of a Note and no delay in exercising any rights hereunder or under any Note or Subsidiary Guaranty shall operate as a waiver of any rights of any Purchaser or holder of such Note.

**Section 17.4. Notes Held by Company, etc.** Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, any Subsidiary Guaranty or the Notes, or have directed the taking of any action provided herein or in any Subsidiary Guaranty or the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

**SECTION 18. NOTICES.**

Except to the extent otherwise provided in Section 7.4, all notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by an internationally recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by an internationally recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

- (i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule B, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,
- (ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or
- (iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Executive Vice President and Chief Financial Officer, with a copy to the Vice President and Treasurer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

**SECTION 19. REPRODUCTION OF DOCUMENTS.**

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

## SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, “**Confidential Information**” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure (*provided, however*, that to such Purchaser’s actual knowledge, the source of such information was not, at the time of disclosure to such Purchaser, bound by a confidentiality agreement with the Company or its Subsidiaries relating to such information), (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary (*provided, however*, that to such Purchaser’s actual knowledge, the source of such information was not, at the time of disclosure to such Purchaser, bound by a confidentiality agreement with the Company or its Subsidiaries relating to such information) or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes and such individuals are bound by the terms of this **Section 20** or agree to hold confidential the Confidential Information substantially in accordance with the terms of this **Section 20**), (ii) its auditors, financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (v) any Person from which it offers to purchase any Security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser’s investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser’s Notes, this Agreement or any Subsidiary Guaranty. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying this Section 20.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 20, this Section 20 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 20 shall supersede any such other confidentiality undertaking.

#### **SECTION 21. SUBSTITUTION OF PURCHASER.**

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a "**Substitute Purchaser**") as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Notes then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

#### **SECTION 22. MISCELLANEOUS.**

**Section 22.1. Successors and Assigns.** All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

**Section 22.2. Accounting Terms.** (a) All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with the financial covenants contained in this Agreement, any election by the Company to measure an item of Debt using an amount other than par (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

(b) Notwithstanding the foregoing, if the Company notifies the holders of Notes that, in the Company's reasonable opinion, or if the Required Holders notify the Company that, in the Required Holders' reasonable opinion, as a result of a change in GAAP after the date of this Agreement, any negative covenant or any of the defined terms used therein no longer apply as intended such that such covenants are materially more or less restrictive to the Company than as at the date of this Agreement, the Company shall negotiate in good faith with the holders of Notes to make any necessary adjustments to such covenant or defined term to provide the holders of the Notes with substantially the same protection as such covenant provided prior to the relevant change in GAAP. Until the Company and the Required Holders so agree to reset, amend or establish alternative covenants or defined terms, (i) the negative covenants, together with the relevant defined terms, shall continue to apply and compliance therewith shall be determined on the basis of GAAP in effect at the date of this Agreement and (ii) each set of financial statements delivered to holders of Notes during such time shall include detailed reconciliations reasonably satisfactory to the Required Holders as to the effect of such change in GAAP.

**Section 22.3. Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

**Section 22.4. Construction, etc.** Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

**Section 22.5. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

**Section 22.6. Governing Law.** This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.



**Section 22.7. Jurisdiction and Process; Waiver of Jury Trial.** (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.7(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.7 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

\* \* \* \* \*

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

PARSONS CORPORATION

By /s/ George L. Ball

Name: George L. Ball

Title: Executive Vice President and Chief  
Financial Officer

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

AMERICAN GENERAL LIFE INSURANCE COMPANY  
THE UNITED STATES LIFE INSURANCE COMPANY IN THE  
CITY OF NEW YORK  
COMMERCE AND INDUSTRY INSURANCE COMPANY  
UNITED GUARANTY RESIDENTIAL INSURANCE COMPANY  
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: AIG Asset Management (U.S.), LLC, as Investment  
Adviser

By: /s/ David C. Patch

Name: David C. Patch

Title: Managing Director

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

By: /s/ Brian F. Landry

Name: Brian F. Landry

Title: Assistant Treasurer

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Curtis R. Caldwell

Name: Curtis R. Caldwell

Title: Senior Vice President

MUTUAL OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Curtis R. Caldwell

Name: Curtis R. Caldwell

Title: Senior Vice President

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

MONY LIFE INSURANCE COMPANY

By: */s/ Amy Judd*

\_\_\_\_\_  
Name: Amy Judd

Title: Investment Officer

AXA EQUITABLE LIFE INSURANCE COMPANY

By: */s/ Amy Judd*

\_\_\_\_\_  
Name: Amy Judd

Title: Investment Officer

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

HORIZON BLUE CROSS BLUE SHIELD OF NEW JERSEY

By: AllianceBernstein LP, its Investment Advisor

By: /s/ Amy Judd

Name: Amy Judd

Title: Senior Vice President

GERBER LIFE INSURANCE COMPANY

By: AllianceBernstein LP, its Investment Advisor

By: /s/ Amy Judd

Name: Amy Judd

Title: Senior Vice President

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

WESTERN-SOUTHERN LIFE ASSURANCE COMPANY

By: /s/ Douglas B. Perry

Name: Douglas B. Perry

Title: Asst Vice President & Asst Treasurer

By: /s/ Jeffrey L. Stainton

Name: Jeffrey L. Stainton

Title: Vice President

INTEGRITY LIFE INSURANCE COMPANY  
SEPARATE ACCOUNT GPO

By: /s/ Douglas B. Perry

Name: Douglas B. Perry

Title: Assistant Treasurer

By: /s/ Kevin L. Howard

Name: Kevin L. Howard

Title: Senior Vice President

NATIONAL INTEGRITY LIFE INSURANCE COMPANY  
SEPARATE ACCOUNT GPO

By: /s/ Douglas B. Perry

Name: Douglas B. Perry

Title: Assistant Treasurer

By: /s/ Kevin L. Howard

Name: Kevin L. Howard

Title: Senior Vice President



This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

AMERICAN FIDELITY ASSURANCE COMPANY

By: Fort Washington Investment Advisors  
As Investment Advisor

By: /s/ Roger M. Lanham

Name: Roger M. Lanham  
Title: Managing Director

By: /s/ P. Gregory Williams

Name: P. Gregory Williams  
Title: Vice President – Private Placements

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Edward Brennan

Name: Edward Brennan

Title: Senior Director

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: /s/ Edward Brennan

Name: Edward Brennan

Title: Senior Director

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

AMERICAN EQUITY INVESTMENT LIFE INSURANCE  
COMPANY

By: /s/ Jeffrey A. Fossell

Name: Jeffrey A. Fossell

Title: Authorized Signatory

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

LIFE INSURANCE COMPANY OF THE SOUTHWEST

By: /s/ Chris P. Gudmastad

Name: Chris P. Gudmastad, CFA

Title: Assistant Vice President

Sentinel Asset Management, Inc.

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

By: /s/ Michael W. Shepherd

Name: Michael W. Shepherd

Title: Investment Officer

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

WOODMEN OF THE WORLD LIFE INSURANCE SOCIETY

By: /s/ Shawn Bengtson

Name: Shawn Bengtson

Title: Vice President Investment

By: /s/ Damian Howard

Name: Damian Howard

Title: Director, Equities Investment

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

RGA REINSURANCE COMPANY

By: Principal Global Investors, LLC, a Delaware limited  
liability company, its authorized signatory

By: /s/ James C. Fifield

Name: James C. Fifield

Title: Assistant General Counsel

By: /s/ Justin T. Lange

Name: Justin T. Lange

Title: Counsel

PENN MUTUAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC, a Delaware limited  
liability company, its authorized signatory

By: /s/ James C. Fifield

Name: James C. Fifield

Title: Assistant General Counsel

By: /s/ Justin T. Lange

Name: Justin T. Lange

Title: Counsel

This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By: /s/ David Divine

Name: David Divine

Title: Portfolio Manager



This Agreement is hereby  
accepted and agreed to as  
of the date hereof.

ASSURITY LIFE INSURANCE COMPANY

By: /s/ Victor Weber

Name: Victor Weber

Title: Senior Director - Investments

## DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

**“Acquired Subsidiary Debt”** means all Debt of any Person which becomes a Subsidiary after the date of Closing or is consolidated with or merged into a Subsidiary after the date of Closing and which (i) is outstanding on the date such Person becomes a Subsidiary (or such Person is at such time contractually bound, in writing, to incur such Debt), and (ii) has not been (or is not being) incurred, extended or renewed in contemplation of such Person becoming a Subsidiary.

**“Affiliate”** means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, **“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an “Affiliate” is a reference to an Affiliate of the Company.

**“Agreement”** means this Agreement, including all Schedules attached to this Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

**“Anti-Corruption Laws”** is defined in Section 5.16(d)(1).

**“Anti-Money Laundering Laws”** is defined in Section 5.16(c).

**“Asset Disposition”** means any Transfer except:

- (a) any
  - (1) Transfer from a Subsidiary to the Company or a Wholly-Owned Subsidiary; and
  - (2) Transfer from the Company to a Wholly-Owned Subsidiary;

so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default shall exist; and

- (b) any Transfer made in the ordinary course of business and involving only property that is either (1) inventory held for sale or (2) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or any of its Subsidiaries or that is obsolete.

SCHEDULE A  
(to Note Purchase Agreement)

**“Asset Disposition Prepayment Date”** is defined in **Section 8.8(a)**.

**“Asset Disposition Prepayment Event”** is defined in **Section 8.8(a)**.

**“Blocked Person”** is defined in Section 5.16(a).

**“Business Day”** means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Los Angeles, California are required or authorized to be closed.

**“Capitalized Lease Obligation”** means any rental obligation which, under GAAP, is or will be required to be capitalized on the books of the Company or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

**“Capital Lease”** means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

**“Change in OFAC Sanctions”** is defined in Section 8.7.

**“Change of Control”** means an event or series of events by which the ESOP Trust shall fail to own beneficially and of record at least 50.1% of the capital stock of the Company.

**“CISADA”** means the Comprehensive Iran Sanctions, Accountability and Divestment Act.

**“Closing”** is defined in Section 3.

**“Code”** means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

**“Company”** means Parsons Corporation, a Delaware corporation or any successor that becomes such in the manner prescribed in Section 10.2.

**“Competitor”** means any Person (other than any Purchaser) who is substantially engaged in the businesses of the Company or any Subsidiary as more fully described in the Memorandum and/or other activities reasonably related thereto provided that:

(a) the provision of investment advisory services by a Person to a Plan or Non-U.S. Plan which is owned or controlled by a Person which would otherwise be a Competitor shall not of itself cause the Person providing such services to be deemed to be a Competitor if such Person has established procedures which will prevent confidential information supplied to such Person by any member of the group from being transmitted or otherwise made available to such Plan or Non-U.S. Plan or Person owning or controlling such Plan or Non-U.S. Plan; and

(b) in no event shall an Institutional Investor which maintains passive investments in any Person which is a Competitor be deemed a Competitor if being agreed that the normal administration of the investment and enforcement thereof shall be deemed not to cause such Institutional Investor to be a "Competitor".

**"Confidential Information"** is defined in Section 20.

**"Consolidated Cash Flow"** means, for any period, (a) Consolidated Net Earnings *plus* (b) Consolidated Depreciation and Amortization *plus* (c) Consolidated Interest Expense *plus* (d) Deferred Tax Expenses *plus* (e) Non-Cash ESOP Expenses of the Company and its Subsidiaries *plus* (f) non-cash charges related to the MTA Judgment in an aggregate amount not to exceed the MTA Judgment Amount, *excluding*, however, items (a) through (e) above derived from or attributable to Non-Recourse Investments or Non-Recourse Debt.

Consolidated Cash Flow for any measurement period shall: *include* items (a) through (e) above for (i) any Person which becomes a Subsidiary of the Company or is merged with and into the Company or any of its Subsidiaries during such measurement period or (ii) any identifiable business unit or division of a Person which is acquired by the Company or one of its Subsidiaries during such measurement period, in either case (A) as if such Person or business unit or division were owned by the Company or one of its Subsidiaries on the first day of such measurement period and (B) only if the Company has provided the holders of the Notes with the most recent year-end financial statements of such Person or business unit or division of such Person, which shall have been audited by an independent certified public accounting firm reasonably satisfactory to the Required Holders; but *exclude* items (a) through (e) above for any Person or identifiable business unit or division of a Person which is disposed of by the Company or one of its Subsidiaries during such measurement period.

**"Consolidated Debt"** means, without duplication, all Debt of the Company and its Subsidiaries on a consolidated basis, *excluding* (a) inter-company indebtedness between the Company and a Subsidiary or between any two or more Subsidiaries, and (b) any Non-Recourse Debt.

**"Consolidated Depreciation and Amortization"** means, for any period, the depreciation and amortization of the Company and its Subsidiaries on a consolidated basis, determined in accordance with GAAP, but in any event to include impairment of goodwill for such period.

**"Consolidated Equity"** means total assets less total liabilities (including, without limitation, Consolidated Debt) of the Company and its Subsidiaries on a consolidated basis determined in accordance with GAAP *excluding*, however, Consolidated Equity attributable to Non-Recourse Investments.

**“Consolidated Interest Expense”** means, for any period, all interest expense, including, without limitation, all commissions, discounts or related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing for borrowed money indebtedness and the net costs associated with Hedge Agreements in respect of interest rates, amortization of debt expense and original issue discount and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method, of the Company and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

**“Consolidated Lease Expense”** means for any period (a) lease expense minus (b) lease income from third parties for the Company and its Subsidiaries on a consolidated basis determined in accordance with GAAP *excluding*, however, Consolidated Lease Expense attributable to Non-Recourse Investments.

**“Consolidated Net Earnings”** means gross revenues less all expenses, including tax expense and other proper charges of the Company and its Subsidiaries on a consolidated basis determined in accordance with GAAP; provided that Consolidated Net Earnings shall not include: (a) extraordinary gains or losses; (b) any gains (or losses) in excess of \$300,000 in the aggregate over losses (or gains) resulting from the sale, conversion or other disposition of fixed assets; (c) undistributed earnings from investments in entities other than Subsidiaries; (d) gains or losses arising from changes in accounting principles; and (e) any gains or losses resulting from the retirement or extinguishment of Debt, all determined in accordance with GAAP.

**“Consolidated Total Assets”** means the consolidated total assets of the Company and its Subsidiaries as shown on the most recent consolidated balance sheet of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

**“Controlled Entity”** means (i) any of the Subsidiaries of the Company and any of their or the Company’s respective Controlled Affiliates and (ii) if the Company has a parent company, such parent company and its Controlled Affiliates. As used in this definition, **“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**“Credit Agreement”** means the Fourth Amended and Restated Credit Agreement dated as of November 20, 2013 by and among the Company, as Borrower, Union Bank, N.A., as Administrative Agent, and the lenders identified therein, including any renewals, extensions, amendments, supplements, restatements, replacements or refinancings thereof.

**“Debt”** means, with respect to any Person, without duplication, the sum of (a) indebtedness of such Person for borrowed money, (b) Capitalized Lease Obligations of such Person, (c) indebtedness secured by a Lien on property owned by such Person (whether or not it has assumed or otherwise become liable for such indebtedness), (d) liabilities of such Person with respect to the deferred purchase price of property, (e) redemption obligations with respect to mandatorily redeemable preferred stock of such Person (other than preferred stock in existence as of the date hereof), (f) if such Person is a Subsidiary, all preferred stock of such Person, (g) reimbursement obligations of such Person with respect to unreimbursed drawings under letters of

credit (other than Financial Letters of Credit), (h) reimbursement obligations of such Person equal to the face amount of all outstanding Financial Letters of Credit, (i) all net obligations and liabilities under Hedge Agreements to the extent due and payable as a result of a termination event or event of default under such Hedge Agreements and (j) guaranties or other contingent obligations of such Person with respect to liabilities of a type described in any of clauses (a) through (i) hereof.

**“Debt Prepayment Application”** means, with respect to any Transfer of property, the application by the Company or its Subsidiaries of cash in an amount equal to the Net Proceeds Amount with respect to such Transfer to pay Senior Debt of the Company (other than Senior Debt owing to any of its Subsidiaries or any Affiliate and Senior Debt in respect of any revolving credit or similar credit facility providing the Company with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Debt the availability of credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of such Senior Debt); *provided* that in the course of making such application the Company shall offer to prepay each outstanding Note in accordance with **Section 8.8** in a principal amount that equals the Ratable Portion for such Note.

**“Default”** means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

**“Default Rate”** means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. in New York, New York as its “base” or “prime” rate.

**“Deferred Tax Expenses”** means, for any period, deferred taxes of the Company and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

**“Disclosure Documents”** is defined in Section 5.3.

**“EDGAR”** means the SEC’s Electronic Data Gathering, Analysis and Retrieval System or any successor SEC electronic filing system for such purposes.

**“Environmental Laws”** means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

**“ERISA Affiliate”** means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

**“ESOP”** means Parsons Corporation Employee Stock Ownership Plan.

**“ESOP Trust”** means the Trust established under the ESOP.

**“Event of Default”** is defined in Section 11.

**“Fair Market Value”** means at any time and with respect to any property, the sale value of such property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

**“Federal Reserve Board”** means the Board of Governors of the Federal Reserve System or any Governmental Authority succeeding to its functions.

**“Financial Letter of Credit”** means any standby letter of credit covering the potential default of a financial contractual obligation, and includes without limitation all letters of credit required to be classified as such by the Federal Reserve Board or by the Office of the Comptroller of the Currency.

**“Form 10-K”** is defined in Section 7.1(b).

**“Form 10-Q”** is defined in Section 7.1(a).

**“GAAP”** means generally accepted accounting principles as in effect from time to time in the United States of America.

**“Good Faith Contest”** is defined in Section 9.4.

**“Governmental Authority”** means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

**“Governmental Official”** means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

**“Hazardous Materials”** means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

**“Hedge Agreement”** means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

**“holder”** means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1, *provided, however*, that if such Person is a nominee, then for the purposes of Sections 7, 12, 17.2 and 18 and any related definitions in this Schedule A, “holder” shall mean the beneficial owner of such Note whose name and address appears in such register.

**“INHAM Exemption”** is defined in Section 6.2(e).

**“Institutional Investor”** means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 10% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

**“Joinder”** means a Joinder to Subsidiary Guaranty substantially in the form of Exhibit A attached to the form of Subsidiary Guaranty attached to this Agreement as Schedule C.

**“Leverage Ratio”** means, as of any date of determination, the ratio of (a) Consolidated Debt to (b) Consolidated Cash Flow for the four fiscal quarters ending on such date.

**“Lien”** means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).



**“Line of Business”** means the business of providing architectural, technical, engineering, program management, construction, construction management, project development and related services.

**“Make-Whole Amount”** is defined in Section 8.6.

**“Material”** means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

**“Material Adverse Effect”** means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement and the Notes, (c) the ability of any Subsidiary Guarantor to perform its obligations under its Subsidiary Guaranty, or (d) the validity or enforceability of this Agreement, the Notes or any Subsidiary Guaranty.

**“Material Credit Facility”** means, as to the Company and its Subsidiaries,

(a) the Credit Agreement, including any renewals, extensions, amendments, supplements, restatements, replacements or refinancing thereof; and

(b) any other agreement(s) creating or evidencing indebtedness for borrowed money entered into on or after the date of Closing by the Company or any Subsidiary, or in respect of which the Company or any Subsidiary is an obligor or otherwise provides a guarantee or other credit support (**“Credit Facility”**), in a principal amount outstanding or available for borrowing equal to or greater than \$150,000,000 (or the equivalent of such amount in the relevant currency of payment, determined as of the date of the closing of such facility based on the exchange rate of such other currency); and if no Credit Facility or Credit Facilities equal or exceed such amounts, then the largest Credit Facility shall be deemed to be a Material Credit Facility.

**“Maturity Date”** is defined in the first paragraph of each Note.

**“Memorandum”** is defined in Section 5.3.

**“MTA Judgment Amount”** means (i) as of the date of Closing, \$129,067,248.76 or (ii) as of the date that a final judgment is entered by the court with respect to the MTA Judgment, an amount equal to the final judgment amount, including accrued interest to that date, but in no event shall such final judgment amount exceed \$140,000,000.

**“MTA Judgment”** means the preliminary judgment rendered against the Company in litigation with the Los Angeles County Metropolitan Transportation Authority in the amount of \$129,067,248.76, which includes damages and interest through October 31, 2013.

**“Multiemployer Plan”** means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

**“NAIC”** means the National Association of Insurance Commissioners or any successor thereto.

**“Net Proceeds Amount”** means, with respect to any Transfer of any asset by the Company or any Subsidiary thereof, an amount equal to the difference of:

(a) the aggregate amount of consideration (valued at the fair market value thereof by the Company or such Subsidiary in good faith) received by the Company or Subsidiary in respect of such Transfer, minus

(b) all applicable taxes and all ordinary and reasonable out-of-pocket costs and expenses actually incurred by the Company or Subsidiary in connection with such Transfer.

**“Non-Cash ESOP Expense”** means, for any period, the amount of non-cash contributions made to the ESOP by the Company.

**“Non-Guarantor Subsidiary”** means any Subsidiary that has not executed and delivered a Subsidiary Guaranty on the date hereof or pursuant to Section 9.7.

**“Non-Recourse Debt”** means either (a) Debt existing on the date of the Closing and listed on Schedule D or (b) Debt, including non-recourse property Debt, non-recourse project Debt and non-recourse military family housing Debt incurred after the date of the Closing with respect to which:

(i) the lender thereof has no direct or indirect recourse to either (A) the Company or any of its Subsidiaries (other than to any single-purpose Subsidiary whose sole asset is the property securing such Non-Recourse Debt), whether by means of judicial foreclosure or otherwise, or (B) any property of the Company or any of its Subsidiaries other than the property securing such Non-Recourse Debt; and

(ii) neither the Company nor any of its Subsidiaries has any obligations of the type described in subsection (i) of the definition of Debt, including without limitation, reimbursement obligations under the letters of credit relating to such Debt.

**“Non-Recourse Investments”** means the property owned directly or indirectly by the Company and its Subsidiaries as of the date of the Closing and listed on Schedule D hereto and any property acquired by the Company or any of its Subsidiaries after the date of the Closing with Non- Recourse Debt and which secures such Non-Recourse Debt.

**“Non-U.S. Plan”** means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

“Notes” is defined in Section 1.

“OFAC” is defined in Section 5.16(a).

“OFAC Change Event” is defined in Section 8.7.

“OFAC Change Notice” is defined in Section 8.7.

“OFAC Event Response Date” is defined in Section 8.7.

“OFAC Listed Person” is defined in Section 5.16(a).

“OFAC Sanctions Program” means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

“Officer’s Certificate” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“Plan” means an “employee benefit plan” (as defined in section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“Preferred Stock” means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

“Priority Debt” means at any time the sum of:

(a) Debt of the Company or any Subsidiaries secured by Liens not otherwise permitted by Sections 10.5(a) through (l), plus (but without duplication)

(b) Debt of Subsidiaries other than:

(i) Debt of Subsidiaries existing as of the date hereof and described on Schedule 5.15 (and any renewals, extension, or replacement thereof without increase in the principal amount thereof);

- (ii) Debt of Subsidiaries owing to the Company or any Subsidiary;
- (iii) Acquired Subsidiary Debt (and any renewal, extension or replacement thereof without increase in the principal amount thereof), *provided* that immediately after such acquired Subsidiary becomes a Subsidiary, no Default or Event of Default shall exist;
- (iv) Debt of Subsidiary Guarantors; and
- (v) Debt of Subsidiaries secured by Liens permitted by Section 10.5(a) through (l), inclusive.

**“Property,” “Properties,” “property” or “properties”** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

**“Property Reinvestment Application”** means, with respect to any asset disposition, the application of the Net Proceeds Amount (or a portion thereof) with respect to such asset disposition to the acquisition by the Company or any Subsidiary of fixed or capital assets of the Company or any Subsidiary to be used in the business of such Person.

**“PTE”** is defined in Section 6.2(a).

**“Purchaser” or “Purchasers”** means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser’s successors and assigns (so long as any such assignment complies with Section 13.2), *provided, however*, that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of a transfer thereof pursuant to Section 13.2 shall cease to be included within the meaning of “Purchaser” of such Note for the purposes of this Agreement upon such transfer.

**“Qualified Institutional Buyer”** means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

**“QPAM Exemption”** is defined in Section 6.2(d).

**“Ratable Portion”** for any Note shall mean an amount equal to the product of (a) the Net Proceeds Amount from a Transfer being applied to a Debt Prepayment Application pursuant to **Section 10.2** *multiplied* by (b) a fraction, the numerator of which is the aggregate outstanding principal amount of such Note and the denominator of which is the aggregate outstanding principal amount of all Senior Debt of the Company (other than Senior Debt owing to any of its Subsidiaries or any Affiliate).

**“Related Fund”** means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

**“Repurchase Liability”** means the liability that the Company may incur to satisfy the (i) retirement benefit distribution requirements under the ESOP and section 409(h) of the Code and (ii) diversification requirements under the ESOP and section 401(a)(28)(B) of the Code.

**“Required Holders”** means at any time (i) prior to the Closing, the Purchasers and (ii) on or after the Closing, the holders of at least 51% in principal amount of the Notes (without regard to Series) at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

**“Responsible Officer”** means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

**“SEC”** means the Securities and Exchange Commission of the United States, or any successor thereto.

**“Securities”** or **“Security”** shall have the meaning specified in section 2(1) of the Securities Act.

**“Securities Act”** means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

**“Senior Debt”** shall mean any Debt of the Company other than Debt that is in any manner subordinated in right of payment or security in any respect to the Debt evidenced by the Notes.

**“Senior Financial Officer”** means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

**“Series”** means any one of the Series of Notes issued hereunder.

**“Series A Notes”** is defined in Section 1.

**“Series B Notes”** is defined in Section 1.

**“Series C Notes”** is defined in Section 1.

**“Series D Notes”** is defined in Section 1.

**“Source”** is defined in Section 6.2.

**“Subsidiary”** means any Person (whether now existing or hereafter organized or acquired) of which the Company owns, directly or indirectly, more than 50% of the securities or other equity interests or which the Company otherwise controls. Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

**“Subsidiary Guarantor”** means each Subsidiary that has executed and delivered a Subsidiary Guaranty.

**“Subsidiary Guaranty”** is defined in Section 9.7(a).

**“Substitute Purchaser”** is defined in Section 21.

**“SVO”** means the Securities Valuation Office of the NAIC or any successor to such Office.

**“Transfer”** means, with respect to any Person, any transaction (including by merger, consolidation or disposition of all or substantially all the assets of such Person) in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including, without limitation, Subsidiary stock. **“Transfer”** shall also include the creation of minority interests in connection with any merger or consolidation involving a Subsidiary if the resulting entity is owned, directly or indirectly, by the Company in the proportion less than the proportion of ownership of such Subsidiary by the Company immediately preceding such merger or consolidation.

**“USA PATRIOT Act”** means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

**“U.S. Economic Sanctions”** is defined in Section 5.16(a).

**“Wholly-Owned Subsidiary”** means, at any time, any Subsidiary all of the equity interests (except directors’ qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time.

(FORM OF SERIES A NOTE)

PARSONS CORPORATION

4.44% SENIOR NOTE, SERIES A, DUE JULY 15, 2021

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN[\_\_\_\_\_]

FOR VALUE RECEIVED, the undersigned, PARSONS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] , or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on July 15, 2021 (the "Maturity Date"), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.44% per annum from the date hereof, payable semiannually, on the 15th day of January and July in each year, commencing January 15, 2015, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 6.44% or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N .A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at JPMorgan Chase Bank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement, dated as of May 9, 2014 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

SCHEDULE I(a)
(to Note Purchase Agreement)

**This Note is subject to prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

PARSONS CORPRATION

By \_\_\_\_\_  
Title:

1(a)-2



[FORM OF SERIES B NOTE]

PARSONS CORPORATION

4.98% SENIOR NOTE, SERIES B, DUE JULY 15, 2024

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN[\_\_\_\_\_]

FOR VALUE RECEIVED, the undersigned, PARSONS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] , or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on July 15, 2024 (the "Maturity Date"), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.98% per annum from the date hereof, payable semiannually, on the 15th day of January and July in each year, commencing January 15, 2015, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 6.98% or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at JPMorgan Chase Bank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement, dated as of May 9, 2014 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

SCHEDULE I(b)
(to Note Purchase Agreement)

**This Note is subject to prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

PARSONS CORPORATION

By \_\_\_\_\_  
Title:

1(b)-2

[FORM OF SERIES C NOTE]

PARSONS CORPORATION

5.13% SENIOR NOTE, SERIES C, DUE JULY 15, 2026

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN[\_\_\_\_\_]

FOR VALUE RECEIVED, the undersigned, PARSONS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] , or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on July 15, 2026 (the "Maturity Date"), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.13% per annum from the date hereof, payable semiannually, on the 15th day of January and July in each year, commencing January 15, 2015, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 7.13% or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at JPMorgan Chase Bank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement, dated as of May 9, 2014 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

SCHEDULE I(c)
(to Note Purchase Agreement)

**This Note is subject to prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

PARSONS CORPORATION

By \_\_\_\_\_  
Title:

1(c)-2

[FORM OF SERIES D NOTE]

PARSONS CORPORATION

5.38% SENIOR NOTE, SERIES D, DUE JULY 16, 2029

No. [\_\_\_\_\_]
\$[\_\_\_\_\_]

[Date]
PPN[\_\_\_\_\_]

FOR VALUE RECEIVED, the undersigned, PARSONS CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on July 16, 2029 (the "Maturity Date"), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.38% per annum from the date hereof, payable semiannually, on the 15th day of January and July in each year, commencing January 15, 2015, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 7.38% or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at JPMorgan Chase Bank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement, dated as of May 9, 2014 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

SCHEDULE 1(d)
(to Note Purchase Agreement)

**This Note is subject to prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

PARSONS CORPORATION

By \_\_\_\_\_  
Title:

1(d)-2

## SUBSIDIARY GUARANTY

This **SUBSIDIARY GUARANTY** is made as of July 1, 2014, by each of the parties identified as “*Guarantors*” on the signature pages hereto (each a “*Guarantor*” and collectively with each entity that may from time to time become a Guarantor hereunder, the “*Guarantors*”).

## RECITALS

A. Parsons Corporation, a Delaware corporation (the “*Company*”) and the purchasers identified in Schedule B thereto (the “*Purchasers*”), are entering into that certain Note Purchase Agreement dated as of May 9, 2014 (as it may hereafter be amended, supplemented or otherwise modified from time to time, being the “*Note Purchase Agreement*”), pursuant to which the Company will authorize the issue and sale of (i) \$50,000,000 aggregate principal amount of its 4.44% Senior Notes, Series A, due July 15, 2021 (the “*Series A Notes*”), (ii) \$100,000,000 aggregate principal amount of its 4.98% Senior Notes, Series B, due July 15, 2024 (the “*Series B Notes*”), (iii) \$60,000,000 aggregate principal amount of its 5.13% Senior Notes, Series C, due July 15, 2026 (the “*Series C Notes*”), and (iv) \$40,000,000 aggregate principal amount of its 5.38% Senior Notes, Series D, due July 16, 2029 (the “*Series D Notes*” and, together with the Series A Notes, the Series B Notes and the Series C Notes, the “*Notes*”).

B. A portion of the proceeds from the issuance and sale of the Notes under the Note Purchase Agreement may be extended indirectly to Guarantors, and thus the Guaranteed Obligations with respect to the Note Purchase Agreement are being incurred for and will inure to the benefit of Guarantors (which benefits are hereby acknowledged).

C. Guarantors are willing irrevocably and unconditionally to guaranty the obligations of the Company under the Note Purchase Agreement and the Notes by issuing this Guaranty.

NOW, THEREFORE, based upon the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Purchasers to enter into the Note Purchase Agreement, the parties hereto hereby agree as follows:

## SECTION 1. DEFINITIONS

**1.1 Certain Defined Terms.** Terms used but not otherwise defined herein shall have the meaning ascribed to them in the Note Purchase Agreement. In addition, the following terms shall have the following meanings, as used in this Guaranty, unless the context otherwise requires:

“**Event of Default**” means the occurrence of any Event of Default as such term is defined in the Note Purchase Agreement.

“**Guaranteed Obligations**” has the meaning assigned to that term in subsection 2.2.

“**Guaranty**” means this Subsidiary Guaranty, as it may be amended, supplemented or otherwise modified from time to time.

“**Lien**” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest, encumbrance, set-off, bankers’ lien or similar arrangement, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under a conditional sale or other title retention agreement or Capital Lease, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements, and all similar arrangements).

“**Noteholder**” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1 of the Note Purchase Agreement, *provided*, however, that if such Person is a nominee, “holder” shall mean the beneficial owner of such Note whose name and address appears in such register.

“**payment in full**”, “**paid in full**” or any similar term means indefeasible payment in full of the Guaranteed Obligations, including, without limitation, all principal, interest, Make-Whole Amount, reasonable costs, fees and expenses (including, without limitation, reasonable legal fees and expenses) owed to Noteholders as required under the Note Purchase Agreement or the Notes.

“**Person**” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

## **1.2 Interpretation.**

(a) References to “Sections” and “subsections” shall be to Sections and subsections, respectively, of this Guaranty unless otherwise specifically provided. All accounting terms not otherwise defined herein shall have the meanings assigned to them under generally accepted accounting principles.

(b) In the event of any conflict or inconsistency between the terms, conditions and provisions of this Guaranty and the terms, conditions and provisions of the Note Purchase Agreement, the terms, conditions and provisions of this Guaranty shall prevail.

## **SECTION 2. THE GUARANTY**

### **2.1 [Reserved.]**

**2.2 Guaranty of the Guaranteed Obligations.** Subject to the provisions of subsection 2.3(a), Guarantors jointly and severally hereby irrevocably and unconditionally guaranty, as primary obligors and not merely as sureties, the due and punctual payment in full and performance of all Guaranteed Obligations when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of Bankruptcy Code, 11 U.S.C. § 362(a)). The term “*Guaranteed Obligations*” is used herein in its most comprehensive sense and includes:



(a) any and all obligations of the Company in respect of (i) the principal of and interest on each Note issued by the Company pursuant to the Note Purchase Agreement and (ii) all other amounts, including Make-Whole Amount, if any, payable by the Company under the Note Purchase Agreement and the Notes (including, without limitation, legal fees and expenses of counsel), indemnities and liabilities of whatsoever nature now or hereafter made, incurred or created, whether absolute or contingent, liquidated or unliquidated, whether due or not due, and however arising under or in connection with the Note Purchase Agreement or the Notes, and including interest which, but for the filing of a petition in bankruptcy with respect to the Company, would have accrued on any Guaranteed Obligations, whether or not a claim is allowed against the Company for such interest in the related bankruptcy proceeding; and

(b) those expenses set forth in subsection 2.10 hereof;

**2.3 Limitation on Amount Guaranteed; Contribution by Guarantors.** (a) Anything contained in this Guaranty to the contrary notwithstanding, if any Fraudulent Transfer Law (as hereinafter defined) is determined by a court of competent jurisdiction to be applicable to the obligations of any Guarantor under this Guaranty, such obligations of such Guarantor hereunder shall be limited to a maximum aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of Title 11 of the United States Code or any applicable provisions of comparable state or foreign law (collectively, the "*Fraudulent Transfer Laws*"), in each case after giving effect to all other liabilities of such Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Guarantor (x) in respect of intercompany indebtedness to the Company, its subsidiaries or other affiliates of the Company to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such Guarantor hereunder and (y) under any guaranty of subordinated indebtedness which guaranty contains a limitation as to maximum amount similar to that set forth in this subsection 2.3(a), pursuant to which the liability of such Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, reimbursement, indemnification or contribution of such Guarantor pursuant to applicable law or pursuant to the terms of any agreement (including without limitation any such right of contribution under subsection 2.3(b)).

(b) Guarantors under this Guaranty together desire to allocate among themselves, in a fair and equitable manner, their obligations arising under this Guaranty. Accordingly, in the event any payment or distribution is made on any date by any Guarantor under this Guaranty (a "*Funding Guarantor*") that exceeds its Fair Share (as defined below) as of such date, that Funding Guarantor shall be entitled to a contribution from each of the other Guarantors in the amount of such other Guarantor's Fair Share Shortfall (as defined below) as of such date, with the result that all such contributions will cause each Guarantor's Aggregate Payments (as defined below) to equal its Fair Share as of such date. "*Fair Share*" means, with respect to a Guarantor as of any date of determination, an amount equal to (i) the ratio of (x) the Adjusted Maximum Amount (as defined below) with respect to such Guarantor to (y) the aggregate of the Adjusted Maximum Amounts with respect to all Guarantors, *multiplied by*

(ii) the aggregate amount paid or distributed on or before such date by all Funding Guarantors under this Guaranty in respect of the obligations guaranteed. “*Fair Share Shortfall*” means, with respect to a Guarantor as of any date of determination, the excess, if any, of the Fair Share of such Guarantor over the Aggregate Payments of such Guarantor. “*Adjusted Maximum Amount*” means, with respect to a Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Guarantor under this Guaranty, determined as of such date in accordance with subsection 2.3(a); *provided* that, solely for purposes of calculating the “Adjusted Maximum Amount” with respect to any Guarantor for purposes of this subsection 2.3(b), any assets or liabilities of such Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Guarantor. “*Aggregate Payments*” means, with respect to a Guarantor as of any date of determination, an amount equal to (i) the aggregate amount of all payments and distributions made on or before such date by such Guarantor in respect of this Guaranty (including, without limitation, in respect of this subsection 2.3(b)) *minus* (ii) the aggregate amount of all payments received on or before such date by such Guarantor from the other Guarantors as contributions under this subsection 2.3(b). The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. The allocation among Guarantors of their obligations as set forth in this subsection 2.3(b) shall not be construed in any way to limit the liability of any Guarantor hereunder.

**2.4 Payment by Guarantors; Application of Payments.** Subject to the provisions of subsection 2.3(a), Guarantors hereby jointly and severally agree, in furtherance of the foregoing and not in limitation of any other right which any Noteholder may have at law or in equity against any Guarantor by virtue hereof, that upon any of the Guaranteed Obligations becoming due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of Bankruptcy Code, 11 U.S.C. § 362(a)), Guarantors will, upon demand of the Required Holders, pay, or cause to be paid, in cash, to the Noteholders, an amount equal to the sum of the unpaid principal amount of all Guaranteed Obligations then due as aforesaid, accrued and unpaid interest on such Guaranteed Obligations (including, without limitation, interest which, but for the filing of a petition in bankruptcy with respect to the Company, would have accrued on such Guaranteed Obligations, whether or not a claim is allowed against the Company for such interest in the related bankruptcy proceeding) and all other Guaranteed Obligations then owed to the Noteholders as aforesaid. After payment in full of all Guaranteed Obligations, any remaining surplus amounts from such payments shall be paid to Guarantors, or their respective successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

**2.5 Liability of Guarantors Absolute.** Each Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guaranteed Obligations. In furtherance of the foregoing and without limiting the generality thereof, each Guarantor agrees as follows:

- (a) This Guaranty is a guaranty of payment when due and not of collectibility.

(b) Any Noteholder may enforce this Guaranty against any one or more Guarantors upon the occurrence of an Event of Default notwithstanding the existence of any dispute between the Company and any Noteholder with respect to the existence of such Event of Default.

(c) The obligations of each Guarantor hereunder are independent of the obligations of the Company under the Note Purchase Agreement and the Notes and the obligations of any other guarantor (including any other Guarantor) of the obligations of the Company, and a separate action or actions may be brought and prosecuted against such Guarantor whether or not any action is brought against the Company or any of such other guarantors and whether or not the Company is joined in any such action or actions.

(d) Payment by any Guarantor of a portion, but not all, of the Guaranteed Obligations shall in no way limit, affect, modify or abridge any Guarantor's liability for any portion of the Guaranteed Obligations which has not been paid. Without limiting the generality of the foregoing, if any Noteholder is awarded a judgment in any suit brought to enforce any Guarantor's covenant to pay a portion of the Guaranteed Obligations, such judgment shall not be deemed to release such Guarantor from its covenant to pay the portion of the Guaranteed Obligations that is not the subject of such suit, and such judgment shall not, except to the extent satisfied by such Guarantor, limit, affect, modify or abridge any other Guarantor's liability hereunder in respect of the Guaranteed Obligations.

(e) Any Noteholder, to the extent permitted by the terms of the Note Purchase Agreement and the Notes, without notice or demand and without affecting the validity or enforceability of this Guaranty or giving rise to any reduction, limitation, impairment, discharge or termination of any Guarantor's liability hereunder, from time to time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guaranteed Obligations, (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guaranteed Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations; and (iii) exercise any other rights available to it under the Note Purchase Agreement or the Notes.

(f) This Guaranty and the obligations of Guarantors hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guaranteed Obligations), including without limitation, the occurrence of any of the following, whether or not any Guarantor shall have had notice or knowledge of any of them: (i) any failure or omission to assert or enforce, or any agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under any of the Note Purchase Agreement or the Notes, at law, in equity or otherwise) with respect to the Guaranteed Obligations or any agreement relating thereto; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including without limitation provisions

relating to Events of Default) of the Note Purchase Agreement, the Notes or any agreement or instrument executed pursuant thereto, in each case whether or not in accordance with the terms of the Note Purchase Agreement; (iii) the Guaranteed Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) the application of payments received from any source (other than payments received pursuant to the Note Purchase Agreement or the Notes) to the payment of indebtedness other than the Guaranteed Obligations, even though any Noteholder might have elected to apply such payment to any part or all of the Guaranteed Obligations; (v) any Noteholder's consent to the change, reorganization or termination of the corporate structure or existence of the Company or any of its subsidiaries and to any corresponding restructuring of the Guaranteed Obligations; (vi) any defenses, set-offs or counterclaims which the Company or any subsidiary may allege or assert against any Noteholder in respect of the Guaranteed Obligations, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; and (vii) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of any Guarantor as an obligor in respect of the Guaranteed Obligations.

**2.6 Waivers by Guarantors.** Each Guarantor hereby waives, for the benefit of the Noteholders:

(a) any right to require any Noteholder, as a condition of payment or performance by such Guarantor, to (i) proceed against the Company, any other guarantor (including any other Guarantor) of the Guaranteed Obligations or any other Person, (ii) proceed against or exhaust any security held from the Company, any such other guarantor (including any other Guarantor) or any other Person, (iii) proceed against or have resort to any balance of any deposit account or credit on the books of any Noteholder in favor of the Company or any other Person or (iv) pursue any other remedy in the power of any Noteholder whatsoever;

(b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the Company including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of the Guaranteed Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of the Company from any cause other than payment in full of the Guaranteed Obligations;

(c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(d) any defense based upon any Noteholder's errors or omissions in the administration of the Guaranteed Obligations, except behavior which amounts to bad faith;

(e) (i) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty and any legal or equitable discharge of such Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting such Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that any Noteholder protect, secure, perfect or insure any security interest or lien or any property subject thereto;

(f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of this Guaranty, notices of default under the Note Purchase Agreement or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guaranteed Obligations or any agreement related thereto, notices of any extension of credit to the Company and notices of any of the matters referred to in subsection 2.5 and any right to consent to any thereof; and

(g) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Guaranty.

## **2.7 [Reserved.]**

**2.8 Guarantors' Rights of Subrogation, Contribution, Etc.** Until the Guaranteed Obligations shall have been paid in full, each Guarantor shall not assert, and shall withhold the expense of, any claim, right or remedy, direct or indirect, that such Guarantor now has or may hereafter have against the Company or any other Guarantor or any of the Company's or any other Guarantor's assets in connection with this Guaranty or the performance by such Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (a) any right of subrogation, contribution, reimbursement or indemnification that such Guarantor now has or may hereafter have against the Company or any other Guarantor, (b) any right to enforce, or to participate in, any claim, right or remedy that any Noteholder now has or may hereafter have against the Company or any other Guarantor, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Noteholder. Each Guarantor further agrees that, to the extent the agreement to withhold the exercise of its rights of subrogation, contribution, reimbursement and indemnification as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification such Guarantor may have against the Company or against any collateral or security, and any rights of contribution such Guarantor may have against any such other Guarantor, shall be junior and subordinate to any rights any Noteholder may have against the Company, to all right, title and interest any Noteholder may have in any such collateral or security, and to any right any Noteholder may have against such other Guarantor. If any amount shall be paid to any Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Noteholders and shall forthwith be paid over to the Noteholders to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms hereof.

**2.9 Subordination of Other Obligations.** Any indebtedness of the Company now or hereafter held by any Guarantor is hereby subordinated in right of payment to the Guaranteed Obligations, and any such indebtedness of the Company to such Guarantor collected or received by such Guarantor after an Event of Default has occurred and is continuing shall be held in trust for the Noteholders and shall forthwith be paid over to the Noteholders to be credited and applied against the Guaranteed Obligations in accordance with the terms hereof but without affecting, impairing or limiting in any manner the liability of such Guarantor under any other provision of this Guaranty.

**2.10 Expenses.** The Company and Guarantors jointly and severally agree to pay, or cause to be paid, on demand, and to save Noteholders harmless against liability for, any and all reasonable costs and expenses (including fees and disbursements of counsel) incurred or expended by any Noteholder in connection with the enforcement of or preservation of any rights under this Guaranty.

**2.11 Continuing Agreement.** This Guaranty is a continuing guaranty and shall remain in effect until all of the Guaranteed Obligations shall have been paid in full and the Note Purchase Agreement shall have terminated.

**2.12 Authority of Guarantors or the Company.** It is not necessary for any Noteholder to inquire into the capacity or powers of (i) any Guarantor, (ii) the Company or (iii) the officers, directors or any agents acting or purporting to act on behalf of any of them.

**2.13 Financial Condition of the Company; Independent Credit Investigation.** No Noteholder shall have any obligation to disclose or discuss with any Guarantor its assessment, or any Guarantor's assessment, of the financial condition of the Company or any of the Guarantors. Each Guarantor has adequate means to obtain information from the Company and the other Guarantors on a continuing basis concerning the financial condition of the Company and the Guarantors and their respective abilities to perform their obligations under the Note Purchase Agreement, the Notes and this Guaranty, and each Guarantor assumes the responsibility for being and keeping informed of the financial condition of the Company and the other Guarantors and of all circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations. Each Guarantor hereby waives and relinquishes any duty on the part of any Noteholder to disclose any matter, fact or thing relating to the business, operations or conditions of the Company or any Guarantor now known or hereafter known by any Noteholder.

**2.14 Rights Cumulative.** The rights, powers and remedies given to Noteholders by this Guaranty are cumulative and shall be in addition to and independent of all rights, powers and remedies given to the Noteholders by virtue of any statute or rule of law or in the Note Purchase Agreement or any agreement between any Guarantor and any Noteholder or between the Company and any Noteholder. Any forbearance or failure to exercise, and any delay by any Noteholder in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

## **2.15 Bankruptcy; Post-Petition Interest; Reinstatement of Agreement.**

(a) So long as any Guaranteed Obligations remain outstanding, no Guarantor shall, without the prior written consent of each of the Noteholders, commence or join with any other Person in commencing any bankruptcy, reorganization or insolvency proceedings of or against the Company. The obligations of Guarantors under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of the Company or by any defense which the Company may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(b) Each Guarantor acknowledges and agrees that any interest on any portion of the Guaranteed Obligations which accrues after the commencement of any proceeding referred to in clause (a) above (or, if interest on any portion of the Guaranteed Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding, such interest as would have accrued on such portion of the Guaranteed Obligations if said proceedings had not been commenced) shall be included in the Guaranteed Obligations because it is the intention of Guarantors and Noteholders that the Guaranteed Obligations shall be determined without regard to any rule of law or order which may relieve the Company of any portion of such Guaranteed Obligations. Guarantors will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar person to pay the Noteholders, or allow the claim of any Noteholders in respect of, any such interest accruing after the date on which such proceeding is commenced.

(c) In the event that all or any portion of the Guaranteed Obligations are paid by the Company and/or the Guarantors, the obligations of Guarantors hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from any Noteholder as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guaranteed Obligations for all purposes under this Guaranty.

**2.16 Notice of Events.** As soon as any Guarantor obtains knowledge thereof, such Guarantor shall give the Noteholders written notice of any condition or event which has resulted in (a) a material adverse change in the financial condition of the Company or any Guarantor or (b) a breach of or noncompliance with any term, condition or covenant contained herein or in the Note Purchase Agreement or any other document delivered pursuant hereto or thereto.

**2.17 Set Off.** In addition to any other rights any Noteholder may have under law or in equity, if any amount shall at any time be due and owing by any Guarantor to any Noteholder under this Guaranty, such Noteholder is authorized at any time or from time to time, without notice (any such notice being hereby expressly waived), to set off and to appropriate and to apply any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness of such Noteholder owing to such Guarantor and any other property of such Guarantor held by any Noteholder to or for the credit or the account of such Guarantor against and on account of the Guaranteed Obligations and liabilities of such Guarantor to any Noteholder under this Guaranty. Any amounts realized by a Noteholder pursuant to this Section 2.17 or any other similar right with respect to the assets of a Guarantor shall be distributed by such Noteholder among all the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof.

### SECTION 3. ACTIONS; RELEASES

**3.1 Actions of Noteholders.** Nothing contained in this Guaranty shall affect the rights of any Noteholder to give the Company or any of its Subsidiaries any notice of default, to accelerate or make demand for payment of their respective Guaranteed Obligations under the Note Purchase Agreement, the Notes or this Guaranty or to collect payment under any the Note Purchase Agreement, the Notes or this Guaranty.

**3.2 Release of Guarantors.** Each Noteholder, by its acceptance of this Guaranty, acknowledges and agrees that any Guarantor shall be automatically released from its obligations under this Guaranty upon the occurrence of any release of such Guarantor pursuant to Section 9.7(c) of the Note Purchase Agreement.

### SECTION 4. REPRESENTATIONS AND WARRANTIES

In order to induce the Noteholders to accept this Guaranty, each Guarantor hereby represents and warrants to the Noteholders that the following statements are true and correct:

**4.1 Corporate Existence.** Such Guarantor is duly organized, validly existing and in good standing under the laws of the state of its incorporation, has the corporate power to own its assets and to transact the business in which it is now engaged and is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except for failures to be so qualified, authorized or licensed that would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of such Guarantor.

**4.2 Corporate Power; Authorization; Enforceable Obligations.** Such Guarantor has the corporate power, authority and legal right to execute, deliver and perform this Guaranty and all obligations required hereunder and has taken all necessary corporate action to authorize its guaranty hereunder on the terms and conditions hereof and its execution, delivery and performance of this Guaranty and all obligations required hereunder. No consent of any other Person including, without limitation, stockholders and creditors of such Guarantor, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by such Guarantor in connection with this Guaranty or the execution, delivery, performance, validity or enforceability of this Guaranty and all obligations required hereunder. This Guaranty has been, and each instrument or document required hereunder will be, executed and delivered by a duly authorized officer of such Guarantor, and this Guaranty constitutes, and each instrument or document required hereunder when executed and delivered by such Guarantor hereunder will constitute, the legally valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.



**4.3 No Legal Bar to this Guaranty.** The execution, delivery and performance of this Guaranty and the documents or instruments required hereunder will not violate any provision of any existing law or regulation binding on such Guarantor, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on such Guarantor, or the certificate of incorporation or bylaws of such Guarantor or any securities issued by such Guarantor, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which such Guarantor is a party or by which such Guarantor or any of its assets may be bound, the violation of which would have a material adverse effect on the business, operations, assets or financial condition of such Guarantor and will not result in, or require, the creation or imposition of any Lien on any of its property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking.

## **SECTION 5. MISCELLANEOUS**

**5.1 Survival of Warranties.** All agreements, representations and warranties made herein shall survive the execution and delivery of this Guaranty and the Note Purchase Agreement and the Notes.

**5.2 Notices.** Any communications between any Noteholder and any Guarantor and any notices or requests provided herein to be given shall be given in accordance with the terms of Section 18 of the Note Purchase Agreement. Any notice to a Guarantor shall be made to the Company, on behalf of such Guarantor.

**5.3 Severability.** In case any provision in or obligation under this Guaranty shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

**5.4 Amendments and Waivers.** No amendment, modification, termination or waiver of any provision of this Guaranty, and no consent to any departure by any Guarantor therefrom, shall in any event be effective without the written concurrence of the Required Holders and, in the case of any such amendment or modification, each Guarantor against whom enforcement of such amendment or modification is sought. Any such waiver, release or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

**5.5. Headings.** Section and subsection headings in this Guaranty are included herein for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose or be given any substantive effect.

**5.6 Applicable Law.** **THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF GUARANTORS AND NOTEHOLDERS HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.**

**5.7 Successors and Assigns.** This Guaranty is a continuing guaranty and shall be binding upon each Guarantor and its respective successors and assigns. This Guaranty shall inure to the benefit of the Noteholders and their respective successors and assigns. No Guarantor shall assign this Guaranty or any of the rights or obligations of such Guarantor hereunder without the prior written consent of each of the Noteholders.

**5.8 Consent To Jurisdiction And Service of Process.** All judicial proceedings brought against any Guarantor arising out of or relating to this Guaranty, or any obligations hereunder, may be brought in any state or federal court of competent jurisdiction in the Borough of Manhattan, The City of New York, State of New York. By executing and delivering this Guaranty, each Guarantor, for itself and in connection with its properties, irrevocably:

(a) accepts generally and unconditionally the nonexclusive jurisdiction and venue of such courts;

(b) waives any defense of forum non conveniens;

(c) agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such Guarantor at its address provided in accordance with subsection 5.2;

(d) agrees that service as provided in clause (c) above is sufficient to confer personal jurisdiction over such Guarantor in any such proceeding in any such court, and otherwise constitutes effective and binding service in every respect; and

(e) agrees that Noteholders retain the right to serve process in any other manner permitted by law or to bring proceedings against such Guarantor in the courts of any other jurisdiction.

**5.9 Waiver of Trial by Jury; Judicial Reference.** Each Guarantor and, by its acceptance of the benefits hereof, each Noteholder hereby agrees to waive its respective rights to a jury trial of any claim or cause of action based upon or arising out of this Guaranty. The scope of this waiver is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each Guarantor and, by its acceptance of the benefits hereof, each Noteholder, (i) acknowledges that this waiver is a material inducement for such Guarantor and the Noteholders to enter into a business relationship, that such Guarantor and the Noteholders have already relied on this waiver in entering into this Guaranty or accepting the benefits thereof, as the case may be, and that each will continue to rely on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. This waiver is irrevocable, meaning that it may not be modified either orally or in writing (other than by a mutual written waiver specifically referring to this subsection 5.9 and executed by each Noteholder and each Guarantor), and this waiver shall apply to any subsequent amendments, renewals, supplements or modifications to this Guaranty. In the event of litigation, this Guaranty may be filed as a written consent to a trial by the court.

In the event that the waiver of jury trial set forth in the previous paragraph is not enforceable under the law applicable to this Guaranty, each Guarantor and, by its acceptance of the benefits hereof, each Noteholder agree that any dispute, claim, cause of action or controversy under this Guaranty, including any question of law or fact relating thereto (“*Claim*”), shall, at the written request of any such party, be determined by judicial reference pursuant to the state law applicable to this Guaranty. The Required Holders and the Guarantors shall select a single neutral referee, who shall be a retired state or federal judge. In the event that such parties cannot agree upon a referee, the court shall appoint the referee. The referee shall report a statement of decision to the court. Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral or obtain provisional remedies. The parties shall bear the fees and expenses of the referee equally, unless the referee orders otherwise. The referee shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph. The parties acknowledge that if a referee is selected to determine the Claims, then the Claims will not be decided by a jury.

**5.10 No Other Writing.** This writing is intended by Guarantors and the Noteholders as the final expression of this Guaranty and is also intended as a complete and exclusive statement of the terms of their agreement with respect to the matters covered hereby. No course of dealing, course of performance or trade usage, and no parol evidence of any nature, shall be used to supplement or modify any terms of this Guaranty. There are no conditions to the full effectiveness of this Guaranty.

**5.11 Further Assurances.** At any time or from time to time, upon the request of any Noteholder, Guarantors shall execute and deliver such further documents and do such other acts and things as such Noteholder may reasonably request in order to effect fully the purposes of this Guaranty.

**5.12 Additional Guarantors.** The initial Guarantors hereunder shall be such of the subsidiaries of the Company as are signatories hereto on the date hereof. From time to time subsequent to the date hereof, pursuant to the terms of the Note Purchase Agreement, additional subsidiaries of the Company may become parties hereto, as additional Guarantors (each an “*Additional Guarantor*”), by executing a joinder agreement in the form attached hereto as Exhibit A. Upon delivery of any such joinder agreement to the Noteholders, notice of which is hereby waived by Guarantors, each such Additional Guarantor shall be a Guarantor and shall be as fully a party hereto as if such Additional Guarantor were an original signatory hereof. Each Guarantor expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Guarantor hereunder, nor by any election of the Noteholders not to cause any subsidiary of the Company to become an Additional Guarantor hereunder. This Guaranty shall be fully effective as to any Guarantor that is or becomes a party hereto regardless of whether any other Person becomes or fails to become or ceases to be a Guarantor hereunder.

**5.13 Counterparts; Effectiveness.** This Guaranty may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original for all purposes; but all such counterparts together shall constitute but one and the same instrument. This Guaranty shall become effective as to each Guarantor upon the execution of a counterpart hereof by such Guarantor (whether or not a counterpart hereof shall have been executed by any other Guarantor).



IN WITNESS WHEREOF, each of the undersigned has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first written above.

**GUARANTORS:**

**PARSONS CONSTRUCTORS INC.**

**PARSONS ENGINEERING OF NEW YORK, INC.**

**PARSONS ENVIRONMENT & INFRASTRUCTURE GROUP INC.**

**PARSONS GOVERNMENT SERVICES INC.**

**PARSONS GOVERNMENT SERVICES INTERNATIONAL INC.**

**PARSONS INTERNATIONAL LIMITED**

**PARSONS TECHNICAL SERVICES INC.**

**PARSONS TRANSPORTATION GROUP INC.**

**PARSONS WATER & INFRASTRUCTURE INC.**

**PTSI MANAGED SERVICES INC.**

By: /s/ Richard Henderson

Name: Richard Henderson

Title: Vice President

**PARSONS RCI INC.**

By: /s/ Leanne J. Rodgers

Name: Leanne J. Rodgers

Title: Vice President

**EXHIBIT A TO  
SUBSIDIARY GUARANTY**

**FORM OF JOINDER  
ADDITIONAL GUARANTOR**

Upon execution of this signature page, the undersigned shall, from the date set forth below, become a "*Guarantor*" under the Subsidiary Guaranty, dated as of July 1, 2014, made by certain subsidiaries of Parsons Corporation in favor of the Noteholders (as defined therein) (as amended, modified or supplemented from time to time, the "*Guaranty*"). As a party to the Guaranty, the undersigned agrees to be bound by all of the terms and conditions of the Guaranty.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to Subsidiary Guaranty to be duly executed by its authorized officers as of the date set forth opposite such officer's signatures.

**Guarantor:**

[NAME OF GUARANTOR]

By: \_\_\_\_\_

Title: \_\_\_\_\_

**Address:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dated: \_\_\_\_\_

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PARSONS CORPORATION

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FIRST AMENDMENT  
Dated as of August 10, 2018

to the

NOTE PURCHASE AGREEMENT  
Dated as of May 9, 2014

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RE: \$50,000,000 4.44% Senior Notes, Series A, due JULY 15, 2021  
\$100,000,000 4.98% Senior Notes, Series B, due JULY 15, 2024  
\$60,000,000 5.13% Senior Notes, Series C, due JULY 15, 2026  
\$40,000,000 5.38% Senior Notes, Series C, due JULY 16, 2029

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## FIRST AMENDMENT TO THE NOTE PURCHASE AGREEMENT

THIS FIRST AMENDMENT dated as of August 10, 2018 (the “*First Amendment*”) to the Note Purchase Agreement dated as of May 9, 2014 is between PARSONS CORPORATION, a Delaware corporation (the “*Company*”), and each of the institutions which is a signatory to this First Amendment (collectively, the “*Noteholders*”).

### RECITALS:

A. The Company and each of the Noteholders have heretofore entered into the Note Purchase Agreement dated as of May 9, 2014 (the “*Note Purchase Agreement*”). The Company has heretofore issued (i) \$50,000,000 aggregate principal amount of its 4.44% Senior Notes, Series A, due July 15, 2021 (the “*Series A Notes*”), (ii) \$100,000,000 aggregate principal amount of its 4.98% Senior Notes, Series B, due July 15, 2024 (the “*Series B Notes*”), (iii) \$60,000,000 aggregate principal amount of its 5.13% Senior Notes, Series C, due July 15, 2026 (the “*Series C Notes*”) and (iv) \$40,000,000 aggregate principal amount of its 5.38% Senior Notes, Series D, due July 15, 2029 (the “*Series D Notes*”; collectively with the Series A Notes, the Series B Notes and the Series C Notes, the “*Notes*”) pursuant to the Note Purchase Agreement. The Noteholders are the holders of at least 51% of the outstanding principal amount of the Notes.

B. The Company and the Noteholders now desire to amend the Note Purchase Agreement in the respects, but only in the respects, hereinafter set forth.

C. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreement unless herein defined or the context shall otherwise require.

D. All requirements of law have been fully complied with and all other acts and things necessary to make this First Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this First Amendment set forth in **Section 3.1** hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

### SECTION 1. AMENDMENTS.

*Section 1.1.* Section 7.1(c) of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“(c) SEC and Other Reports — promptly upon their becoming available, one copy of (i) each financial statement, report, notice, proxy statement or similar document sent by the Company or any Subsidiary (x) to its creditors under any Material Credit Facility (excluding information sent to such creditors in the ordinary course of administration of a credit facility, such as information relating to pricing and borrowing availability) or (y) to its public Securities holders generally, and



(ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder ), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;”

Section 1.2. Section 9.7(c) of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“(c) Subject to the requirements of Section 9.7(a), (i) in the event that a Subsidiary Guarantor is no longer a borrower, co-obligor or guarantor or jointly liable under any Material Credit Facility, at the election of the Company and by written notice to each holder of Notes, any such Subsidiary Guarantor may be discharged from all of its obligations and liabilities under its Subsidiary Guaranty and shall be automatically released from its obligations thereunder without the need for the execution or delivery of any other document by the holders or any other Person and (ii) in the event that a Subsidiary is no longer a borrower, co-obligor or guarantor or jointly liable under any Material Credit Facility, and the Company had previously elected, in lieu of such foreign Subsidiary becoming a Guarantor Subsidiary under a Subsidiary Guaranty, to deliver a pledge of stock in such Subsidiary (as contemplated by Section 6.10 of the Credit Agreement), at the election of the Company and by written notice to each holder of Notes, the Company and any applicable domestic Subsidiary may be discharged from all of its obligations and liabilities under its applicable pledge agreement and shall be automatically released from its obligations thereunder without the need for the execution or delivery of any other document by the holders or any other Person, *provided*, in the case of each of clauses (i) and (ii), that (A) after giving effect to such release no Default or Event of Default shall have occurred and be continuing, (B) no amount is then due and payable under such Subsidiary Guaranty or pledge agreement, as applicable, (C) each holder of Notes shall have received a certificate of a Responsible Officer to the foregoing effect and setting forth the information (including reasonably detailed computations) reasonably required to establish compliance with the foregoing requirements and (D) if any fee or other consideration is paid or given to any holder of Debt under any Material Credit Facility solely for the purpose of obtaining such release, other than the repayment of all or a portion of such Debt under such Material Credit Facility, each holder of a Note shall have received equivalent consideration (based upon the magnitude of the outstanding Notes compared to the magnitude of such Material Credit Facility) on a pro rata basis.”

Section 1.3. Section 9.8 of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“Section 9.8. **Most Favored Lender Status.** (a) If at any time a Material Credit Facility contains a financial covenant or a restricted payments or dividends covenant (regardless of whether such provision is labeled or otherwise characterized as a covenant, a definition or a default) by the Company that is more favorable to the lenders under such Material Credit Facility than the covenants, definitions and/or defaults contained in this Agreement (any such provision (including any necessary definition), a “**More Favorable Covenant**”), then the Company shall provide a Most Favored Lender Notice in respect of such More Favorable Covenant. Such More Favorable Covenant shall be deemed automatically incorporated by reference into Section 10 of this Agreement, *mutatis mutandis*, as if set forth in full herein, effective as of the date when such More Favorable Covenant shall have become effective under such Material Credit Facility, unless waived in writing by the Required Holders within 15 days after each holder’s receipt of such notice of such More Favorable Covenant.

(b) Any More Favorable Covenant incorporated into this Agreement (herein referred to as an “**Incorporated Covenant**”) pursuant to this Section 9.8 (i) shall be deemed automatically amended herein to reflect any subsequent amendments made to such More Favorable Covenant under the applicable Material Credit Facility; *provided* that, if a Default or an Event of Default then exists and the amendment of such More Favorable Covenant would make such covenant less restrictive on the Company, such Incorporated Covenant shall only be deemed automatically amended at such time, if it should occur, when such Default or Event of Default no longer exists and (ii) shall be deemed automatically deleted from this Agreement at such time as such More Favorable Covenant is deleted or otherwise removed from the applicable Material Credit Facility or such applicable Material Credit Facility ceases to be a Material Credit Facility or shall be terminated; *provided* that, if a Default or an Event of Default then exists, such Incorporated Covenant shall only be deemed automatically deleted from this Agreement at such time, if it should occur, when such Default or Event of Default no longer exists; *provided further*, however, that if any fee or other consideration shall be given to the lenders under such Material Credit Facility for such amendment or deletion, the equivalent of such fee or other consideration shall be given, pro rata, to the holders of the Notes.

(c) “**Most Favored Lender Notice**” means, in respect of any More Favorable Covenant, a written notice to each of the holders of the Notes delivered promptly, and in any event within twenty Business Days after the inclusion of such More Favorable Covenant in any Material Credit Facility (including by way of amendment or other modification of any existing provision thereof) from a Responsible Officer referring to the provisions of this Section 9.8 and setting forth a reasonably detailed description of such More Favorable Covenant (including any defined terms used therein) and related explanatory calculations, as applicable.

(d) Notwithstanding the foregoing, for the avoidance of doubt, in no event shall this Section 9.8 operate to make any covenant contained in Section 10.6 or 10.7 of this Agreement less restrictive on the Company or their Subsidiaries than the covenants in effect as of the date of the First Amendment. Furthermore, the parties to this Agreement hereby acknowledge and agree that Section 7.12 (Restricted Payments) of the Credit Agreement constitutes a More Favorable Covenant that is an Incorporated Covenant as of the effective date of Amendment No. 1 and that the Company is not required to deliver a Most Favored Lender Notice with respect to such covenant.”

*Section 1.4.* Section 10.2 shall be and is hereby amended as follows:

(a) The “and” at the end of Section 10.2(c) shall be and hereby is deleted.

(b) The “.” at the end of Section 10.2(d) shall be and hereby is replaced with “; and”.

(c) The following shall be added as a new Section 10.2(e) of the Note Purchase Agreement:

“(e) the Company and any Subsidiary may sell, Transfer, or otherwise dispose of notes or accounts receivable not exceeding \$150,000,000 in the aggregate in any fiscal year that are (a) at fair-market value (determined by the Company in the exercise of its reasonable business judgment) or at a market discount of not more than 20% and (b) without recourse to the Company and its Subsidiaries (other than a direct or indirect Wholly-Owned Subsidiary formed for the sole purpose of engaging in such sales and that engages in no business activities other than such sales (any such Wholly-Owned Subsidiary, an “SPV”). For the avoidance of doubt, notwithstanding any provision of Section 10 to the contrary, any Lien or Debt incurred, assumed, existing, or arising in connection with or as a result of any sale, Transfer, or other disposition permitted by this Section 10.2(e) shall likewise be permitted.”

*Section 1.5.* Section 10.5(j) of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“(j) Liens existing on property at the time of its acquisition or existing on the property of any Person at the time such Person becomes a Subsidiary or is merged into or consolidated with the Company or any Subsidiary; *provided* that (i) such Lien was not created in contemplation of such acquisition, and (ii) such Lien, to the extent not repaid or refinanced within twelve (12) months of the acquisition, shall not exceed the then applicable limitation for acquired or assumed Liens pursuant to any Material Credit Facility. For the avoidance of doubt, any such Liens in excess of the maximum allowable amount pursuant to this Section 10.5(j) shall nevertheless be permitted up to the available amount permitted pursuant to Section 10.5(m);”

*Section 1.6.* Section 10.6 of the Note Purchase Agreement shall be and is hereby amended in its entirety to read as follows:

“Section 10.6. **Leverage Ratio.** (a) The Company will not permit the Leverage Ratio as of the end of any Measurement Period ending as of the last day of any fiscal quarter of the Company, or at any other time, to exceed 3.00 to 1.00; *provided* that, at the request of the Company following a Material Permitted Acquisition (such request to be made in writing by the Company no later than the date on which a certificate is required to be delivered pursuant to Section 7.2(a) demonstrating the Leverage Ratio for the fiscal quarter during which such Material Permitted Acquisition occurred), such maximum permitted level shall be increased to 3.25 to 1.00 for such fiscal quarter and the next three succeeding fiscal quarters following the Material Permitted Acquisition (an “**Elevated Compliance Period**”); so long as:

(i) such level shall be reduced to 3.00:1.00 for at least two (2) full fiscal quarters prior to any subsequent Elevated Compliance Period; and *further provided* that there shall not be more than three (3) Elevated Compliance Periods during the life of this Agreement; and

(ii) the Company shall be obligated to pay Incremental Interest pursuant to and to the extent required under Section 10.6.

(b) If, during an Elevated Compliance Period, as of the end of any fiscal quarter (such date, the “**Calculation Date**”) the Leverage Ratio of the Company exceeds 3.00 to 1.00 (as applicable, “**Elevated Leverage**”), as evidenced by an Officer’s Certificate delivered pursuant to Section 7.2(a) (such certificate, a “**Compliance Certificate**”), the interest rate payable on each series of Notes shall be increased, in accordance with this Section 10.6, by 0.50% per annum (the “**Incremental Interest**”); *provided, however*, that if any Compliance Certificate is not delivered for any fiscal quarter when due, then Elevated Leverage shall be deemed to exist for such fiscal quarter as of such required delivery date until such time as a Compliance Certificate for such period is delivered evidencing a Leverage Ratio equal to or less than 3.00 to 1.00.

(c) Incremental Interest for any fiscal quarter shall begin to accrue on the Incremental Interest Accrual Date (as defined below) for such quarter and shall cease to accrue on the Incremental Interest Termination Date (as defined below).

“**Incremental Interest Accrual Date**” means (a) the date on which the Purchasers or holders of the Notes receive a Compliance Certificate for any of the first three fiscal quarters in any fiscal year demonstrating Elevated Leverage (or Elevated Leverage is otherwise deemed to exist) for such fiscal quarter, and (b) with respect to delivery of a Compliance Certificate for the fourth fiscal quarter in any fiscal year demonstrating Elevated Leverage (or Elevated Leverage is otherwise deemed to exist) for such fiscal quarter, the date that is sixty (60) days following the end of such fourth fiscal quarter, with Incremental Interest accruing retroactively from such date.

“**Incremental Interest Termination Date**” means (a) with respect to deemed Elevated Leverage, the date such Elevated Leverage is no longer deemed to exist, and (b) for all other purposes, the later to occur of (i) the date on which the Purchasers or holders of the Notes receive a Compliance Certificate for any fiscal quarter in any fiscal year demonstrating that Elevated Leverage no longer exists as of the end of such fiscal quarter and (ii) the date that is ninety (90) days after Incremental Interest has begun to accrue for such fiscal quarter; *provided* that, upon delivery of a Compliance Certificate for the fourth fiscal quarter in any fiscal year demonstrating Elevated Leverage no longer exists as of the end of such fiscal quarter, Incremental Interest shall retroactively cease to accrue as of the date that is sixty (60) days following the end of such fourth fiscal quarter.

(d) Any accrued Incremental Interest that is due hereunder shall be payable to each holder of a Note on the same dates that any other interest payment thereunder for such periods is due. The Company will provide holders of the Notes calculations demonstrating the amount of Incremental Interest to be paid for each Note in conjunction with the payment thereof.

(e) For avoidance of doubt, no Incremental Interest will be used in calculating any Make- Whole Amount. Furthermore, payment of any Incremental Interest due shall not constitute a waiver of any Default or Event of Default hereunder.”

Section 1.7. Section 10.7 of the Note Purchase Agreement shall be and is hereby amended in its entirety to read as follows:

“Section 10.7 **Consolidated Fixed Charge Coverage Ratio**. The Company will not permit the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Expense to (b) the sum of Consolidated Interest Expense less the portion of Consolidated Interest Expense attributable to Non-Recourse Debt less any non-cash interest charges related to the MTA Judgment taken after the fiscal quarter in which the final MTA Judgment is entered by the court plus Consolidated Lease Expense (such ratio, the “**Fixed Charge Coverage Ratio**”), in each case as of the end of any Measurement Period ending as of the last day of any fiscal quarter of the Company, or at any other time, to be less than 2.00 to 1.00, subject to the application of Section 10.9.”

Section 1.8. The following shall be added as a new Section 10.9 of the Note Purchase Agreement:

“Section 10.9. **Pro Forma Treatment**. Each Asset Disposition of all or substantially all of a line of business, and each Acquisition, by the Company and its Subsidiaries that is consummated during any Measurement Period shall, for purposes of determining compliance with the financial covenants set forth in Sections 10.6 and 10.7 and for purposes of determining the applicability of Incremental Interest set forth in Section 10.6, be given Pro Forma Effect as of the first day of such Measurement Period.”

Section 1.9. Section 11(i) of the Note Purchase Agreement shall be and is hereby amended by deleting the amount “\$25,000,000” and replacing it with the amount “\$40,000,000”.

Section 1.10. The definition of “**Consolidated Cash Flow**” in Schedule A – Defined Term to the Note Purchase Agreement shall be and is hereby deleted in its entirety and all references in the Note Purchase Agreement to “Consolidated Cash Flow” shall be replaced with “Consolidated EBITDA”.

Section 1.11. The definition of “**Consolidated Debt**” in Schedule A – Defined Terms of the Note Purchase Agreement shall be and is hereby amended to read as follows:

““**Consolidated Debt**” means, without duplication, all Debt of the Company and its Subsidiaries on a consolidated basis, excluding (a) inter-company indebtedness between the Company and a Subsidiary or between any two or more Subsidiaries (*provided* that any such inter-company indebtedness owed by the Company or a Principal Subsidiary to a Principal Subsidiary shall be subordinated to the Notes pursuant to a subordination agreement ), and (b) any Non-Recourse Debt.”

Section 1.12. The definition of “**Credit Agreement**” in Schedule A – Defined Terms of the Note Purchase Agreement shall be and is hereby amended to read as follows:

““**Credit Agreement**” means the Fifth Amended and Restated Credit Agreement dated as of November 15, 2017 among the Company, certain financial institutions from time to time party thereto and MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.) (or another affiliate of MUFG Bank, Ltd.), as administrative agent, including any renewals, extensions, amendments, supplements, restatements, replacements or refinancings thereof.”

Section 1.13. The definition of “**Leverage Ratio**” in Schedule A – Defined Terms of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“**Leverage Ratio**” means, as of any date of determination, the ratio of (a) Consolidated Debt to (b) Consolidated EBITDA for the four fiscal quarters ending on such date.”

*Section 1.14.* The definition of “**MTA Judgment Amount**” in Schedule A – Defined Term to the Note Purchase Agreement shall be and is hereby deleted in its entirety.

*Section 1.15.* The definition of “**MTA Judgment**” in Schedule A – Defined Terms of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“**MTA Judgment**” means the judgment rendered against the Company in the case entitled Los Angeles County Metropolitan Transportation Authority v. Parsons-Dillingham Metro Rail Construction Manager Joint Venture et al., case number BC150298, in the Superior Court of the State of California, County of Los Angeles.”

*Section 1.16.* The definition of “**Non-Recourse Debt**” in Schedule A – Defined Terms of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“**Non-Recourse Debt**” means either (a) Debt existing on the date of the First Amendment and listed on Schedule D or (b) Debt, including non-recourse property Debt, non-recourse project Debt and non-recourse military family housing Debt incurred after the date of the First Amendment with respect to which:

(i) the lender thereof has no direct or indirect recourse to either (A) the Company or any of its Subsidiaries (other than to any single-purpose Subsidiary whose sole asset is the property securing such Non-Recourse Debt), whether by means of judicial foreclosure or otherwise, or (B) any property of the Company or any of its Subsidiaries other than the property securing such Non-Recourse Debt; and

(ii) neither the Company nor any of its Subsidiaries has any obligations of the type described in subsection (i) of the definition of Debt, including without limitation, reimbursement obligations under the letters of credit relating to such Debt.”

*Section 1.17.* The definition of “**Non-Recourse Investments**” in Schedule A – Defined Terms of the Note Purchase Agreement shall be and is hereby amended to read as follows:

“**Non-Recourse Investments**” means the property owned directly or indirectly by the Company and its Subsidiaries as of the date of the First Amendment and listed on Schedule D hereto and any property acquired by the Company or any of its Subsidiaries after the date of the First Amendment with Non-Recourse Debt and which secures such Non-Recourse Debt.”

Section 1.18. The following shall be added as new definitions in alphabetical order to Schedule A – Defined Terms of the Note Purchase Agreement:

“**Acquisition**” means, whether through a single transaction or a series of related transactions, (a) the acquisition of (i) a majority of the equity interests in another Person that are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right to so vote has been suspended by the happening of any such contingency, or (ii) other controlling ownership interests in another Person (including the purchase of an option, warrant or convertible or similar type security to acquire such ownership interests at the time it becomes exercisable by the holder thereof), whether by purchase of such equity or other ownership interests or upon the exercise of an option or warrant for, or conversion of securities into, such equity or other ownership interests, or (b) the acquisition of assets of another Person that constitute all or substantially all of the assets of such Person or of a division, line of business or other business unit of such Person.”

“**Consolidated EBITDA**” means, for any period, for the Company and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Earnings for such period, plus (a) the following to the extent deducted in calculating such Consolidated Net Earnings: (i) Consolidated Interest Expense for such period, (ii) tax expense for federal, state, local and foreign income taxes for such period (net of tax benefit), (iii) depreciation and amortization expense for such period, (iv) other non-recurring non-cash charges, writedowns, expenses, losses or other items reducing such Consolidated Net Earnings for such period, including any impairment charges or the impact of purchase accounting (excluding any such non-cash charge, writedown, expense, loss or item to the extent that it represents an accrual or reserve for a cash expenditure for a future period), (v) cost of employee services received in share-based payment transactions (in accordance with FASB ASC 718) that do not represent a cash item in such period or any future period and (vi) Non-Cash ESOP Expenses of the Company and its Subsidiaries, excluding, however, items (i) through (vi) above derived from or attributable to Non-Recourse Investments or Non-Recourse Debt, and minus (b) to the extent included in calculating such Consolidated Net Earnings, all non-cash items increasing Consolidated Net Earnings for such period.”

“**Fixed Charge Coverage Ratio**” is defined in Section 10.7.”

“**First Amendment**” means First Amendment to the Note Purchase Agreement dated as of August 10, 2018 by and among the Company and the holders of Notes party thereto.”

“**Material Permitted Acquisition**” means one or more Permitted Acquisitions whose total purchase consideration (including earnout payments and other deferred payments, and the amount of any Debt assumed or acquired by the Company in connection with such acquisition, but excluding transaction costs and expenses) is \$75,000,000 or higher.”

“**Measurement Period**” means, at any date of determination, the most recently completed four fiscal quarters of the Company or, for purposes of determining Pro Forma Compliance, the most recently completed four fiscal quarters of the Company for which financial statements have been delivered pursuant to Section 7.1.”

“**Permitted Acquisition**” means an Acquisition by the Company or any Subsidiary of property, a line of business or another Person engaged in a line of business substantially the same as the Line of Business (the “target”), which Acquisition has been approved by the board of directors of the target, so long as: (a) no Default or Event of Default exists or would result after giving effect to the completion of such Acquisition; and (b) the Company has demonstrated that, after giving Pro Forma Effect to such Acquisition, the Company and its Subsidiaries are in Pro Forma Compliance.”

“**Pro Forma Compliance**” means, with respect to any transaction, that such transaction does not cause, create or result in a Default or an Event of Default after giving Pro Forma Effect, based upon the results of operations for the most recently completed Measurement Period, to (a) such transaction and (b) all other transactions that are contemplated or required to be given Pro Forma Effect hereunder that have occurred on or after the first day of the relevant Measurement Period.”

“**Pro Forma Effect**” means, for any Asset Disposition of all or substantially all of a division or a line of business or for any Acquisition, whether actual or proposed, for purposes of determining compliance with the financial covenants set forth in Sections 10.6 and 10.7, that each such transaction or proposed transaction shall be deemed to have occurred on and as of the first day of the relevant Measurement Period, and the following pro forma adjustments shall be made:

- (a) in the case of an actual or proposed Asset Disposition, all income statement items (whether positive or negative) attributable to the line of business or the Person subject to such Asset Disposition shall be excluded from the results of the Company and its Subsidiaries for such Measurement Period;
- (b) in the case of an actual or proposed Acquisition, income statement items (whether positive or negative) attributable to the property, line of business or Person subject to such Acquisition shall be included in the results of the Company and its Subsidiaries for such Measurement Period;
- (c) interest accrued during the relevant Measurement Period on, and the principal of, any Debt repaid or to be repaid or refinanced in such transaction shall be excluded from the results of the Company and its Subsidiaries for such Measurement Period;
- (d) any Debt actually or proposed to be incurred or assumed in such transaction shall be deemed to have been incurred as of the first day of the applicable Measurement Period, and interest thereon shall be deemed to have accrued from such day on such Debt at the applicable rates provided therefor (and in the case of interest that does or would accrue at a formula or floating rate, at the rate in effect at the time of determination) and shall be included in the results of the Company and its Subsidiaries for such Measurement Period; and
- (e) the above pro forma calculations shall be made in good faith by a financial or accounting officer of the Company who is a Responsible Officer and may include, for the avoidance of doubt, the amount of synergies and cost savings projected by the Company from actions taken or expected to be taken during the 12-month period following the date of such transaction, net of the amount of actual benefits theretofor realized during such period from such actions; *provided* that (i) such amounts are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Company, (ii) such synergies and cost savings are



directly attributable to such transaction, (iii) no amounts shall be added pursuant to this clause (e) to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such period and (iv) the aggregate amount of cost savings added pursuant to this clause (e) for any such period shall not exceed 10% of Consolidated EBITDA for such period, calculated without giving effect to any adjustment pursuant to this clause (e).”

## **SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.**

*Section 2.1.* To induce the Noteholders to execute and deliver this First Amendment (which representations shall survive the execution and delivery of this First Amendment), the Company represents and warrants to the Noteholders that:

(a) this First Amendment has been duly authorized, executed and delivered by the Company and this First Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally;

(b) the Note Purchase Agreement, as amended by this First Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally;

(c) the execution, delivery and performance by the Company of this First Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or the Company’s certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon the Company or (3) any provision of any material indenture, agreement or other instrument to which the Company is a party or by which its properties or assets are or may be bound, including, without limitation, the Credit Agreement or any other Material Credit Facility, or (B) result in a breach or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this **Section 2.1(c)**;

(d) as of the date hereof and after giving effect to this First Amendment, no Default or Event of Default has occurred which is continuing;

(e) except as contemplated pursuant to **Section 3.1(e)**, neither the Company nor any of its Affiliates has paid or agreed to pay any fees or other consideration, or given any additional security or collateral, or shortened the maturity or average life of any Indebtedness or permanently reduced any borrowing capacity, in each case, in favor of or for the benefit of any creditor of the Company, any Subsidiary or any Affiliate, in connection with the changes contemplated by or similar in nature to the changes in this First Amendment;

(f) no Subsidiaries or Affiliates of the Company, other than each Subsidiary that has executed a Subsidiary Guaranty, are guarantors or are otherwise liable for or in respect of any Indebtedness under any Material Credit Facility or the Notes; and

(g) all the representations and warranties contained in Section 5 of the Note Purchase Agreement are true and correct in all material respects with the same force and effect as if made by the Company on and as of the date hereof.

### **SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS FIRST AMENDMENT.**

*Section 3.1.* This First Amendment shall not become effective until, and shall become effective when, each and every one of the following conditions shall have been satisfied:

(a) executed counterparts of this First Amendment, duly executed by the Company and the Required Holders, shall have been delivered to each holder of Notes;

(b) executed counterparts of the Amended and Restated Intercreditor Agreement, duly executed by the Company, the Administrative Agent (as defined in the Credit Agreement) and the Required Holders, shall have been delivered to each holder of Notes;

(c) the representations and warranties of the Company set forth in **Section 2** hereof are true and correct on and with respect to the date hereof;

(d) the fees and expenses of Foley & Lardner LLP, counsel to the Noteholders, shall have been paid by the Company, in connection with the negotiation, preparation, approval, execution and delivery of this First Amendment;

(e) each holder of Notes shall have received payment of an amendment fee equal to 0.075% of the principal amount of the outstanding Notes held by such holder; and

(f) executed counterparts of a subordination agreement, in form and substance satisfactory to the Required Holders, in favor of the holders of Notes, duly executed by the Company and the subordinated creditors party thereto, shall have been delivered to each holder of Notes.

Upon receipt of all of the foregoing, this First Amendment shall become effective.

### **SECTION 4. MISCELLANEOUS.**

*Section 4.1.* This First Amendment shall be construed in connection with and as part of the Note Purchase Agreement, and except as modified and expressly amended by this First Amendment, all terms, conditions and covenants contained in the Note Purchase Agreement and the Notes are hereby ratified and shall be and remain in full force and effect.

*Section 4.2.* Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this First Amendment may refer to the Note Purchase Agreement without making specific reference to this First Amendment but nevertheless all such references shall include this First Amendment unless the context otherwise requires.

*Section 4.3.* The descriptive headings of the various Sections or parts of this First Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

*Section 4.4.* This First Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice of law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

*Section 4.5.* The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this First Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

[SIGNATURE PAGE FOLLOWS]

PARSONS CORPORATION

By: /s/ Shelley Green

Name: Shelley Green

Title Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

Accepted and Agreed to on the date first written above:

AMERICAN GENERAL LIFE INSURANCE COMPANY  
THE VARIABLE ANNUITY LIFE INSURANCE COMP ANY  
THE UNITED STATES LIFE INSURANCE COMP ANY IN THE CITY OF NEW YORK  
AMERICAN HOME ASSURANCE COMPANY

By: AIG Asset Management (U.S.), LLC, as investment  
adviser

By: /s/ David C. Patch  
Name: David C. Patch  
Title Managing Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

By: Allianz Global Investors U.S. LLC  
As the authorized signatory and investment manager

By: /s/ Charles J. Dudley  
\_\_\_\_\_  
Name: Charles J. Dudley  
Title Managing Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

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MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Justin P. Kavlin  
Name: Justin P. Kavlin  
Title Senior Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Justin P. Kavlin  
Name: Justin P. Kavlin  
Title Senior Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

WESTERN-SOUTHERN LIFE ASSURANCE COMPANY

By: /s/ Daniel R. Larsen  
Name: Daniel R. Larsen  
Title Vice President

By: /s/ Kevin L. Howard  
Name: Kevin L. Howard  
Title Vice President

INTEGRITY LIFE INSURANCE COMPANY SEPARATE  
ACCOUNT GPO

By: /s/ Daniel R. Larsen  
Name: Daniel R. Larsen  
Title Vice President

By: /s/ Kevin L. Howard  
Name: Kevin L. Howard  
Title Senior Vice President

NATIONAL INTEGRITY LIFE INSURANCE COMPANY  
SEPARATE ACCOUNT GPO

By: /s/ Daniel R. Larsen  
Name: Daniel R. Larsen  
Title Vice President

By: /s/ Kevin L. Howard  
Name: Kevin L. Howard  
Title Senior Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]



THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Edward Brennan  
Name: Edward Brennan  
Title Senior Director

THE GUARDIAN INSURANCE & ANNUITY COMPANY, INC.

By: /s/ Edward Brennan  
Name: Edward Brennan  
Title Senior Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

By: /s/ Stuart Shepetin  
Name: Stuart Shepetin  
Title: Investment Officer

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

By: /s/ Amy Gibson

Name: Amy Gibson

Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

By: /s/ David Divine

Name: David Divine

its: Senior Portfolio Manager

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

By: /s/ Victor Weber

Name: Victor Weber

Title: Senior Director – Investments

[SIGNATURE PAGE TO FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT]

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Fifth Amended and Restated Credit Agreement

Dated as of November 15, 2017

among

Parsons Corporation,  
as Borrower,

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,  
as Administrative Agent and Swing Line Bank,

Wells Fargo Bank, National Association,  
as Syndication Agent,

The Bank of Nova Scotia, JPMorgan Chase Bank, N.A., Sumitomo  
Mitsui Banking Corporation and US Bank National Association,  
as Documentation Agents,

and

The Other Financial Institutions Party Hereto

and

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
and  
Wells Fargo Securities, LLC,  
as Co-Lead Arrangers

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TABLE OF CONTENTS

	Page
Section 1 DEFINITIONS	1
1.1 Terms	1
1.2 Accounting Terms	29
1.3 Dollar Equivalent Amounts	29
1.4 Terms Generally	30
1.5 Times of Day	30
Section 2 COMMITMENTS; INTEREST, FEES, PAYMENT PROCEDURES	30
2.1 The Loans	30
2.2 Borrowings, Conversions and Continuations of Loans	31
2.3 The Swing Line	32
2.4 Letters of Credit	33
2.5 Prepayments	40
2.6 Voluntary Reduction or Termination of Commitments	40
2.7 Principal and Interest	41
2.8 Fees	41
2.9 Computation of Interest and Fees	42
2.10 Manner and Treatment of Payments among the Banks, Borrower and the Administrative Agent	42
2.11 Funding Sources	43
2.12 Agreed Alternative Loan Currencies	43
2.13 Agreed Alternate Letter of Credit Currencies	44
2.14 Guaranty	44
2.15 Increases to the Commitments	44
2.16 Defaulting Banks	46
2.17 Cash Collateral	48
2.18 Amendment and Extension	49
Section 3 TAXES, YIELD PROTECTION AND ILLEGALITY	51
3.1 Taxes	51
3.2 Increased Costs	54
3.3 Illegality	55

3.4	Inability to Determine Rates	56
3.5	Compensation for Losses	57
3.6	Matters Applicable to all Requests for Compensation	58
3.7	Mitigation Obligations; Replacement of Banks	58
Section 4 CONDITIONS		59
4.1	Initial Extension of Credit	59
4.2	Any Extension of Credit	61
Section 5 REPRESENTATIONS AND WARRANTIES		61
5.1	Due Organization; Good Standing	61
5.2	Power; Authorization	62
5.3	No Legal Bar	62
5.4	Enforceable Obligation	62
5.5	Ownership of Property; Liens	62
5.6	Taxes	62
5.7	Conflicting Agreements and Other Matters	62
5.8	ERISA	63
5.9	Government Consent	63
5.10	Environmental Compliance	63
5.11	Licenses, Permits etc	63
5.12	Public Utility and Investment Company Status	64
5.13	Foreign Asset Control Regulations; Absence of Foreign or Enemy Status	64
5.14	Litigation	64
5.15	No Default	64
5.16	Principal and Guarantor Subsidiaries	64
5.17	Financial Statements	64
5.18	Compliance with Applicable Laws	65
5.19	Governmental Regulations	65
5.20	Federal Reserve Regulations	65
5.21	Guaranty Representations	65
5.22	Solvency	65
5.23	Anti-Corruption Laws and Sanctions	66
Section 6 AFFIRMATIVE COVENANTS		66



6.1	Financial Statements	66
6.2	Certificates, Notices and Other Information	67
6.3	Prompt Notice	68
6.4	Covenant to Secure Obligations Equally	69
6.5	Insurance	69
6.6	Maintenance of Property	69
6.7	Payment of Obligations, Taxes and Claims	69
6.8	Compliance with Laws	70
6.9	Maintenance of Existence	70
6.10	Guaranties of New Principal Subsidiaries; Stock Pledge of Foreign Subsidiaries; Addition of Guarantor Subsidiaries	70
6.11	Licenses, Permits etc	72
6.12	Hazardous Materials	72
6.13	Use of Proceeds	72
6.14	Books and Records	73
6.15	Operation of ESOP	73
6.16	Further Assurances	73
6.17	MTA Judgment Bond	73
Section 7 NEGATIVE COVENANTS		73
7.1	Lien Restrictions	74
7.2	Debt	75
7.3	Loans, Advances and Investments	76
7.4	Merger and Sale of Assets	77
7.5	Sale of Receivables	77
7.6	Subsidiary Restrictions	78
7.7	Line of Business	78
7.8	ESOP Changes	78
7.9	Compliance with ERISA	78
7.10	Leverage Ratio	78
7.11	Consolidated Fixed Charge Coverage Ratio	79
7.12	Restricted Payments	79
7.13	Cash-Secured Outside Letter of Credit Usage	79
7.14	Transactions with Affiliates	79

7.15	Hedge Agreements	80
Section 8 EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT		80
8.1	Events of Default	80
8.2	Remedies upon Event of Default	82
8.3	Application of Funds	83
Section 9 AGENCY		84
9.1	Appointment and Authority	84
9.2	Rights as a Bank	85
9.3	Exculpatory Provisions	85
9.4	Reliance by Administrative Agent	86
9.5	Delegation of Duties	86
9.6	Resignation of Administrative Agent	87
9.7	Non-Reliance on Administrative Agent and Other Banks	88
9.8	No Other Duties, Etc	88
9.9	Administrative Agent May File Proofs of Claim	88
9.10	Collateral and Guaranty Matters	89
Section 10 MISCELLANEOUS		89
10.1	Cumulative Remedies; No Waiver	89
10.2	Amendments; Consents	90
10.3	Expenses; Indemnity; Damage Waiver	91
10.4	Nature of Banks' Obligations	93
10.5	Survival of Representations and Warranties	93
10.6	Notices	93
10.7	Execution of Loan Documents	94
10.8	Successors and Assigns	94
10.9	Right of Setoff	99
10.10	Sharing of Payments by Banks	100
10.11	Nonliability of the Banks	101
10.12	No Third Parties Benefited	101
10.13	Confidentiality	101
10.14	Further Assurances	102
10.15	Integration	102

10.16	Failure to Charge Not Subsequent Waiver	102
10.17	Governing Law; Jurisdiction; Etc.	103
10.18	Severability of Provisions	103
10.19	Headings	104
10.20	Time of the Essence	104
10.21	Waiver of Right to Trial by Jury	104
10.22	Purported Oral Amendments	104
10.23	Release of Guarantors	104
10.24	USA PATRIOT Act Notice	105
10.25	Intercreditor Agreement	105
10.26	Acknowledgement and Consent to Bail-In of EEA Financial Institutions	106
10.27	Judgment Currency	106
10.28	No Substitution or Novation	107

## EXHIBITS

### *Form of*

A	Compliance Certificate
B	Master Subsidiary Guaranty
C	Note
D	Assignment and Assumption
E	Request for Continuation
F	Request for Conversion
G	Request for Borrowing
H	Request for Release
I	Release
J	Subordination Agreement
K-1 –	
K-4	U.S. Tax Compliance Certificates
L	Guaranteed Party Designation Notice

## SCHEDULES

1.1(a)	Existing Letters of Credit
1.1(b)	Existing Non-Recourse Investments
1.1(c)	Existing Non-Recourse Debt
1.1(d)	Issuing Bank Commitments
2.1	Commitments and Pro Rata Shares
5.7	Agreements Restricting Debt
5.14	Litigation

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5.16	Principal Subsidiaries
6.12	Hazardous Materials
7.3	Existing Permitted Investments
10.6	Lending Offices and Notice Addresses

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

This FIFTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of November 15, 2017 is entered into by and among PARSONS CORPORATION, a Delaware corporation (“**Borrower**”), each lender whose name is set forth on the signature pages of this Agreement and each lender which may hereafter become a party to this Agreement (collectively, the “**Banks**” and individually, a “**Bank**”), THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as administrative agent for the Banks (in such capacity, the “**Administrative Agent**”), as the swing line bank (in such capacity, the “**Swing Line Bank**”) and as co-lead arranger, WELLS FARGO BANK, NATIONAL ASSOCIATION, as syndication agent, THE BANK OF NOVA SCOTIA, JPMORGAN CHASE BANK, N.A. AND U.S. BANK NATIONAL ASSOCIATION, as documentation agents, and WELLS FARGO SECURITIES, LLC, as co-lead arranger, with reference to the following facts:

RECITALS

A. Borrower, certain of the Banks and MUFG Union Bank, N.A. (under its former name “Union Bank, N.A.”), as administrative agent and swing line bank, are parties to the Fourth Amended and Restated Credit Agreement dated as of November 20, 2013, as amended by the First Amendment to Fourth Amended and Restated Credit Agreement dated as of May 9, 2014 (as so amended, the “**Existing Credit Agreement**”), pursuant to which such Banks provided Borrower with certain revolving loan and letter of credit facilities (collectively, the “**Existing Credit Facilities**”).

B. The parties hereto wish to enter into this Agreement, which shall amend, restate, replace and supersede (but not constitute a novation of) the Existing Credit Agreement and pursuant to which the Banks shall make available to Borrower the revolving loan and letter of credit facilities provided for herein, the proceeds of which will be used by Borrower in part to repay its obligations under the Existing Credit Facilities and in part for Borrower’s working capital needs and general corporate purposes.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

**SECTION 1**  
**DEFINITIONS**

**1.1 Terms.** The following terms used in this Agreement and in any exhibits annexed hereto shall have the following meanings unless the context otherwise requires.

“**Acquisition**” means, whether through a single transaction or a series of related transactions, (a) the acquisition of (i) a majority of the equity interests in another Person that are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right to so vote has been suspended by the happening of any such contingency, or (ii) other controlling ownership interests in another Person (including the purchase of an option, warrant or convertible or similar type security to acquire such ownership interests at the time it becomes exercisable by the holder

thereof), whether by purchase of such equity or other ownership interests or upon the exercise of an option or warrant for, or conversion of securities into, such equity or other ownership interests, or (b) the acquisition of assets of another Person that constitute all or substantially all of the assets of such Person or of a division, line of business or other business unit of such Person.

“**Acquisition Consideration**” means the consideration given by Borrower or any of its Subsidiaries for an Acquisition, including the fair market value of any cash, Property, stock or services given, the maximum amount that could reasonably be expected to be paid pursuant to any earnout contracts or agreements, and the amount of any Debt in respect of indebtedness for borrowed money, synthetic leases and Capitalized Lease Obligations assumed or incurred by Borrower or any of its Subsidiaries in connection with such Acquisition.

“**Administrative Agent**” has the meaning specified in the first paragraph of this Agreement and includes any successor administrative agent.

“**Administrative Agent’s Office**” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.6, or such other address or account as the Administrative Agent hereafter may designate by written notice to Borrower and the Banks.

“**Affiliate**” means, with respect to a specified Person, another Person that directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“**Agreed Alternate Letter of Credit Currency**” has the meaning set forth in Section 2.13.

“**Agreed Alternate Loan Currency**” has the meaning set forth in Section 2.12.

“**Agreement**” means this Fifth Amended and Restated Credit Agreement, together with all exhibits and schedules hereto.

“**Anti-Corruption Laws**” means all laws, rules and regulations of any jurisdiction applicable to Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including the Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and the rules and regulations under those Acts.

“**Applicable Amount**” means the rates per annum (expressed in basis points per annum) set forth below opposite the applicable pricing level:

Pricing Level	Leverage Ratio	Offshore Rate Loans and Financial Letters of Credit	Base Rate Loans	Non-Use Fee
I	> 2.00:1	200.0	100.0	35.0
II	£ 2.00:1 but > 1.75:1	175.0	75.0	30.0
III	£ 1.75:1 but > 1.50:1	150.0	50.0	25.0
IV	£ 1.50:1 but > 1.00:1	125.0	25.0	22.5
V	£ 1.00:1	112.5	12.5	20.0

The Applicable Amount shall be based on the Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.2(a), and shall be effective from and including the date the Administrative Agent receives such Compliance Certificate to but excluding the date on which the Administrative Agent receives the next Compliance Certificate; provided, however, that if the Administrative Agent does not receive a Compliance Certificate by the date required by Section 6.2(a), the Applicable Amount shall, effective as of such date, be the rates set forth above opposite pricing level I to but excluding the date the Administrative Agent receives such Compliance Certificate. As of the Closing Date, the Applicable Amount shall be the rates set forth above opposite pricing level IV.

If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Borrower or any of the Banks determine that (i) the Leverage Ratio as calculated by the Borrower as of any applicable date was inaccurate and (ii) a proper calculation of the Leverage Ratio would have resulted in higher pricing for such period, the Borrower shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of the applicable Banks or the applicable Issuing Banks, as the case may be, promptly on demand by the Administrative Agent (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under any Debtor Relief Law, automatically and without further action by the Administrative Agent, any Bank or any Issuing Bank), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not limit the rights of the Administrative Agent, any Bank or any Issuing Bank, as the case may be, under Section 2.4(d), 2.4(e) or 2.7(c) or under Section 8. The Borrower's obligations under this paragraph shall survive until the date that is 90 days after the date on which the Commitments have terminated and all of the other Obligations (other than contingent indemnification obligations) have been paid in full.

**"Approved Offshore Currencies"** means British pounds sterling, euros, Canadian dollars, Australian dollars and Japanese yen.

**"Arrangers"** means, collectively, MUFG and Wells Fargo Securities, LLC.

**"Assignment and Assumption"** means an Assignment and Assumption substantially in the form of Exhibit D.

**"Attorney Costs"** means and includes all fees and disbursements of any law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel.

**"Availability Period"** means the period commencing on the Closing Date and ending on the day before the Maturity Date.

**"Bail-In Action"** means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

**“Bail-In Legislation”** means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time described in the EU Bail-In Legislation Schedule.

**“Bank”** means each lender from time to time a party hereto and includes the Swing Line Bank and each Issuing Bank.

**“Base Rate”** means, for any day, the highest of: (a) the rate of interest in effect for such day as publicly announced from time to time by MUFG in New York, New York as its “reference rate” (the “reference rate” being a rate set by MUFG based upon various factors, including MUFG’s costs and desired return, general economic conditions and other factors, and used as a reference point for pricing some loans, which may be priced at, above or below such announced rate); (b) the rate equal to 1.50% per annum above the Offshore Rate determined by reference to clause (a)(i) of the definition of “Offshore Base Rate” for an Interest Period of one month; and (c) the rate equal to 0.50% per annum above the latest Federal Funds Rate; provided that, if the Base Rate calculated pursuant to the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Any change in the MUFG reference rate, such Offshore Rate for an Interest Period of one month or the Federal Funds Rate shall take effect at the opening of business on the day such change occurs. Notwithstanding the foregoing, if the Base Rate is being used as an alternate rate of interest pursuant to Section 3.4(b), then the Base Rate shall be determined without reference to clause (b) above.

**“Base Rate Loan”** means a Loan denominated in Dollars that bears interest based on the Base Rate.

**“Borrower”** has the meaning set forth in the introductory paragraph hereto.

**“Borrowing”** means a borrowing hereunder consisting of Loans of the same type made on the same day and, other than in the case of Base Rate Loans, having the same Interest Period.

**“Borrowing Date”** means the date that a Loan is made by the Banks, which shall be a Business Day.

**“Business Day”** means any day other than a day (a) that is a Saturday, Sunday or other day on which commercial banks in Los Angeles or New York City are authorized or required by law to close and (b) if the applicable Business Day relates to Offshore Rate Loans denominated in Dollars, on which dealings are carried on in the London interbank market in Dollars or, with respect to Offshore Currency Loans, on which dealings are carried on in the applicable interbank market in the Approved Offshore Currency or Agreed Alternate Loan Currency of such Offshore Currency Loans.

**“Business Units”** means the following Subsidiaries constituting the Borrower’s principal business divisions: Parsons Environment & Infrastructure Group Inc. and its Subsidiaries; Parsons Government Services Inc. and its Subsidiaries; Parsons International Limited and its Subsidiaries; Parsons Transportation Group Inc. and its Subsidiaries; and any additional principal business divisions of the Borrower that may be created or acquired from time to time.



**“Capitalized Lease Obligation”** means any rental obligation which under GAAP is or will be required to be capitalized on the books of Borrower or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with GAAP.

**“Capitalized Leases”** means all leases which contain Capitalized Lease Obligations.

**“Cash Collateralize”** means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the Issuing Banks or Banks, as collateral for Letter of Credit Usage, cash or deposit account balances or, if the Administrative Agent and each applicable Issuing Bank agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent and each applicable Issuing Bank. **“Cash Collateral”** shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

**“Cash Management Agreement”** means any agreement to provide treasury or cash-management services, including deposit accounts, overnight drafts, credit cards, debit cards, payment cards, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting, and other cash-management services.

**“Cash Management Bank”** means any Person in its capacity as a party to a Cash Management Agreement that (a) at the time it enters into a Cash Management Agreement with a Loan Party or any Subsidiary, is a Bank or an Affiliate of a Bank or (b) at the time it (or its Affiliate) becomes a Bank, is a party to a Cash Management Agreement with a Loan Party or any Subsidiary, in each case in such Person’s capacity as a party to such Cash Management Agreement (even if such Person ceases to be a Bank or such Person’s Affiliate ceased to be a Bank).

**“Change in Law”** means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines and directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

**“Closing Date”** means the date all conditions set forth in Section 4.1 are satisfied or waived by the Requisite Banks.

**“Code”** means the United States Internal Revenue Code of 1986.

**“Commercial Letter of Credit”** means a commercial Letter of Credit issued for the purpose of providing a payment mechanism in connection with the conduct of Borrower’s or any of its Subsidiaries’ ordinary course of business.

**“Commitment”** means, for each Bank, the amount set forth as such opposite such Bank’s name on Schedule 2.1. The respective Pro Rata Shares of the Banks are set forth in Schedule 2.1.

**“Commodity Exchange Act”** means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

**“Compliance Certificate”** means a certificate in the form of Exhibit A, properly completed and signed by a Responsible Officer of Borrower.

**“Connection Income Taxes”** means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

**“Consolidated Debt”** means, without duplication, all Debt of Borrower and its Subsidiaries on a consolidated basis, excluding (a) inter-company indebtedness between Borrower and a Subsidiary or between any two or more Subsidiaries (provided that any such inter-company indebtedness owed by Borrower or a Principal Subsidiary to a Principal Subsidiary shall be subordinated to the Loans pursuant to a subordination agreement substantially in the form attached hereto as Exhibit J), and (b) any Non-Recourse Debt.

**“Consolidated EBITDA”** means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Earnings for such period, plus (a) the following to the extent deducted in calculating such Consolidated Net Earnings: (i) Consolidated Interest Expense for such period, (ii) tax expense for federal, state, local and foreign income taxes for such period (net of tax benefit), (iii) depreciation and amortization expense for such period, (iv) other non-recurring non-cash charges, writedowns, expenses, losses or other items reducing such Consolidated Net Earnings for such period, including any impairment charges or the impact of purchase accounting (excluding any such non-cash charge, writedown, expense, loss or item to the extent that it represents an accrual or reserve for a cash expenditure for a future period), (v) cost of employee services received in share-based payment transactions (in accordance with FASB ASC 718) that do not represent a cash item in such period or any future period and (vi) Non-Cash ESOP Expenses of the Borrower and its Subsidiaries, excluding, however, items (i) through (vi) above derived from or attributable to Non-Recourse Investments or Non-Recourse Debt, and minus (b) to the extent included in calculating such Consolidated Net Earnings, all non-cash items increasing Consolidated Net Earnings for such period.

**“Consolidated Equity”** means total assets less total liabilities (including Consolidated Debt) of Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP, excluding, however, Consolidated Equity attributable to Non-Recourse Investments.

**“Consolidated Interest Expense”** means, for any period, all interest expense, including all commissions, discounts and related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing for borrowed money indebtedness and the net costs associated with Hedge Agreements in respect of interest rates, amortization of debt expense and original issue discount and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method, of Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

**“Consolidated Lease Expense”** means, for any period, (a) lease expense minus (b) lease income from third parties for Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP excluding, however, Consolidated Lease Expense attributable to Non-Recourse Investments.

**“Consolidated Net Earnings”** means gross revenues less all expenses, including tax expense and other proper charges, of Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP; provided that Consolidated Net Earnings shall not include: (a) extraordinary gains or losses; (b) any gains (or losses) in excess of \$300,000 in the aggregate over losses (or gains) resulting from the sale, conversion or other disposition of fixed assets; (c) undistributed earnings from investments in entities other than Subsidiaries; (d) gains or losses arising from changes in accounting principles; and (e) any gains or losses resulting from the retirement or extinguishment of Debt, all determined in accordance with GAAP.

**“Continuation”** and **“Continue”** each mean, with respect to any Loan other than a Base Rate Loan, the continuation of such Loan as the same type of Loan in the same principal amount and in the same currency, but with a new Interest Period and an interest rate determined as of the first day of such new Interest Period. Continuations must occur on the last day of the Interest Period for such Loan.

**“Contractual Obligation”** means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its Property is bound.

**“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. **“Controlling”** and **“Controlled”** have meanings correlative thereto.

**“Conversion”** and **“Convert”** each mean, with respect to any Loan, the conversion of one type of Loan in one currency into another type of Loan in the same currency. With respect to Loans other than Base Rate Loans, Conversions must occur on the last day of the Interest Period for such Loan.

**“Debt”** means, with respect to any Person, without duplication, the sum of (a) indebtedness of such Person for borrowed money, (b) Capitalized Lease Obligations of such Person, (c) indebtedness secured by a Lien on Property owned by such Person (whether or not it has assumed or otherwise become liable for such indebtedness), (d) liabilities of such Person with respect to the deferred purchase price of Property, (e) redemption obligations with respect to mandatorily redeemable preferred stock of such Person (other than preferred stock in existence as of the date hereof), (f) if such Person is a Subsidiary, all preferred stock of such Person, (g) reimbursement obligations of such Person with respect to unreimbursed drawings

under letters of credit (other than Financial Letters of Credit), (h) reimbursement obligations of such Person equal to the face amount of all outstanding Financial Letters of Credit, (i) all net obligations and liabilities under Hedge Agreements to the extent due and payable as a result of a termination event or event of default under such Hedge Agreements and (j) guaranties or other contingent obligations of such Person with respect to liabilities of a type described in any of clauses (a) through (i) above.

**“Debtor Relief Laws”** means the Bankruptcy Code of the United States of America and all other liquidation, conservatorship, bankruptcy, assignment (for the benefit of creditors), moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the United States of America or other applicable countries from time to time in effect.

**“Default”** means any event or circumstance which, with the passing of time, the giving of notice or both, would become an Event of Default.

**“Defaulting Bank”** means, subject to Section 2.16(b), any Bank that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Bank notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Bank’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Bank, the Swing Line Bank or any other Bank any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Loans) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent, any Issuing Bank or the Swing Line Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Bank’s obligation to fund a Loan hereunder and states that such position is based on such Bank’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-in Action; provided, however, that a Bank shall not be a Defaulting Bank solely by virtue of the ownership or acquisition of any equity interest in that Bank or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Bank with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Bank (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Bank. Any determination by the Administrative Agent that a Bank is

a Defaulting Bank under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Bank shall be deemed to be a Defaulting Bank (subject to Section 2.16(b)) upon delivery of written notice of such determination to the Borrower, each Issuing Bank, the Swing Line Bank and each Bank.

**“Default Rate”** means an interest rate (before as well as after judgment) equal to (a) with respect to overdue principal, the interest rate otherwise applicable plus 2.00% per annum (provided that, with respect to Offshore Rate Loans, the determination of the applicable interest rate is subject to Section 2.2(e) to the extent that Loans may not be converted to, or continued as, Offshore Rate Loans pursuant thereto) and (b) with respect to any other overdue amount (including overdue interest), the interest rate otherwise applicable to Base Rate Loans plus 2.00% per annum.

**“Designated Deposit Account”** means a deposit account to be maintained by Borrower with any one of the Banks, as from time to time designated by Borrower by written notification to the Administrative Agent.

**“Disposition”** means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any Property by the Borrower or any Subsidiary (or the granting of any unconditional option or other unconditional right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

**“Disqualified Institution”** means, on any date, (a) any Person designated by the Borrower as a “Disqualified Institution” by written notice delivered to the Administrative Agent on or prior to the date hereof and (b) any other Person that is a competitor (as defined below) of the Borrower or any of its Subsidiaries, which Person has been designated by the Borrower as a “Disqualified Institution” by written notice to the Administrative Agent and the Banks not less than 2 Business Days prior to such date; provided that “Disqualified Institution” shall exclude any Person that the Borrower has designated as no longer being a “Disqualified Institution” by written notice delivered to the Administrative Agent from time to time. As used in this definition, “competitor” means any Person engaged in any of the following businesses or activities: engineering, construction, technical or professional services (including design/design-build services and program/construction management services).

**“Dollar Equivalent”** means the equivalent in Dollars of the applicable currency calculated at the Spot Rate as of (a) the date of any Extension of Credit, (b) the date any Letter of Credit is issued, supplemented, modified, amended, renewed or extended, (c) the last Business day of each month, (d) the date any payment is made with respect to any Obligations denominated in an Approved Offshore Currency, an Agreed Alternate Loan Currency or an Agreed Alternate Letter of Credit Currency, and (e) any date selected from time to time by the Administrative Agent in its sole discretion or at the request of any Bank.

**“Dollars”** and the sign “\$” means dollars in lawful currency of the United States of America.

**“DQ List”** has the meaning set forth in Section 10.8(f)(iv).

**“EEA Financial Institution”** means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clause (a) or (b) of this definition and is subject to consolidated supervision with its parent;

**“EEA Member Country”** means any of the member states of the European Union, Iceland, Liechtenstein or Norway.

**“EEA Resolution Authority”** means any Governmental Authority or any other Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

**“Eligible Assignee”** means (a) a financial institution organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (b) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000, provided that such bank is acting through a branch or agency located in the United States; (c) a Person that is primarily engaged in the business of commercial banking and that is (i) a Subsidiary of a Bank, (ii) a Subsidiary of a Person of which a Bank is a Subsidiary or (iii) a Person of which a Bank is a Subsidiary; or (d) another Bank. For the avoidance of doubt, any Disqualified Institution is subject to Section 10.8(f).

**“ERISA”** means the Employee Retirement Income Security Act of 1974.

**“ERISA Affiliate”** means any corporation which is a member of the same controlled group of corporations as Borrower within the meaning of Section 414 of the Code, or any trade or business which is under common control with Borrower within the meaning of Section 414 of the Code.

**“ESOP”** means the Parsons Employee Stock Ownership Plan.

**“ESOP Trust”** means the Trust established under the ESOP.

**“EU Bail-In Legislation Schedule”** means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

**“Eurodollar Reserve Percentage”** means, for any day, the reserve percentage (expressed as a decimal and rounded upward, if necessary, to the next higher 1/100<sup>th</sup> of 1%) in effect for such day as prescribed by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member of the Federal Reserve System in New York City.

**“Event of Default”** has the meaning set forth in Section 8.1.

**“Excluded Swap Obligation”** means, with respect to any Guarantor Subsidiary, any Swap Obligation if and to the extent that all or a portion of the guaranty of such Guarantor Subsidiary of, or the grant by such Guarantor Subsidiary of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor Subsidiary’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty of such Guarantor Subsidiary or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or security interest is or becomes illegal.

**“Excluded Taxes”** means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Bank, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes; (b) in the case of a Bank, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Bank with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Bank acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 3.7(b)) or (ii) such Bank changes its lending office, except in each case to the extent that, pursuant to Section 3.1, amounts with respect to such Taxes were payable either to such Bank’s assignor immediately before such Bank became a party hereto or to such Bank immediately before it changed its lending office; (c) Taxes attributable to such Recipient’s failure to comply with Section 3.1(g); and (d) any U.S. federal withholding Taxes imposed under FATCA.

**“Existing Credit Agreement”** has the meaning set forth in the recitals to this Agreement.

**“Existing Credit Facilities”** has the meaning set forth in the recitals to this Agreement.

**“Existing Letters of Credit”** means those letters of credit issued under the Existing Credit Agreement and outstanding on the Closing Date, which are identified more particularly on Schedule 1.1(a).

**“Extension of Credit”** means (a) the Borrowing of any Loans, (b) the Conversion or Continuation of any Loans or (c) the issuance, renewal, increase, continuation, amendment or other credit action with respect to any Letter of Credit, including the Banks acquiring a participation in such Letters of Credit (collectively, the **“Extensions of Credit”**).

**“Extended Commitment”** means any Commitment the maturity of which shall have been extended pursuant to Section 2.18.

**“Extended Loans”** means any Loans made pursuant to the Extended Commitments.

“**Extension**” has the meaning set forth in Section 2.18(a).

“**Extension Amendment**” means an amendment to this Agreement (which may, at the option of the Administrative Agent and the Borrower, be in the form of an amendment and restatement of this Agreement) among the Borrower, the applicable extending Banks, the Administrative Agent and, to the extent required by Section 2.18, the Issuing Banks and/or the Swing Line Bank implementing an Extension in accordance with Section 2.18.

“**Extension Offer**” has the meaning set forth in Section 2.18(a).

“**Fair Market Value**” means, at any time and with respect to any Property, the sale value of such Property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

“**FASB ASC**” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such sections of the Code.

“**Federal Funds Rate**” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System on such day, as published on the next succeeding Business Day by the Federal Reserve Bank of New York; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if no such rate is so published for any day that is a Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent, and (c) if such rate for such day is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“**Federal Reserve Board**” means the Board of Governors of the Federal Reserve System or any Governmental Authority succeeding to its functions.

“**Financial Letter of Credit**” means any standby letter of credit covering the potential default of a financial contractual obligation, and includes all letters of credit required to be classified as such by the Federal Reserve Board or by the Office of the Comptroller of the Currency.

“**Foreign Lender**” means (a) if the Borrower is a U.S. Person, a Bank that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Bank that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.



**“Fronting Exposure”** means, at any time there is a Defaulting Bank, (a) with respect to an Issuing Bank, such Defaulting Bank’s Pro Rata Share of the outstanding Letter of Credit Usage with respect to Letters of Credit issued by such Issuing Bank other than Letter of Credit Usage as to which such Defaulting Bank’s participation obligation has been reallocated to other Banks or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swing Line Bank, such Defaulting Bank’s Pro Rata Share of Swing Line Loans other than Swing Line Loans as to which such Defaulting Bank’s participation obligation has been reallocated to other Banks.

**“FX Trading Office”** means the principal foreign exchange trading office of MUFG or such other office of MUFG or any Affiliate thereof as MUFG may designate as such from time to time.

**“GAAP”** means generally accepted accounting principles in the United States of America set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession).

**“Good Faith Contest”** has the meaning set forth in [Section 6.7](#).

**“Governmental Authority”** means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union and the European Central Bank).

**“Guaranteed Cash Management Agreement”** means, on any date of determination by the Administrative Agent, a Cash Management Agreement between the Borrower or any Subsidiary and a Cash Management Bank, which Cash Management Agreement is not prohibited by the terms hereof and in respect of which the applicable Cash Management Bank (other than MUFG or any Affiliate thereof) has delivered a Guaranteed Party Designation Notice, together with such supporting documentation as the Administrative Agent may request, to the Administrative Agent prior to such date of determination.

**“Guaranteed Cash Management Bank”** means, in respect of any Guaranteed Cash Management Agreement, a Cash Management Bank party thereto.

**“Guaranteed Hedge Agreement”** means, on any date of determination by the Administrative Agent, a Hedge Agreement between the Borrower or any Subsidiary and a Hedge Bank, which Hedge Agreement is not prohibited by the terms hereof and in respect of which the applicable Hedge Bank (other than MUFG or any Affiliate thereof) has delivered a Guaranteed Party Designation Notice, together with such supporting documentation as the Administrative Agent may request, to the Administrative Agent prior to such date of determination.

**“Guaranteed Hedge Bank”** means, in respect of any Guaranteed Hedge Agreement, a Hedge Bank party thereto.

**“Guaranteed Obligations”** means the following: (a) all Obligations; and (b) all (i) obligations arising under Guaranteed Hedge Agreements and Guaranteed Cash Management Agreement and (ii) costs and expenses incurred in connection with enforcement and collection thereunder, including the fees, charges and disbursements of counsel, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising, and including interest, fees and expenses that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest, fees and expenses are allowed claims in such proceeding; provided that the Guaranteed Obligations of a Guarantor Subsidiary shall exclude any Excluded Swap Obligations with respect to such Guarantor Subsidiary.

**“Guaranteed Party Designation Notice”** means a notice from a Bank or an Affiliate of a Bank substantially in the form of Exhibit L.

**“Guarantor Subsidiary”** means a Subsidiary of Borrower that is a party to the Master Subsidiary Guaranty.

**“Guarantor Determination Date”** means (a) with respect to any Principal Subsidiary formed or acquired after the date of this Agreement, the date of formation or acquisition of such Principal Subsidiary and (b) with respect to any existing Subsidiary that becomes a Principal Subsidiary, the date thereafter on which the Borrower delivers (or the final date by which the Borrower is required to deliver) financial statements pursuant to Section 6.1(b) that demonstrate (or would demonstrate) that such Subsidiary has become a Principal Subsidiary.

**“Hazardous Materials”** has the meaning set forth in Section 6.12.

**“Hazardous Materials Laws”** means any applicable Laws relating to or regulating environmental conditions, protection of the environment, or pollution or contamination of the air, soil, surface water or ground water from any Hazardous Material or any human exposure thereto.

**“Hedge Agreement”** means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing ), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, that are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement (any such master agreement, together with any related schedules, a **“Master Agreement”**), including any such obligations or liabilities under any Master Agreement.

**“Hedge Bank”** means any Person in its capacity as a party to a Hedge Agreement that (a) at the time it enters into a Hedge Agreement not prohibited under Section 7.15, is a Bank or an Affiliate of a Bank or (b) at the time it (or its Affiliate) becomes a Bank, is a party to a Hedge Agreement not prohibited under Section 7.15, in each case in such Person’s capacity as a party to such Hedge Agreement (even if such Person ceases to be a Bank or such Person’s Affiliate ceased to be a Bank); provided, in the case of a Hedge Agreement with a Person that is no longer a Bank (or an Affiliate of a Bank), such Person shall be considered a Hedge Bank only through the stated termination date (without extension or renewal) of such Hedge Agreement.

**“Incremental Bank”** has the meaning specified in Section 10.8(f).

**“Incremental Commitment”** has the meaning specified in Section 10.8(f).

**“Indemnified Taxes”** means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower or any Guarantor Subsidiary under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

**“Indemnitee”** has the meaning specified in Section 10.3(b).

**“Intercreditor Agreement”** has the meaning specified in Section 10.25.

**“Interest Payment Date”** means, with respect to any Offshore Rate Loan, the last day of each Interest Period applicable to such Loan and, with respect to Base Rate Loans, each Quarterly Payment Date; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds 90 days or three months (as applicable), the date which falls 90 days or three months, respectively, after the beginning of such Interest Period and after each Interest Payment Date thereafter shall also be an Interest Payment Date.

**“Interest Period”** means, with respect to any Offshore Rate Loan, the period commencing on the Business Day the Loan is disbursed, Continued or Converted to an Offshore Rate Loan and ending on the date one, three, six or twelve months thereafter (or, in the case of a Base Rate Loan bearing interest under clause (b) of the definition of “Base Rate,” commencing on the Business Day the Loan is disbursed and ending on the date one month thereafter), as selected by Borrower in its Request for Extension of Credit; provided that:

(a) if any Interest Period pertaining to an Offshore Rate Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) No Interest Period shall extend beyond the Maturity Date.

“**IRS**” means the United States Internal Revenue Service.

“**Issuing Bank**” means each of (a) MUFG, Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation and BNP Paribas and (b) any other Bank selected by Borrower to be a Letter of Credit issuer with the consent of such Bank; provided that, if any issuer of one or more Existing Letters of Credit is not a party to this Agreement, such issuer shall be deemed to be an Issuing Bank hereunder, as a third-party beneficiary of this Agreement and the other Loan Documents, with respect to such Existing Letters of Credit.

“**Issuing Bank Commitment**” means, with respect to each Issuing Bank, the commitment of such Issuing Bank to issue Letters of Credit in the aggregate amount and of the type set forth on Schedule 1.1(d), as that schedule may be amended from time to time with the consent of the Borrower and the applicable Issuing Bank; provided that the Issuing Bank Commitment for any Bank selected as an Issuing Bank after the Closing Date shall be the amount agreed to in writing by such Issuing Bank as its Issuing Bank Commitment, as reflected on the amended Schedule 1.1(d).

“**Joint Venture**” means any joint venture, partnership or other minority-owned entity (other than a Subsidiary) in which Borrower or any of its Subsidiaries or other Affiliates owns an interest.

“**Laws**” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“**Lending Office**” means, with respect to any Bank, the office or offices of the Bank specified as its “Lending Office” or “Domestic Lending Office” or “Offshore Lending Office,” as the case may be, opposite its name on Schedule 10.6, or such other office or offices of the Bank as to which it may from time to time notify Borrower and the Administrative Agent.

“**Letter of Credit**” means any letter of credit issued or outstanding hereunder, and includes each Existing Letter of Credit, which shall be deemed to be outstanding under this Agreement on the Closing Date and thereafter through its expiration date.

“**Letter of Credit Application**” means a duly completed application for the issuance or amendment of a standby or commercial letter of credit in the form then currently in use at the applicable Issuing Bank.

“**Letter of Credit Evergreen Notice Period**” has the meaning provided in Section 2.4(b).

**“Letter of Credit Usage”** means, as at any date of determination, the undrawn face amount of all outstanding Letters of Credit plus the aggregate amount of all drawings under the Letters of Credit honored by Issuing Banks and not theretofore reimbursed or converted into Loans.

**“Leverage Ratio”** means, as of any date of determination, the ratio of (a) Consolidated Debt to (b) Consolidated EBITDA for the four fiscal quarters ending on such date.

**“Lien”** means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including those created by, arising under or evidenced by any conditional-sale or other title-retention agreement, the interest of a lessor under a lease which, in accordance with GAAP, is classified as a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under a lease which, in accordance with GAAP, is not classified as a capital lease.

**“Line of Business”** means the business of providing architectural, technical, engineering, program management, construction, construction management, project development and related services.

**“Loan”** means any advance made or to be made by any Bank to Borrower as provided in [Section 2](#), and includes each Swing Line Loan.

**“Loan Documents”** means this Agreement, the Notes, the Master Subsidiary Guaranty, the Subordination Agreement, all other subordination agreements entered into pursuant hereto, all Intercreditor Agreements, all Requests for Extension of Credit, all Letter of Credit Applications, all Compliance Certificates, all documents, agreements and instruments by which a Subsidiary becomes a Guarantor Subsidiary or by which a Subsidiary’s stock is pledged pursuant to Section 6.10 or otherwise, and all other agreements of any type or nature hereafter executed and delivered by Borrower or any of its Subsidiaries to the Administrative Agent, any Issuing Bank or any Bank in any way relating to or in furtherance of this Agreement (but excluding Guaranteed Hedge Agreements and Guaranteed Cash Management Agreements), in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

**“Loan Parties”** means the Borrower and the Guarantor Subsidiaries.

**“Master Subsidiary Guaranty”** means the Fifth Amended and Restated Master Subsidiary Guaranty, dated as of November 15, 2017, substantially in the form of [Exhibit B](#) hereto executed and delivered by the Guarantor Subsidiaries, and any amendments or supplements thereto.

“**Material Adverse Change**” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, Property or financial condition of Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of Borrower or any Guarantor Subsidiary to perform under any Loan Document and avoid any Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Loan Document.

“**Maturity Date**” means (a) November 15, 2022 or (b) the date upon which the Commitments are terminated in accordance with any provision contained in this Agreement.

“**Measurement Period**” means, at any date of determination, the most recently completed four fiscal quarters of the Borrower or, for purposes of determining Pro Forma Compliance, the most recently completed four fiscal quarters of the Borrower for which financial statements have been delivered pursuant to Section 6.1.

“**Minimum Amount**” means, with respect to each of the following actions, the amount set forth opposite such action (a reference to “Minimum Amount” shall also be deemed a reference to the increments in excess thereof set forth below):

<b>Type of Action</b>	<b>Minimum Amount</b>	<b>Increments in Excess of Minimum Amount</b>
Borrowing of, or Conversion into, Base Rate Loans	\$5,000,000	\$1,000,000
Prepayment of Base Rate Loans	\$1,000,000	\$1,000,000
Borrowing of, prepayment of, Continuation of, or Conversion into, Offshore Rate Loans	Lesser of (a) Dollar Equivalent of \$5,000,000 and (b) 100,000 units of Approved Offshore Currency or Agreed Alternate Loan Currency	Lesser of (a) Dollar Equivalent of \$1,000,000 and (b) 10,000 units of Approved Offshore Currency or Agreed Alternative Loan Currency
Reduction in Commitments	\$1,000,000	\$250,000
Assignments	\$5,000,000	None

“**Minimum Collateral Amount**” means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 105% of the Fronting Exposure of all Issuing Banks with respect to Letters of Credit issued and outstanding at such time and (b) otherwise, an amount determined by the Administrative Agent and the Issuing Banks in their sole discretion.

“**Moody’s**” means Moody’s Investor’s Service, Inc.

“**MTA Judgment**” means the judgment rendered against Borrower in the case entitled Los Angeles County Metropolitan Transportation Authority v. Parsons-Dillingham Metro Rail Construction Manager Joint Venture et al., case number BC150298, in the Superior Court of the State of California, County of Los Angeles.

**“MTA Judgment Bond”** means the bond in the initial amount of up to \$140,906,858.99 issued by Zurich American Insurance Company and Federal Insurance Company on April 8, 2014 at the request of Parsons Corporation, on behalf of Parsons-Dillingham Metro Rail Construction Manager Joint Venture, in favor of the Los Angeles County Metropolitan Transportation Authority with respect to the MTA Judgment.

**“MUFG”** means The Bank of Tokyo-Mitsubishi UFJ, Ltd., a Japanese banking corporation that is a member of MUFG, a global financial group.

**“Multiemployer Plan”** means any Plan which is a “multiemployer plan” (as such term is defined in Section 4001(a)(3) of ERISA).

**“New Bank”** has the meaning provided in Section 2.15(c).

**“Non-Cash ESOP Expense”** means, for any period, the amount of non-cash contributions made to the ESOP by Borrower.

**“Non-Consenting Bank”** means any Bank that does not approve any consent, waiver or amendment that (a) requires the approval of all or all affected Banks in accordance with the terms of Section 10.2 and (b) has been approved by the Requisite Banks.

**“Non-Defaulting Bank”** means, at any time, each Bank that is not a Defaulting Bank at such time.

**“Non-Guarantor Subsidiary”** means any Subsidiary that is not a party to the Master Subsidiary Guaranty.

**“Non-Recourse Debt”** means either (a) Debt of Borrower and its Subsidiaries existing on the Closing Date and listed on Schedule 1.1(c) or (b) Debt, including non-recourse property Debt, non-recourse project Debt and non-recourse military family housing Debt, of Borrower and its Subsidiaries incurred after the Closing Date with respect to which:

(i) the lender thereof has no direct or indirect recourse to either (A) Borrower or any of its Subsidiaries (other than to any single-purpose Subsidiary whose sole asset is the Property securing such Non-Recourse Debt), whether by means of judicial foreclosure or otherwise, or (B) any Property of Borrower or any of its Subsidiaries other than the Property securing such Non-Recourse Debt; and

(ii) neither Borrower nor any of its Subsidiaries has any obligations of the type described in clause (i) of the definition of Debt, including reimbursement obligations under any letters of credit relating to such Debt;

provided, however, that any such Debt under this clause (b) incurred after the Closing Date shall be reasonably satisfactory to the Arrangers.

**“Non-Recourse Investments”** means the Property owned directly or indirectly by Borrower and its Subsidiaries as of the Closing Date and listed on Schedule 1.1(b) hereto and any Property acquired by Borrower or any of its Subsidiaries after the Closing Date with Non-Recourse Debt and which secures such Non-Recourse Debt.

“**Note**” means a promissory note, substantially in the form of Exhibit C, payable to a Bank and evidencing the aggregate indebtedness owing to such Bank.

“**Obligations**” means all present and future obligations and liabilities, of every type and description, of the Loan Parties arising under or in connection with this Agreement or any other Loan Document, due or to become due to the Administrative Agent, any Bank or any Person entitled to indemnification pursuant to Section 10.3 or any of their respective successors, transferees or assigns, and shall include (a) all liability for payment of principal of and interest on the Loans and under any Notes, (b) all liability to make reimbursements for drawings under Letters of Credit, (c) all liability under the Loan Documents for any fees, expense reimbursements and indemnifications and (d) any and all other debts, obligations and liabilities to the Administrative Agent or any Bank heretofore, now or hereafter incurred or created (and all renewals, extensions, readvances, modifications and rearrangements thereof), under, in connection with, in respect of, or evidenced or created by this Agreement or any or all of the other Loan Documents, whether voluntary or involuntary, however arising, and whether due or not due, absolute or contingent, secured or unsecured, liquidated or unliquidated, determined or undetermined, direct or indirect, and whether any Loan Party may be liable individually or jointly with others.

“**Offshore Base Rate**” means, for any Interest Period:

(a) (i) in the case of any Offshore Rate Loan denominated in Dollars, the rate per annum equal to the London Interbank Offered Rate (“**LIBOR**”), as published on the applicable Bloomberg screen page (or such other commercially available source providing LIBOR quotations for Dollars as may be designated by the Administrative Agent from time to time) at or about 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period;

(ii) in the case of any Offshore Rate Loan denominated in any Approved Offshore Currency or Agreed Alternate Loan Currency (other than any referenced in clause (iii) below), the rate per annum equal to the offered rate for such currency, as published on the applicable Bloomberg screen page (or such other commercially available source providing the applicable rate quotations as may be designated by the Administrative Agent from time to time) at or about 11:00 a.m., London time, on the Rate Determination Date for deposits in the relevant currency with a term equivalent to such Interest Period; or

(iii) in the case of any Offshore Rate Loan denominated in Canadian dollars, the rate per annum equal to the Canadian Dollar Offered Rate (“**CDOR**”), as published on the applicable Bloomberg screen page (or such other commercially available source providing CDOR quotations as may be designated by the Administrative Agent from time to time) at or about 10:00 a.m., Toronto, Ontario time, on the Rate Determination Date with a term equivalent to such Interest Period; provided that, if any Offshore Base Rate calculated pursuant to the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.



(b) In the event that any of the rates referenced in the preceding clause (a) is not available (other than as provided in Section 3.4(b)), such rate shall be the rate per annum determined by the Administrative Agent as the rate of interest at which Dollar deposits, or deposits in the applicable Approved Offshore Currency or Agreed Alternate Loan Currency (for delivery on the first day of the applicable Interest Period), in same-day funds in the approximate amount of MUFG's Loan with a term equivalent to such Interest Period would be offered by its London Branch to major banks in the offshore Dollar market, or applicable Approved Offshore Currency or Agreed Alternate Loan Currency market, at their request on the Rate Determination Date.

**"Offshore Currency Loan"** means an Offshore Rate Loan denominated in an Approved Offshore Currency or an Agreed Alternate Loan Currency.

**"Offshore Currency Overnight Rate"** means, for any day, the rate of interest per annum at which overnight deposits in an Approved Offshore Currency, an Agreed Alternate Loan Currency or an Agreed Alternate Letter of Credit Currency, as applicable, in an amount approximately equal to the amount with respect to which such rate is being determined would be offered for such day by MUFG's "Offshore Lending Office" indicated on Schedule 10.6 to major banks in the London or other applicable offshore interbank market; provided that, if any rate calculated pursuant to the foregoing is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

**"Offshore Rate"** means a rate per annum (rounded upward, if necessary, to the next highest 1/100<sup>th</sup> of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

provided that, if any Offshore Rate calculated pursuant to the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

**"Offshore Rate Loan"** means a Loan denominated in Dollars, an Approved Offshore Currency or an Agreed Alternate Loan Currency that bears interest based on the Offshore Rate, other than a Base Rate Loan bearing interest under clause (b) of the definition of "Base Rate".

**"Organizational Documents"** means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement or limited liability company agreement (or equivalent or comparable documents with respect to any non-U.S. jurisdiction); (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization (or equivalent or comparable documents with respect to any non-U.S. jurisdiction); and (d) with

respect to all entities, any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization (or equivalent or comparable documents with respect to any non-U.S. jurisdiction)

**“Other Connection Taxes”** means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

**“Other Taxes”** means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to [Section 3.7\(b\)](#)).

**“Outside Letter of Credit”** means any commercial, performance or financial letter of credit not issued under this Agreement (including an evergreen letter of credit) in respect of which Borrower or any of its Subsidiaries is directly or indirectly liable for drawings thereunder.

**“Outside Letter of Credit Usage”** means, as at any date of determination, the undrawn face amount of all outstanding Outside Letters of Credit plus the aggregate amount of all drawings under Outside Letters of Credit honored by the issuing bank(s) thereunder and not reimbursed to such issuing bank(s).

**“Outstanding Obligations”** means, as of any date, and giving effect to making any Extensions of Credit requested on such date and all payments, repayments and prepayments made on such date, the sum of (a) the aggregate outstanding principal of all Loans, and (b) all Letter of Credit Usage.

**“Participant”** has the meaning specified in [Section 10.8\(d\)](#).

**“Participant Register”** has the meaning specified in [Section 10.8\(d\)](#).

**“PBGC”** means the Pension Benefit Guaranty Corporation, or any successor or replacement entity thereto under ERISA.

**“Performance Letter of Credit”** means a standby Letter of Credit used directly or indirectly to cover bid, performance, advance and retention obligations, including Letters of Credit issued in favor of sureties who in connection therewith cover bid, performance and retention obligations.

**“Permitted Acquisition”** means an Acquisition by Borrower or any Subsidiary of another Person engaged in a line of business substantially the same as the Line of Business (the **“target”**), which Acquisition has been approved by the board of directors of the target, so long as: (a) no Default or Event of Default exists or would result after giving effect to the completion of such Acquisition; (b) Borrower has demonstrated to the satisfaction of the Administrative Agent that, after giving Pro Forma Effect to such Acquisition, Borrower and its Subsidiaries are in Pro Forma Compliance; and (c) if the total purchase consideration (including earnout payments and other deferred payments but excluding transaction costs and expenses) for such Acquisition is \$100,000,000 or higher, the Administrative Agent shall have received audited financial statements of the target that are in form and substance satisfactory to the Administrative Agent.

**“Permitted Investments”** means, as at any date of determination, investments in cash, cash equivalents and marketable securities to the extent permitted under Borrower’s investment policy in effect from time to time.

**“Permitted Private Placement Debt”** means Debt issued by the Borrower in one or more private placement transactions so long as:

(a) such Debt is unsecured, except for Liens on the capital stock of foreign Subsidiaries in which the Administrative Agent, for the benefit of the Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks, also holds a Lien in accordance with the requirements of Section 6.10, so long as such Liens are junior to or *pari passu* with the Liens of the Administrative Agent and the priority thereof is governed by an intercreditor agreement reasonably satisfactory to the Administrative Agent;

(b) the aggregate principal amount of Debt issued in all such private placement transactions does not exceed \$400,000,000 at any time outstanding;

(c) the Administrative Agent and the Banks rank senior to or *pari passu* with the holders of such Debt with respect to recourse against the Borrower and the Guarantor Subsidiaries;

(d) there is no scheduled amortization of such Debt; and

(e) the maturity date of all such Debt is no earlier than the date that is one year after the date referenced in clause (a) of the definition of “Maturity Date.”

**“Person”** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

**“Plan”** means any “employee pension benefit plan” (as such term is defined in Section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made or are required to be made, by Borrower or any ERISA Affiliate.

**“Principal Subsidiary”** means any direct or indirect Subsidiary of Borrower which has contributed more than 10% of the gross consolidated revenues of Borrower and its Subsidiaries, on a Pro Forma Basis, for any of the preceding four fiscal quarters of Borrower; provided that in no event shall Saudi Arabian Parsons Limited be considered a Principal Subsidiary. All Principal Subsidiaries of Borrower as of the Closing Date are listed on Schedule 5.16.

**“Pro Forma Basis”** and **“Pro Forma Effect”** each means, for any Disposition of all or substantially all of a division or a line of business or for any Acquisition, whether actual or proposed, for purposes of determining compliance with the financial covenants set forth in Sections 7.10 and 7.11, that each such transaction or proposed transaction shall be deemed to have occurred on and as of the first day of the relevant Measurement Period, and the following pro forma adjustments shall be made:

(a) in the case of an actual or proposed Disposition, all income statement items (whether positive or negative) attributable to the line of business or the Person subject to such Disposition shall be excluded from the results of the Borrower and its Subsidiaries for such Measurement Period;

(b) in the case of an actual or proposed Acquisition, income statement items (whether positive or negative) attributable to the property, line of business or Person subject to such Acquisition shall be included in the results of the Borrower and its Subsidiaries for such Measurement Period;

(c) interest accrued during the relevant Measurement Period on, and the principal of, any Debt repaid or to be repaid or refinanced in such transaction shall be excluded from the results of the Borrower and its Subsidiaries for such Measurement Period;

(d) any Debt actually or proposed to be incurred or assumed in such transaction shall be deemed to have been incurred as of the first day of the applicable Measurement Period, and interest thereon shall be deemed to have accrued from such day on such Debt at the applicable rates provided therefor (and in the case of interest that does or would accrue at a formula or floating rate, at the rate in effect at the time of determination) and shall be included in the results of the Borrower and its Subsidiaries for such Measurement Period; and

(e) the above pro forma calculations shall be made in good faith by a financial or accounting officer of the Borrower who is a Responsible Officer and may include, for the avoidance of doubt, the amount of synergies and cost savings projected by the Borrower from actions taken or expected to be taken during the 12-month period following the date of such transaction, net of the amount of actual benefits theretofore realized during such period from such actions; provided that (i) such amounts are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Borrower and the Administrative Agent, (ii) such synergies and cost savings are directly attributable to such transaction, (iii) no amounts shall be added pursuant to this clause (e) to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such period and (iv) the aggregate amount of cost savings added pursuant to this clause (e) for any such period shall not exceed 20% of Consolidated EBITDA for such period, calculated without giving effect to any adjustment pursuant to this clause (e).

**“Pro Forma Compliance”** means, with respect to any transaction, that such transaction does not cause, create or result in a Default or an Event of Default after giving Pro Forma Effect, based upon the results of operations for the most recently completed Measurement Period, to (a) such transaction and (b) all other transactions that are contemplated or required to be given Pro Forma Effect hereunder that have occurred on or after the first day of the relevant Measurement Period.

**“Prohibited Transaction”** has the respective meanings assigned to that term in Section 4975 of the Code and in Section 406 of ERISA.

**“Property”** means all types of real, personal, tangible, intangible or mixed property.

**“Pro Rata Share”** means, with respect to each Bank, the percentage of the combined Commitments set forth opposite the name of that Bank on Schedule 2.1.

**“Quarterly Payment Date”** means each June 30, September 30, December 31 and March 31.

**“Rate Determination Date”** means the date two (2) Business Days prior to the commencement of the applicable Interest Period or such other day as is generally treated as the rate-fixing day by market practice in the applicable interbank market, as determined by the Administrative Agent; provided that, to the extent such market practice is not administratively feasible for the Administrative Agent, then **“Rate Determination Date”** means such other day as otherwise reasonably determined by the Administrative Agent.

**“Real Property”** has the meaning specified in Section 6.12.

**“Recipient”** means (a) the Administrative Agent, (b) any Bank or (c) any Issuing Bank, as applicable.

**“Related Entity”** means any Subsidiary, Affiliate or Joint Venture of Borrower.

**“Related Parties”** means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

**“Release”** means a written release of a Guarantor Subsidiary, substantially in the form of Exhibit I, duly signed by the Administrative Agent.

**“Reportable Event”** means a “reportable event” described in Section 4043(c) of ERISA as to which the 30 day notice period has not been waived.

**“Request for Borrowing”** means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit G, or a telephonic request followed by such a written request, in each case delivered to the Administrative Agent by Requisite Notice.

**“Request for Continuation”** means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit E, or a telephonic request followed by such a written request, in each case delivered to the Administrative Agent by Requisite Notice.

“**Request for Conversion**” means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit F, or a telephonic request followed by such a written request, in each case delivered to the Administrative Agent by Requisite Notice.

“**Request for Extension of Credit**” means a Request for Borrowing, Request for Continuation or Request for Conversion.

“**Request for Release**” means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit H, delivered to the Administrative Agent by Requisite Notice.

“**Requisite Banks**” means, as of any date of determination, (a) if the Commitments are then in effect, three or more Banks having in the aggregate more than 50% of the combined Commitments then in effect and (b) if the Commitments have then been terminated and there are Loans and/or Letter of Credit Usage outstanding, three or more Banks holding Loans and Letter of Credit Usage aggregating more than 50% of the aggregate outstanding principal amount of the Loans and Letter of Credit Usage; provided that the Commitment of, and the portion of the Loans and Letter of Credit Usage held or deemed held by, any Bank that is a Defaulting Bank shall be excluded for purposes of making a determination of Requisite Banks.

“**Requisite Notice**” means, unless otherwise provided herein, (a) irrevocable written notice to the intended recipient or (b) except with respect to Letter of Credit actions (which must be in writing), irrevocable telephonic notice to the intended recipient, promptly confirmed by a written notice to such recipient. Such notices shall be (i) delivered or made to such recipient at the address, telephone number or facsimile number set forth on Schedule 10.6 or as otherwise designated by such recipient by Requisite Notice to the Administrative Agent and (ii) if made by Borrower, given or made by a Responsible Officer of Borrower. Any written notice shall be in the form, if any, prescribed in the applicable section herein and may be given by facsimile provided such facsimile is promptly confirmed by a telephone call to such recipient.

“**Requisite Time**” means, with respect to any of the actions listed below, the time and date set forth below opposite such action (all times are California time):

<u>Action</u>	<u>Time</u>	<u>Date of Action</u>
Delivery of Request for Extension of Credit for, or notice of:		
• Borrowing of, prepayment of, or Conversion into, Base Rate Loans	8:30 a.m.	Same date as such Borrowing, prepayment or Conversion
• Borrowing of, prepayment of, Continuation of, or Conversion into, Dollar-denominated Offshore Rate Loans	10:00 a.m.	3 Business Days prior to such Borrowing, prepayment or Conversion
• Borrowing of, prepayment of, Continuation of, or Conversion into, Offshore Currency Loans	10:00 a.m.	5 Business Days prior to such Borrowing, prepayment or Conversion
• Letter of Credit action	10:00 a.m.	3 Business Days prior to such action
Voluntary reduction in or termination of Commitments	10:00 a.m.	3 Business Days prior to such reduction or termination
Payments by Banks or Borrower to Administrative Agent	11:00 a.m.	On due date

**“Responsible Officer”** means the President, the Chief Financial Officer, the Treasurer or the Controller of Borrower or any Guarantor Subsidiary, as applicable, or any other officer of Borrower or any Guarantor Subsidiary, as applicable, from time to time so designated thereby in writing to the Administrative Agent.

**“Sanctioned Country”** means, at any time, a country, territory or region which is the subject or target of any Sanctions.

**“Sanctioned Person”** means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

**“Sanctions”** means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, Her Majesty’s Treasury of the United Kingdom or any other relevant sanctions authority.

**“Spot Rate”** for a currency means the rate quoted by MUFG as the spot rate for the purchase by MUFG of such currency with another currency through its FX Trading Office at approximately 8:00 a.m. (New York time) on the date two Business Days prior to the date as of which the foreign exchange computation is made.

**“SPV”** has the meaning specified in Section 7.5.

**“Standard and Poor’s”** means S&P Global Ratings, a unit of S&P Global Inc.

**“Subordination Agreement”** means the Amended and Restated Subordination Agreement substantially in the form of Exhibit J.

**“Subsidiary”** of a Person means a corporation, partnership, limited liability company, association, joint venture or other business entity of which a majority of the equity interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time owned, or the management of which is controlled directly or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

**“Swap Obligation”** means, with respect to any Guarantor Subsidiary, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

**“Swing Line”** means the revolving line of credit established by the Swing Line Bank in favor of Borrower pursuant to Section 2.3.

**“Swing Line Bank”** means MUFG, or any successor swing line bank hereunder.

**“Swing Line Commitment”** means \$20,000,000.

**“Swing Line Loan”** means a loan denominated in Dollars which bears interest at a rate per annum equal to the interest rate payable on a Base Rate Loan (plus the Applicable Amount) and made by the Swing Line Bank to Borrower under the Swing Line.

**“Swing Line Outstandings”** means, as of any date of determination, the aggregate principal amount of Swing Line Loans then outstanding.

**“Taxes”** means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees and other charges imposed by any Governmental Authority, including any interest, additions to tax and penalties applicable thereto.

**“Trade Date”** has the meaning specified in Section 10.8(f).

**“type”** of Loan means a Base Rate Loan, an Offshore Rate Loan or a Swing Line Loan.

**“U.S. Borrower”** means the Borrower if and so long as it is a U.S. Person.

**“U.S. Person”** means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

**“U.S. Tax Compliance Certificate”** means a certificate substantially in the form of Exhibit K-1, K-2, K-3 or K-4, as applicable.

**“Wells Fargo”** means Wells Fargo Bank, National Association, a national banking association.

**“Wholly-Owned Subsidiary”** means any Subsidiary all of the stock of every class of which (other than directors’ qualifying shares) is, at the time as of which any determination is being made, owned by Borrower either directly or through one or more Wholly-Owned Subsidiaries.

**“Withholding Agent”** means the Borrower, any Guarantor Subsidiary or the Administrative Agent.



“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

## 1.2 Accounting Terms.

(a) **Generally.** All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements referred to in Section 6.1(b), except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Debt of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

(b) **Changes in GAAP.** If at any time any change in GAAP (including the adoption of International Financial Reporting Standards) would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Requisite Banks shall so request, the Administrative Agent, the Banks and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Requisite Banks); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Banks financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the audited financial statements referred to in Section 6.1(b) for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above.

(c) **Pro Forma Treatment.** Each Disposition of all or substantially all of a line of business, and each Acquisition, by the Borrower and its Subsidiaries that is consummated during any Measurement Period shall, for purposes of determining compliance with the financial covenants set forth in Sections 7.10 and 7.11 and for purposes of determining the Applicable Amount, be given Pro Forma Effect as of the first day of such Measurement Period.

**1.3 Dollar Equivalent Amounts.** Any provision in this Agreement setting forth an amount in Dollars shall be deemed to refer to and include the Dollar Equivalent (on the date of determination pursuant to the definition thereof) of any component of such amount that is denominated in a currency other than Dollars. The Administrative Agent shall determine the Dollar Equivalent of Obligations from time to time in accordance with the definition of “Dollar Equivalent.”

**1.4 Terms Generally.** The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder” and words of similar import shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Exhibits and Schedules shall be construed to refer to Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, supplemented, replaced or otherwise modified from time to time, and (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

**1.5 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Pacific time (daylight or standard, as applicable).

## **SECTION 2 COMMITMENTS; INTEREST, FEES, PAYMENT PROCEDURES**

### **2.1 The Loans.**

(a) Subject to the terms and conditions set forth in this Agreement, each Bank severally agrees to make, Convert and Continue Loans in Dollars, in Approved Offshore Currencies or in Agreed Alternate Loan Currencies during the Availability Period as Borrower may request; provided, however, that at no time shall (i) the aggregate Dollar Equivalent of the Outstanding Obligations of each Bank exceed such Bank’s Commitment or (ii) the aggregate Dollar Equivalent of the Outstanding Obligations of all the Banks exceed the combined Commitments. Subject to the foregoing and the other terms and conditions hereof, Borrower may borrow, Convert, Continue, prepay and reborrow Loans as set forth herein without premium or penalty.

(b) Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank in the ordinary course of business. Upon the request of any Bank made through the Administrative Agent, such Bank’s Loans may be evidenced by one or more Notes, instead of or in addition to loan accounts. Each such Bank may attach schedules to its Note(s) and endorse thereon the date, currency, amount and maturity of its Loans and payments with respect thereto. Such loan accounts, records or Notes shall be conclusive absent manifest error of the amount of such Loans and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower to pay any amount owing with respect to the Loans.

(c) The combined Commitments as of the Closing Date total \$550,000,000.

## **2.2 Borrowings, Conversions and Continuations of Loans.**

(a) Borrower may irrevocably request a Borrowing, Conversion or Continuation of Loans in a Minimum Amount therefor by delivering a Request for Borrowing, a Request for Conversion or a Request for Continuation, respectively, therefor by Requisite Notice to the Administrative Agent not later than the Requisite Time therefor. All Borrowings, Conversions and Continuations shall constitute Base Rate Loans unless properly and timely otherwise designated as set forth in the preceding sentence.

(b) Promptly following receipt of a Request for Borrowing, the Administrative Agent shall notify each Bank of its Pro Rata Share thereof by Requisite Notice. If any Bank promptly notifies the Administrative Agent, in accordance with paragraph (h) below, that it is unable, in its sole discretion, to fund an Offshore Currency Loan in the requested currency, such Request for Borrowing shall be deemed withdrawn as to all Banks. In the case of a Borrowing of Loans, each Bank shall make the funds for its Loan available to the Administrative Agent in the currency of such Loan at the Administrative Agent's Office not later than the Requisite Time therefor on the Business Day specified in such Request for Borrowing. Unless the Administrative Agent shall have received notice from a Bank prior to the time of any Loan that such Bank will not make available to the Administrative Agent the amount of such Bank's ratable portion of such Loan, the Administrative Agent may assume that such Bank has made such amount available to the Administrative Agent on the date of such Loan in accordance with this Section 2.2(b), and the Administrative Agent may in reliance upon such assumption make a corresponding amount available to Borrower on such date. Upon satisfaction or waiver of the applicable conditions set forth in Section 4, all funds so received shall be made available to Borrower in like funds received.

(c) The Administrative Agent shall promptly notify Borrower and the Banks of the Offshore Rate applicable to any Offshore Rate Loan and, if an Offshore Currency Loan, the Dollar Equivalent thereof, all upon determination thereof.

(d) Unless the Administrative Agent otherwise consents, Offshore Rate Loans with no more than ten different Interest Periods shall be outstanding at any one time.

(e) If the Borrower fails to deliver a timely and complete Request for Continuation or Request for Conversion with respect to a Borrowing of Offshore Rate Loans prior to the end of the Interest Period therefor, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected that such Borrowing shall automatically be converted to Base Rate Loans at the end of such Interest Period. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Requisite Banks, so notifies the Borrower, then, so long as such Event of Default is continuing, (i) no outstanding Loans may be converted to or continued as Offshore Rate Loans, and (ii) unless repaid, each Borrowing of Offshore Rate Loans shall automatically be converted to Base Rate Loans at the end of the Interest Period therefor.

(f) If a Loan is to be made on the same date that another Loan is due and payable, the Banks shall make available to the Administrative Agent the full amount of the Loan to be made on that date and Borrower shall make available to the Administrative Agent the full amount of the Loan to be repaid on such date, it being the agreement of the parties not to effect any netting of the amount to be loaned against the amount to be paid on such date.

(g) The failure of any Bank to make any Loan on any date shall not relieve any other Bank of any obligation to make a Loan on such date, but no Bank shall be responsible for the failure of any other Bank to so make its Loan.

(h) In the case of a proposed Borrowing of an Offshore Currency Loan, no Bank shall be under any obligation to make such Offshore Currency Loan if such Bank has determined that it cannot provide a Loan in the requested Approved Offshore Currency or Agreed Alternate Loan Currency, in which event the Bank will notify the Administrative Agent no later than 9:00 a.m. on the third Business Day prior to the requested date of such Borrowing. The Administrative Agent shall promptly notify Borrower of such notification, and such Request for Borrowing shall be deemed withdrawn.

### **2.3 The Swing Line.**

(a) Subject to the terms and conditions set forth in this Agreement, the Swing Line Bank shall from time to time during the Availability Period make Swing Line Loans denominated in Dollars to Borrower in such amounts as Borrower may request; provided, however, that (i) after giving effect to any Swing Line Loan, the aggregate Swing Line Outstandings shall not exceed the Swing Line Commitment and the Borrower shall be in compliance with Sections 2.1(a) and 2.4(a), (ii) after giving effect to such Swing Line Loan, the aggregate Swing Line Outstandings plus the aggregate Dollar Equivalent principal amount of all other Outstanding Obligations shall not exceed the combined Commitments, and (iii) the Swing Line Bank shall not have given at least 24 hours prior notice to Borrower that availability under the Swing Line is suspended or terminated. Borrower may borrow, repay and reborrow under this Section. Unless notified to the contrary by the Swing Line Bank, Borrowings under the Swing Line may be made only in amounts which are integral multiples of \$100,000 upon Requisite Notice made to the Swing Line Bank not later than 2:00 p.m. Each such request for a Swing Line Loan shall constitute a representation and warranty by Borrower that the conditions set forth in Sections 4.2(a) and (b) are satisfied. Promptly after receipt of such request, the Swing Line Bank shall obtain telephonic verification from the Administrative Agent that there is availability for such Swing Line Loan under the Commitments. Unless notified to the contrary by the Swing Line Bank, each repayment of a Swing Line Loan shall be in an amount which is an integral multiple of \$100,000. If Borrower instructs the Swing Line Bank to debit its Designated Deposit Account at the Swing Line Bank in the amount of any payment with respect to a Swing Line Loan, or the Swing Line Bank otherwise receives repayment, after 2:00 p.m., such payment shall be deemed received on the next Business Day. The Swing Line Bank shall promptly notify the Administrative Agent of the Swing Loan Outstandings each time there is a change therein.

(b) Swing Line Loans shall bear interest at a fluctuating rate per annum equal to the rate of interest payable on Base Rate Loans (plus the Applicable Amount) payable on such dates, not more frequent than monthly, as may be specified by the Swing Line Bank and in any event on the Maturity Date. Interest on Swing Line Loans shall be payable upon demand of the Swing Line Bank, and the Swing Line Bank shall be responsible for invoicing Borrower for such interest. Until a Bank has paid the Swing Line Bank the purchase price for its participation in any Swing Line Loan pursuant to Section 2.3(d), such Bank shall not be entitled to receive its share of interest on such Swing Line Loan, and such interest shall be solely for the account of the Swing Line Bank.

(c) Each Swing Line Loan shall be payable on the earliest of (i) the fifth Business Day after it is made, (ii) the Maturity Date and (iii) demand made by the Swing Line Bank.

(d) Upon the making of a Swing Line Loan, each Bank shall be deemed to have purchased from the Swing Line Bank a participation therein in an amount equal to that Bank's Pro Rata Share times the amount of the Swing Line Loan. Upon demand made by the Swing Line Bank, each Bank shall, according to its Pro Rata Share, promptly provide to the Swing Line Bank its purchase price therefor in an amount equal to its participation therein. The obligation of each Bank to so provide its purchase price to the Swing Line Bank shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event.

#### **2.4 Letters of Credit.**

(a) Subject to the terms and conditions hereof, at any time and from time to time during the Availability Period, each Issuing Bank shall issue, supplement, modify, amend, renew or extend Letters of Credit in Dollars, in Approved Offshore Currencies or in Agreed Alternate Letter of Credit Currencies under the Commitments as Borrower may request; provided, however, that:

(i) No Commercial Letter of Credit or Financial Letter of Credit shall have a tenor of longer than one year or expire after the Maturity Date;

(ii) No Performance Letter of Credit shall have a tenor of longer than five years or expire more than one year after the Maturity Date; provided, however, that the Borrower shall Cash Collateralize in the Minimum Collateral Amount each Performance Letter of Credit that remains outstanding after the Maturity Date, in a manner and pursuant to documentation in form and substance satisfactory to the Issuing Bank of such Performance Letter of Credit;

(iii) the aggregate Dollar Equivalent of the Outstanding Obligations of each Bank shall not exceed such Bank's Commitment, and the aggregate Dollar Equivalent of the Outstanding Obligations of all the Banks shall not exceed the combined Commitments at any time;

(iv) the aggregate Dollar Equivalent of the Letter of Credit Usage relating to Commercial Letters of Credit and Financial Letters of Credit shall not exceed \$100,000,000 at any time;

(v) the aggregate Dollar Equivalent of the Letter of Credit Usage relating to Performance Letters of Credit shall not exceed the combined Commitments at any time; and

(vi) the aggregate Dollar Equivalent of the Letter of Credit Usage relating to Commercial Letters of Credit, Financial Letters of Credit and Performance Letters of Credit issued by each Issuing Bank shall not exceed such Issuing Bank's Issuing Bank Commitment with respect to Commercial Letters of Credit, Financial Letters of Credit and Performance Letters of Credit, respectively, at any time; and

(vii) no Issuing Bank shall be obligated to issue any Letter of Credit contrary to the terms and conditions of the letter agreement entered into by that Issuing Bank with the Borrower separately from this Agreement.

Each Letter of Credit shall be in a form reasonably acceptable to the Issuing Bank issuing the same. If any Letter of Credit Usage with respect to Letters of Credit issued by any Issuing Bank remains outstanding after the Maturity Date, Borrower shall, not later than the Maturity Date, deposit an amount of cash equal to such Letter of Credit Usage with such Issuing Bank, to be held in an interest-bearing cash secured account. If, notwithstanding Borrower's provision of such cash security, such Issuing Bank shall have any liability with respect to any such Letter of Credit Usage after the Maturity Date, each Bank agrees that it will, upon the written request of such Issuing Bank, forward to such Issuing Bank an amount (the "**risk participation amount**") equal to such Bank's Pro Rata Share of such liability, based on its participation in such Letter of Credit Usage as of the Maturity Date in accordance with Section 2.4(c). Each such risk participation amount shall bear interest as if it were a Base Rate Loan hereunder and shall be payable in full within two (2) Business Days of the applicable Issuing Bank's demand therefor. The covenants in this paragraph shall survive the termination of this Agreement, the expiration of the Letters of Credit, and the payment of the Notes and all other amounts payable hereunder.

(b) Borrower may irrevocably request the issuance, supplement, modification, amendment, renewal, or extension of a Letter of Credit by delivering a Letter of Credit Application therefor to the applicable Issuing Bank, with a copy to the Administrative Agent, by Requisite Notice not later than the Requisite Time therefor. Each Letter of Credit Application may be delivered by telecopier, shall be signed by a Responsible Officer of the Borrower, shall be irrevocable and shall be effective upon receipt by the applicable Issuing Bank. The Administrative Agent shall promptly notify the applicable Issuing Bank whether such Letter of Credit Application, and the action requested pursuant thereto, conforms to the requirements of this Agreement. Upon the issuance, supplement, modification, amendment, renewal or extension of a Letter of Credit, the applicable Issuing Bank shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify the Banks, of such action and the amount and terms thereof. Letters of Credit may have automatic extension or renewal provisions ("evergreen" Letters of Credit) so long as the applicable Issuing Bank has the right to terminate such evergreen Letters of Credit no less frequently than annually within a notice period (the

“**Letter of Credit Evergreen Notice Period**”) to be agreed upon at the time each such Letter of Credit is issued. This Agreement shall control in the event of any conflict with any Letter of Credit Application. If a Letter of Credit is requested to be denominated in an Approved Offshore Currency or an Agreed Alternate Letter of Credit Currency, the Issuing Bank shall promptly notify the Administrative Agent thereof, and the Administrative Agent shall promptly notify each Bank thereof. If any Bank or the Administrative Agent cannot reimburse or provide funds to the applicable Issuing Bank pursuant to subsection (c) below or fund any Base Rate Loan pursuant to subsection (e) below in the Approved Offshore Currency or Agreed Alternate Letter of Credit Currency of such Letter of Credit, then such Bank or the Administrative Agent, as the case may be, shall make such payment in the Dollar Equivalent thereof on the date such payment is required to be made.

(c) Upon the issuance of a Letter of Credit, each Bank shall be deemed to have purchased a pro rata participation in such Letter of Credit, as from time to time supplemented, amended, renewed or extended, from the applicable Issuing Bank in an amount equal to that Bank’s Pro Rata Share. Without limiting the scope and nature of each Bank’s participation in any Letter of Credit, to the extent that the applicable Issuing Bank has not been reimbursed by Borrower for any payment made by such Issuing Bank under such Letter of Credit, each Bank shall, pro rata according to its Pro Rata Share, reimburse such Issuing Bank through the Administrative Agent promptly upon demand for the amount of such payment. The obligation of each Bank to so reimburse such Issuing Bank shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrower to reimburse such Issuing Bank for the amount of any payment made by such Issuing Bank under any Letter of Credit, together with interest as hereinafter provided. If any Bank fails on a timely basis to make available to the Administrative Agent for the account of the applicable Issuing Bank any amount required to be paid by such Bank pursuant to the foregoing provisions of this Section 2.4(c), such Issuing Bank shall be entitled to recover from such Bank (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to be made to the date on which such payment is made immediately available to such Issuing Bank at a rate *per annum* equal to the Federal Funds Rate or, in the case of a Letter of Credit issued in an Approved Offshore Currency or an Agreed Alternate Letter of Credit Currency, the Offshore Currency Overnight Rate. A certificate of the applicable Issuing Bank submitted to Borrower or any Bank (through the Administrative Agent) with respect to any amounts owing under this Section 2.4(c) shall be conclusive absent demonstrable error.

(d) Borrower agrees to pay to each Issuing Bank through the Administrative Agent an amount equal to any payment made by such Issuing Bank with respect to each Letter of Credit issued by such Issuing Bank, on the same day that demand therefor is made by such Issuing Bank, together with interest at the applicable Default Rate on such amount from the date of any payment made by such Issuing Bank. The principal amount of any such payment shall be used to reimburse such Issuing Bank for the payment made by it under such Letter of Credit. Each Bank that has reimbursed such Issuing Bank for such Bank’s Pro Rata Share of any payment made by such Issuing Bank under a Letter of Credit shall thereupon acquire a pro rata participation, to the extent of such reimbursement, in the claim of such Issuing Bank against Borrower under this Section and shall share, in accordance with that pro rata participation, in any payment made by Borrower with respect to such claim.

(e) If Borrower fails to make the payment required by subsection (d) above within the time period therein set forth, the applicable Issuing Bank shall notify the Administrative Agent of such fact and the amount of such unreimbursed drawing. The Administrative Agent shall promptly notify each Bank of its Pro Rata Share of such amount by Requisite Notice. Each Bank shall make funds in an amount equal its Pro Rata Share of such amount available to the Administrative Agent at the Administrative Agent's Office not later than the Requisite Time on the Business Day specified by the Administrative Agent. Such funds shall be paid to the applicable Issuing Bank to reimburse it for the payment made by it under the applicable Letter of Credit. If the conditions precedent set forth in Section 4 could be satisfied (except for the giving of a Request for Borrowing) on the date such funds are made available by the Banks, such funds shall be deemed a Borrowing of Base Rate Loans (without regard to the Minimum Amount therefor) requested by Borrower. If the conditions precedent set forth in Section 4 could not be satisfied on the date such funds are made available by the Banks, such funds shall be deemed a funding of each Bank's participation in such Letter of Credit, and such funds shall be payable by Borrower upon demand and shall bear interest at the applicable Default Rate.

(f) Once an evergreen Letter of Credit is issued, Borrower shall not be required to annually request that the applicable Issuing Bank permit the renewal thereof. Borrower, the Agent and the Banks authorize (but may not require) such Issuing Bank to, in its sole discretion, permit the renewal of such evergreen Letter of Credit if such Letter of Credit could be issued in the first instance. Without the consent of the Requisite Banks (or all Banks, as appropriate), an Issuing Bank shall not permit an evergreen Letter of Credit to be renewed at a time when (and only to the extent it has actual knowledge that) the conditions precedent set forth in Section 4.2 with respect to the issuance of a new Letter of Credit could not be satisfied.

(g) The obligation of Borrower to pay to each Issuing Bank the amount of any payment made by such Issuing Bank under any Letter of Credit shall be absolute, unconditional, and irrevocable. Without limiting the foregoing, Borrower's obligations shall not be affected by any of the following circumstances:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) any amendment or waiver of, or any consent to departure from, such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, with the consent of Borrower;

(iii) the existence of any claim, setoff, defense, or other rights which Borrower may have at any time against such Issuing Bank, the Administrative Agent or any Bank, any beneficiary of such Letter of Credit (or any Persons for whom any such beneficiary may be acting) or any other Person, whether in connection with such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, or any unrelated transactions;



(iv) any demand, statement or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever so long as any such document appeared to comply with the terms of such Letter of Credit;

(v) payment by such Issuing Bank in good faith under such Letter of Credit against presentation of a draft or any accompanying document which does not strictly comply with the terms of such Letter of Credit;

(vi) the existence, character, quality, quantity, condition, packing, value or delivery of any Property purported to be represented by documents presented in connection with such Letter of Credit or for any difference between any such Property and the character, quality, quantity, condition or value of such Property as described in such documents;

(vii) the time, place, manner, order or contents of shipments or deliveries of Property as described in documents presented in connection with such Letter of Credit or the existence, nature or extent of any insurance relative thereto;

(viii) the solvency or financial responsibility of any party issuing any documents in connection with such Letter of Credit;

(ix) any failure or delay in notice of shipments or arrival of any Property relating to such Letter of Credit;

(x) any error in the transmission of any message relating to such Letter of Credit not caused by such Issuing Bank, or any delay or interruption in any such message;

(xi) any error, neglect or default of any correspondent of such Issuing Bank in connection with such Letter of Credit;

(xii) any consequence arising from acts of God, wars, insurrections, civil unrest, disturbances, labor disputes, emergency conditions or other causes beyond the control of such Issuing Bank;

(xiii) so long as such Issuing Bank in good faith determines that any applicable contract or document appears to comply with the terms of such Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to such Issuing Bank in connection with such Letter of Credit; and

(xiv) where such Issuing Bank has acted in good faith and observed general banking usage, any other circumstances whatsoever.

In addition, Borrower will promptly examine a copy of each Letter of Credit and any amendments thereto delivered to it and, in the event of any claim of noncompliance with Borrower's instructions or other irregularity, Borrower will immediately so notify the applicable Issuing Bank in writing. Borrower shall be conclusively deemed to have waived any such claim against such Issuing Bank and its correspondents unless such notice is given as aforesaid.

(h) To the extent not inconsistent with applicable Laws, each Letter of Credit shall also be governed by the most recent version of the Uniform Customs and Practice for Documentary Credits, as published by the International Chamber of Commerce, in effect when such Letter of Credit was issued.

(i) With respect to each outstanding Letter of Credit, Borrower shall pay to the Administrative Agent, for the account of each of the Banks in accordance with its Pro Rata Share, a fee equal to the following percent of the daily maximum amount available to be drawn under such Letter of Credit, calculated in accordance with the following table:

<u>Type of Letter of Credit</u>	<u>Fee (payable in arrears)</u>
Performance Letters of Credit	66-2/3% of Applicable Amount for Offshore Rate Loans on face amount
Commercial Letters of Credit	In accordance with the Issuing Bank's published schedule of fees for international services, as from time to time in effect
Financial Letters of Credit	Applicable Amount for Offshore Rate Loans on face amount

Letter of Credit fees under this [Section 2.4\(i\)](#) shall accrue from the issuance of each Letter of Credit until its expiration or termination (including, in the case of any Performance Letter of Credit which remains outstanding after the Maturity Date, until its expiration or termination after the Maturity Date) and shall be payable quarterly in arrears on each Quarterly Payment Date and on such termination or expiration date. Such fees shall be calculated quarterly in arrears; if there is any change in the Applicable Amount during any quarter, the daily undrawn face amount shall be computed and multiplied by the Applicable Amount separately for each period that such Applicable Amount was in effect during such quarter. All such fees are nonrefundable.

(j) Borrower shall pay to each Issuing Bank, for the sole account of such Issuing Bank, a fronting fee in an amount equal to 1/8 of 1% per annum on the daily face amount of all Letters of Credit issued by such Issuing Bank, payable quarterly in arrears on each Quarterly Payment Date and on the Maturity Date. In addition, Borrower shall pay directly to each Issuing Bank, for the sole account of such Issuing Bank, the customary issuance, presentation, amendment, documentary and processing fees, and other standard costs and charges, of such Issuing Bank in accordance with its schedule of fees and charges relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges shall be due and payable on demand and shall be nonrefundable.

(k) The Issuing Banks shall not be under any obligation to issue or amend any Letter of Credit if (i) the issuance or amendment of such Letter of Credit would violate one or more policies of the applicable Issuing Bank or any limitations on the amount of Letters of Credit such Issuing Bank may issue hereunder as separately agreed between the Issuing Bank and Borrower or (ii) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the applicable Issuing Bank from issuing or

amending such Letter of Credit, or any law applicable to such Issuing Bank or any request or directive from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular.

(l) Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of Borrower on behalf of, a Subsidiary or any other Related Entity, Borrower shall be unconditionally obligated to reimburse the applicable Issuing Bank hereunder for any and all drawings under such Letter of Credit relating thereto. Borrower will, at its expense, promptly execute, acknowledge and deliver such further documents and do such other acts and things as the Administrative Agent or the applicable Issuing Bank may reasonably request in order to effect fully the purposes of this Section 2.4.

(m) Unless otherwise agreed by the Administrative Agent, each Issuing Bank shall, in addition to its notification obligations set forth elsewhere in this Section, report the following in writing to the Administrative Agent: (i) within one Business Day after the occurrence thereof, periodic activity (for such period or recurrent periods as shall be requested by the Administrative Agent) in respect of Letters of Credit issued by such Issuing Bank, including all issuances, extensions, amendments and renewals, all expirations and cancellations and all disbursements and reimbursements; (ii) at least one Business Day before any day on which such Issuing Bank issues, amends, renews or extends any Letter of Credit, the date of such issuance, amendment, renewal or extension and the stated amount of each Letter of Credit issued by it and outstanding after giving effect to such issuance, amendment, renewal or extension (and whether the amounts thereof shall have changed); (iii) on each Business Day on which such Issuing Bank makes any payment on a Letter of Credit issued by it, the date and amount of such payment; (iv) on each Business Day on which the Borrower fails to reimburse a payment on a Letter of Credit required to be reimbursed to such Issuing Bank on such day, the date of such failure and the amount of such payment; and (v) within one Business Day of request by the Administration Agent, such other information as the Administrative Agent shall reasonably request as to the Letters of Credit issued by such Issuing Bank.

(n) Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Banks of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to this Section 2.4 or otherwise. From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued by it thereafter, and (ii) references herein to the term "Issuing Bank" shall be deemed to include such successor or any previous Issuing Bank, or such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement but shall not be required to issue additional Letters of Credit.

(o) Any Issuing Bank may resign at any time by giving 30 days' prior notice to the Administrative Agent, the Banks and the Borrower. After the resignation of an Issuing Bank hereunder, the retiring Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation but shall not be required to issue additional Letters of Credit or to extend, reinstate, renew or increase any existing Letter of Credit.

## **2.5 Prepayments.**

(a) Upon Requisite Notice to the Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time voluntarily prepay Loans in the Minimum Amount therefor in the currency of such Loans. The Administrative Agent will promptly notify each Bank thereof and of such Bank's Pro Rata Share of such prepayment.

(b) If for any reason the Outstanding Obligations exceed the combined Commitments (including by reason of the Administrative Agent from time to time determining the Dollar Equivalent of Outstanding Obligations in accordance with Section 1.3) as in effect or as reduced or because of any limitation set forth in this Agreement or otherwise, Borrower shall immediately (i) first, prepay Loans and (ii) second, if the prepayment of Loans is insufficient to eliminate such excess, Cash Collateralize Letter of Credit Usage in an amount sufficient to eliminate such excess.

(c) Any prepayment of a Loan other than a Base Rate Loan shall be accompanied by all accrued interest thereon, together with the costs set forth in Section 3.5.

(d) Each payment or prepayment of outstanding Loans must be made ratably among all Banks.

## **2.6 Voluntary Reduction or Termination of Commitments.**

(a) Upon Requisite Notice to the Administrative Agent not later than the Requisite Time therefor, Borrower shall have the right, at any time and from time to time, without penalty or charge, to permanently and irrevocably reduce the combined Commitments in a Minimum Amount therefor, or terminate the then unused portion of the combined Commitments.

(b) The Administrative Agent shall promptly notify the Banks of any reduction or the termination of the Commitments under this Section. Any voluntary reduction or termination of the combined Commitments shall be accompanied by payment of all accrued and unpaid non-use fees with respect to the portion of the combined Commitments being reduced or terminated. Each Bank's Commitment shall be reduced by an amount equal to such Bank's Pro Rata Share times the amount of such reduction.

## 2.7 Principal and Interest.

(a) If not sooner paid, Borrower shall pay, and promises to pay, the outstanding principal amount of each Loan in the currency of such Loan on the Maturity Date.

(b) Subject to subsection (c) below, Borrower shall pay interest on the unpaid principal amount of each Loan (before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law) in the currency of such Loan from the date borrowed until paid in full (whether by acceleration or otherwise) on each Interest Payment Date for each type of Loan at a rate per annum equal to the applicable interest rate determined in accordance with the definition of such type of Loan, plus the Applicable Amount.

(c) Upon the occurrence and during the continuance of an Event of Default, all Loans and other amounts outstanding hereunder shall bear interest at a fluctuating interest rate per annum at all times equal to the applicable Default Rate. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be compounded monthly, on the last day of each calendar month, to the fullest extent permitted by applicable Laws and payable upon demand.

## 2.8 Fees.

(a) **Non-Use Fee.** Borrower shall pay to the Administrative Agent, for the ratable accounts of the Banks pro rata according to their Pro Rata Share, a non-use fee equal to the Applicable Amount times the actual daily amount by which the combined Commitments exceed the sum of (i) the outstanding amount of the Loans (but excluding outstanding Swing Line Loans) and (ii) the Letter of Credit Usage. The non-use fee shall accrue from the Closing Date until the Maturity Date and shall be payable quarterly in arrears on each Quarterly Payment Date and on the Maturity Date. The non-use fee shall be calculated quarterly in arrears; if there is any change in the Applicable Amount during any quarter, the daily amount shall be computed and multiplied by the Applicable Amount separately for each period that such Applicable Amount was in effect during such quarter.

(b) **Administrative Agency Fee.** Borrower shall pay to the Administrative Agent an administrative agency fee in such amounts and at such times as heretofore agreed upon by letter agreement between Borrower and the Administrative Agent. The administrative agency fee is for the services to be performed by the Administrative Agent in acting as Administrative Agent and is fully earned on the date paid. The administrative agency fee paid to the Administrative Agent is solely for its own account and is nonrefundable.

(c) **Arrangement and Upfront Fees.** Borrower shall pay to the Administrative Agent on the Closing Date (i) such arrangement fees, for the respective accounts of the Arrangers, and (ii) such upfront fees, for the respective accounts of the Banks, as heretofore have been agreed upon by letter agreement between Borrower and the Arrangers. Such arrangement and upfront fees are fully-earned on the Closing Date and are nonrefundable.

**2.9 Computation of Interest and Fees.** Computation of interest on Base Rate Loans (other than Base Rate Loans bearing interest under clause (b) of the definition of “Base Rate”) and Offshore Rate Loans denominated in British pounds sterling, Canadian dollars and Australian dollars shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed; computation of interest on all other types of Loans and all fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the Banks than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made; interest shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid. Any Loan that is repaid on the same day on which it is made shall bear interest for one day. Notwithstanding anything in this Agreement to the contrary, interest in excess of the maximum amount permitted by applicable Laws shall not accrue or be payable hereunder, and any amount paid as interest hereunder which would otherwise be in excess of such maximum permitted amount shall instead be treated as a payment of principal.

**2.10 Manner and Treatment of Payments among the Banks, Borrower and the Administrative Agent.**

(a) Unless otherwise provided herein, all payments by Borrower or any Bank hereunder shall be made to the Administrative Agent at the Administrative Agent’s Office not later than the Requisite Time for such type of payment without condition and without deduction for any counterclaim, defense, recoupment or setoff. All payments received after such Requisite Time shall be deemed received on the next succeeding Business Day. Unless otherwise provided herein, all payments shall be made in immediately available funds in lawful money of the United States of America.

(b) Upon satisfaction of any applicable terms and conditions set forth herein, the Administrative Agent shall promptly make any amounts received in accordance with the prior subsection available in like funds received as follows: (i) if payable to Borrower, by crediting the Designated Deposit Account, and (ii) if payable to any Bank, by wire transfer to such Bank at the address specified in Schedule 10.6. The Administrative Agent’s determination, or any Bank’s determination not contradictory thereto, of any amount payable hereunder shall be conclusive in the absence of manifest error.

(c) Subject to the definition of “Interest Period,” if any payment to be made by Borrower shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day.

(d) Unless the Administrative Agent shall have received notice from a Bank, in the case of Base Rate Loans prior to 10:00 a.m. on the proposed date of Borrowing, and otherwise prior to the proposed date of Borrowing, that such Bank will not make available to the Administrative Agent such Bank’s share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available on such date in accordance with Section 2.2 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Bank has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Bank and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of (A) a payment to be made by such Bank in Dollars, the greater of the Federal Funds Rate and a

rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, and (B) a payment to be made by such Bank in an Approved Offshore Currency, an Agreed Alternate Loan Currency or an Agreed Alternate Letter of Credit Currency, the greater of the Offshore Currency Overnight Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Bank pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Bank pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Bank's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim that the Borrower may have against a Bank that has failed to make such payment to the Administrative Agent.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Banks or the Issuing Banks hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Banks or the Issuing Banks, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Banks or the Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Bank or Issuing Bank, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Bank or Issuing Bank in Dollars, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, and (ii) in the case of a payment to be made by such Bank or Issuing Bank in an Approved Offshore Currency, an Agreed Alternate Loan Currency or an Agreed Alternate Letter of Credit Currency, the greater of the Offshore Currency Overnight Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

**2.11 Funding Sources.** Nothing in this Agreement shall be deemed to obligate any Bank to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Bank that it has obtained or will obtain the funds for any Loan in any particular place or manner.

**2.12 Agreed Alternative Loan Currencies.** Borrower shall be entitled to request that Loans hereunder be made in any other lawful currency constituting a currency (other than Dollars) that, in addition to the currencies specified in the definition of "Approved Offshore Currencies" and in the opinion of the Requisite Banks, is at such time freely traded in the offshore interbank foreign exchange markets and is freely transferable and freely convertible into Dollars (an "**Agreed Alternate Loan Currency**"). Prior to requesting any Loan in any such Agreed Alternate Loan Currency, Borrower shall request the Administrative Agent in writing to designate an Agreed Alternate Loan Currency, such request to be received by the Administrative Agent not later than 10:00 a.m. at least six Business Days in advance of the date of the first Borrowing of such currency. The Administrative Agent shall promptly notify the Banks of such

request. The Banks may grant or accept such request in their sole discretion, and Borrower understands that there is no commitment by or understanding with the Banks with respect to approving any Agreed Alternate Loan Currency. The Administrative Agent will promptly notify Borrower and the Banks of the acceptance or rejection of any such request.

**2.13 Agreed Alternate Letter of Credit Currencies.** Borrower shall be entitled to request that an Issuing Bank issue a Letter of Credit denominated in a foreign currency other than the currencies specified in the definition of “**Approved Offshore Currencies**” that, in the opinion of such Issuing Bank, is at such time freely traded in the offshore interbank foreign exchange markets and is freely transferable and freely convertible into Dollars (an “**Agreed Alternate Letter of Credit Currency**”). An Issuing Bank may grant or accept such a request in its sole discretion, and Borrower understands that there is no commitment by or understanding with any Issuing Bank with respect to approving any Agreed Alternate Letter of Credit Currency. The applicable Issuing Bank will promptly notify Borrower and the Banks of the acceptance or rejection of any such request. If any Issuing Bank is not reimbursed by Borrower for any payment made or required to be made by such Issuing Bank under a Letter of Credit denominated in an Agreed Alternate Letter of Credit Currency, the Banks shall pay to such Issuing Bank their respective Pro Rata Shares of such payment in such Agreed Alternate Letter of Credit Currency, provided that if any Bank is unable to make such payment in such Agreed Alternate Letter of Credit Currency, such Bank shall pay such Issuing Bank the Dollar Equivalent of such payment.

**2.14 Guaranty.** All Obligations of Borrower under this Agreement and the other Loan Documents, and all obligations of Borrower and its Subsidiaries under Guaranteed Hedge Agreements and Guaranteed Cash Management Agreements, shall be guaranteed by the Guarantor Subsidiaries pursuant to the Master Subsidiary Guaranty.

### **2.15 Increases to the Commitments.**

(a) Provided that no Default or Event of Default has occurred and is continuing, Borrower may request in writing that the then effective Commitments be increased to an aggregate amount which does not result in the Commitments being greater than \$700,000,000. Any such request shall (i) be submitted by Borrower to the Banks through the Administrative Agent not less than thirty days prior to the proposed increase, (ii) specify the proposed effective date and amount of such increase (which shall be no less than \$25,000,000), and (iii) be accompanied by a certificate signed by an officer of Borrower stating that no Default or Event of Default has occurred and is continuing as of the date of the request or will result from the requested increase. Any such increase in the Commitments shall not increase the Swing Line Commitment or any other sublimit under this Agreement.

(b) Each Bank may accept or reject a request for an increase in the amount of its Commitment in its sole and absolute discretion and, absent an affirmative written response within thirty (30) days after receipt of such request, shall be deemed to have rejected the request. The rejection of such a request by any number of Banks shall not affect Borrower’s right to increase the Commitments pursuant to this Section 2.15. In responding to a request hereunder, each Bank which is willing to increase its Commitment shall specify the amount of the proposed increase which it is willing to assume. Each accepting Bank shall be entitled to participate



ratably (based on its Pro Rata Share of the Commitments before such increase) in any resulting increase in the Commitments, subject to the right of the Administrative Agent to adjust allocations of the increased Commitments so as to result in the amounts of the Pro Rata Shares of the Banks being in integral multiples of \$100,000 (it being understood that each accepting Bank shall have the option of agreeing or not agreeing to an allocation at a level that is higher than its Pro Rata Share before such increase).

(c) If the aggregate principal amount offered to be assumed by the accepting Banks is less than the amount requested, Borrower may (i) reject the proposed increase in its entirety, (ii) accept the offered amounts or (iii) designate new lenders which qualify as Eligible Assignees and which are reasonably acceptable to the Administrative Agent as additional Banks hereunder in accordance with Section 2.15(e) (each a “**New Bank**”), which New Banks may assume at a minimum Commitment level of \$5,000,000 the amount of the increase in the Commitments that has not been assumed by the accepting Banks.

(d) After completion of the foregoing, the Administrative Agent shall give written notification to the Banks and any New Banks of the increases to the Commitments, which shall thereupon become effective upon compliance with the conditions precedent set forth in paragraph (f) below.

(e) Each New Bank shall become an additional party hereto as a Bank concurrently with the effectiveness of the proposed increase in the Commitments upon its execution of an instrument of joinder to this Agreement which is in form and substance reasonably acceptable to the Administrative Agent and which, in any event, contains the representations, warranties, indemnities and other protections afforded to the Administrative Agent and the other Banks that would be granted or made by an assignee by means of the execution of a Assignment and Assumption. Upon becoming a party hereto, a New Bank shall have all rights and obligations of a Bank under this Agreement.

(f) Subject to the foregoing, any increase to the Commitments requested under this Section 2.15 shall be effective as of the date proposed by Borrower and shall be in the principal amount equal to (i) the aggregate amount which consenting Banks are allocated as increases to the amounts of their Commitments plus (ii) the aggregate amount allocated to any New Banks. Upon the effectiveness of any such increase, the Pro Rata Share of each Bank will be adjusted to give effect to the increase in the Commitments. As conditions to the effectiveness of any such increase to the Commitments, Borrower shall:

(i) issue replacement Notes to each affected Bank and new Notes to each New Bank, in each case if requested thereby;

(ii) execute and deliver, and cause the Guarantor Subsidiaries to execute and deliver, to the Administrative Agent such amendments to and reaffirmations of the Loan Documents as the Administrative Agent may reasonably request relating to such increase; provided, however, that (A) the Administrative Agent shall be permitted to enter into any such amendment without the execution thereof or consent thereto by any of the Banks so long as the purpose of such amendment is solely to incorporate appropriate provisions for an increase of the Commitments as provided in this Section and to make any technical or conforming changes required thereby, and (B) the Borrower shall procure that the holders of any Permitted Private Placement Debt execute and deliver to the Administrative Agent such amendments to the Intercreditor Agreements as the Administrative Agent may reasonably request relating to such increase;

(iii) execute and deliver, and cause the Guarantor Subsidiaries to execute and deliver, to the Administrative Agent a certificate certifying and attaching board resolutions adopted by each of them approving or consenting to such increase;

(iv) pay to the existing Banks any break-funding costs which are payable in connection with the refinancing of any Offshore Rate Loan in the manner contemplated by Section 3.5; and

(v) pay to each existing Bank participating in the increase and to each New Bank a loan commitment fee to be agreed upon between Borrower and the applicable Banks and New Banks.

## **2.16 Defaulting Banks.**

(a) **Defaulting Bank Adjustments.** Notwithstanding anything to the contrary contained in this Agreement, if any Bank becomes a Defaulting Bank, then, until such time as that Bank is no longer a Defaulting Bank, to the extent permitted by applicable Laws:

(i) **Waivers and Amendments.** Such Defaulting Bank's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Requisite Banks."

(ii) **Defaulting Bank Waterfall.** Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Bank (whether voluntary or mandatory, at maturity, pursuant to Section 8 or otherwise) or received by the Administrative Agent from a Defaulting Bank pursuant to Section 10.9 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Bank to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Bank to any Issuing Bank or the Swing Line Bank hereunder; *third*, to Cash Collateralize the Issuing Banks' Fronting Exposure with respect to such Defaulting Bank in accordance with Section 2.17; *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Bank has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (A) satisfy such Defaulting Bank's potential future funding obligations with respect to Loans under this Agreement and (B) Cash Collateralize the Issuing Banks' future Fronting Exposure with respect to such Defaulting Bank with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.17; *sixth*, to the payment of any amounts owing to the Banks, the Issuing Banks or the Swing Line Bank as a result of any judgment of a court of competent jurisdiction obtained by any Bank, the Issuing Banks or the Swing Line Bank against such Defaulting Bank as a result of such Defaulting

Bank's breach of its obligations under this Agreement; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Bank as a result of such Defaulting Bank's breach of its obligations under this Agreement; and *eighth*, to such Defaulting Bank or as otherwise directed by a court of competent jurisdiction; provided that, if such payment is a payment of the principal amount of any Loans or a reimbursement of any Letter of Credit Usage in respect of which such Defaulting Bank has not fully funded its appropriate share and such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and to reimburse Letter of Credit Usage owed to, all Non-Defaulting Banks on a pro rata basis prior to being applied to the payment of any Loans of, or reimbursement of Letter of Credit Usage owed to, such Defaulting Bank until such time as all Loans and funded and unfunded participations in Letter of Credit Usage and Swing Line Loans are held by the Banks pro rata in accordance with their Commitments without giving effect to clause (iv) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Bank that are applied (or held) to pay amounts owed by a Defaulting Bank or to post Cash Collateral pursuant to this clause (ii) shall be deemed paid to and redirected by such Defaulting Bank, and each Bank irrevocably consents hereto.

(iii) **Certain Fees.** (A) No Defaulting Bank shall be entitled to receive any non-use fee pursuant to Section 2.8(a) for any period during which that Bank is a Defaulting Bank (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to such Defaulting Bank).

(B) Each Defaulting Bank shall be entitled to receive Letter of Credit fees pursuant to Section 2.4(i) for any period during which that Bank is a Defaulting Bank only to the extent allocable to its Pro Rata Share of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.17.

(C) With respect to any Letter of Credit fee otherwise payable under Section 2.4(i) that is not required to be paid to a Defaulting Bank pursuant to clause (B) above, the Borrower shall (1) pay to each Non-Defaulting Bank that portion of any such fee otherwise payable to such Defaulting Bank with respect to such Defaulting Bank's participations in Letter of Credit Usage that has been reallocated to such Non-Defaulting Bank pursuant to clause (iv) below, (2) pay to each Issuing Bank, as applicable, the amount of any such fee otherwise payable to such Defaulting Bank to the extent allocable to such Issuing Bank's Fronting Exposure to such Defaulting Bank and (3) not be required to pay the remaining amount of any such fee.

(iv) **Reallocation of Participations to Reduce Fronting Exposure.** All or any part of each Defaulting Bank's participations in Letter of Credit Usage and Swing Line Loans shall be reallocated among the Non-Defaulting Banks in accordance with their respective Pro Rata Shares (calculated without regard to such Defaulting Bank's Commitment), but only to the extent that such reallocation does not cause the Outstanding Obligations of any Non-Defaulting Bank to exceed such Non-Defaulting Bank's Commitment. Subject to Section 10.26, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Bank arising from that Bank having become a Defaulting Bank, including any claim of a Non-Defaulting Bank as a result of such Non-Defaulting Bank's increased exposure following such reallocation.

(v) **Cash Collateral; Repayment of Swing Line Loans.** If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under applicable Laws, (A) *first*, prepay Swing Line Loans in an amount equal to the Swing Line Bank's Fronting Exposure and (B) *second*, Cash Collateralize the Issuing Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.17.

(b) **Defaulting Bank Cure.** If the Borrower, the Administrative Agent, the Swing Line Bank and each Issuing Bank agree in writing that a Bank is no longer a Defaulting Bank, the Administrative Agent will so notify the parties hereto, whereupon, as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to Cash Collateral), such Bank will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Banks or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held pro rata by the Banks in accordance with their respective Commitments (without giving effect to clause (a)(iv) above), whereupon such Bank will cease to be a Defaulting Bank; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Bank was a Defaulting Bank; and provided, further, that, except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Bank to Bank will constitute a waiver or release of any claim of any party hereunder arising from such Bank's having been a Defaulting Bank.

(c) **New Swing Line Loans and Letters of Credit.** So long as any Bank is a Defaulting Bank, (i) the Swing Line Bank shall not be required to fund any Swing Line Loan unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swing Line Loan, and (ii) no Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

**2.17 Cash Collateral.** At any time that there shall exist a Defaulting Bank, within one Business Day following the written request of the Administrative Agent or any Issuing Bank (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the Issuing Banks' Fronting Exposure with respect to such Defaulting Bank (determined after giving effect to Section 2.16(a)(iv) and any Cash Collateral provided by such Defaulting Bank) in an amount not less than the Minimum Collateral Amount.

(a) **Grant of Security Interest.** The Borrower and, to the extent provided by any Defaulting Banks, such Defaulting Banks, hereby grant to the Administrative Agent, for the benefit of the Issuing Banks, and agree to maintain, a first-priority security interest in all such Cash Collateral as security for the Defaulting Banks' obligations to fund participations in respect of Letter of Credit Usage, to be applied pursuant to clause (b) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Banks as provided herein or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Banks).

(b) **Application.** Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.17 or under Section 2.16 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Banks' obligations to fund participations in respect of Letter of Credit Usage (including, as to Cash Collateral provided by Defaulting Banks, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(c) **Termination of Requirement.** Cash Collateral (or the appropriate portion thereof) provided to reduce any Issuing Bank's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.17 following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Bank status of the applicable Bank) or (ii) the determination by the Administrative Agent and each Issuing Bank that there exists excess Cash Collateral; provided that, subject to Section 2.16, the Person providing Cash Collateral and each Issuing Bank may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations.

## 2.18 Amendment and Extension.

(a) The Borrower may, by written notice to the Administrative Agent from time to time, request an extension (each an "**Extension**") of the maturity date of any Loans and Commitments to the extended maturity date specified in such notice, provided that not more than two Extensions shall be permitted. Such notice shall (i) set forth the amount of the Commitments that will be subject to the Extension (which shall be in an amount equal to more than 50% of the aggregate Commitments then in effect) and (ii) set forth the date on which such Extension is requested to become effective (which shall be not less than ten (10) Business Days nor more than sixty (60) days after the date of such Extension notice (or such longer or shorter periods as the Administrative Agent shall agree in its sole discretion)). Each Bank shall be offered (an "**Extension Offer**") an opportunity to participate in such Extension on a pro rata basis and on the same terms and conditions as each other Bank pursuant to procedures established by, or reasonably acceptable to, the Administrative Agent and the Borrower; provided that no Bank shall be obligated to accept an Extension Offer, and any Bank's failure to accept an Extension Offer within any time specified for acceptance shall be deemed to be a declination thereof. If the aggregate principal amount of Commitments in respect of which Banks shall have accepted the relevant Extension Offer shall exceed the maximum aggregate amount of Commitments subject to the Extension Offer as set forth in the Extension notice, then the Commitments of such Banks shall be extended ratably up to such maximum amount based on the respective principal amounts with respect to which such Banks have accepted such Extension Offer.

(b) The following shall be conditions precedent to the effectiveness of any Extension: (i) no Default or Event of Default shall have occurred and be continuing immediately prior to and immediately after giving effect to such Extension; (ii) the representations and warranties set forth in Section 5 and in each other Loan Document shall be deemed to be made

and shall be true and correct in all material respects on and as of the effective date of such Extension; (iii) the Issuing Banks and the Swing Line Bank shall have consented to any Extension of the Commitments to the extent that such Extension provides for the issuance or extension of Letters of Credit or the making of Swing Line Loans at any time during the extended period; and (iv) the terms of such Commitments shall comply with paragraph (c) of this Section.

(c) The terms of each Extension shall be determined by the Borrower and the applicable extending Banks and set forth in an Extension Amendment; provided that (i) the final maturity date of any Extended Commitment shall be no earlier than the Maturity Date, (ii) there shall be no scheduled amortization of the loans or reductions of commitments under any Extended Commitments, (iii) the Extended Loans will rank *pari passu* in right of payment and with respect to security with the existing Loans, (iv) the borrower and guarantors of the Extended Commitments shall be the same as the borrower and guarantors with respect to the existing Loans, (v) the interest rate margin, rate floors and fees applicable to any Extended Commitment (and the Extended Loans thereunder) shall be determined by the Borrower and the applicable extending Banks, (vi) borrowing and prepayment of Extended Loans, reductions of Extended Commitments, and participations in Letters of Credit and Swing Line Loans shall be on a pro rata basis with the other Loans and Commitments (other than upon the maturity of the non-extended Loans and Commitments), and (vii) the terms of the Extended Commitments shall be substantially identical to the terms set forth herein (except as set forth in clauses (i) through (vi) above).

(d) In connection with any Extension, the Borrower, the Administrative Agent and each applicable extending Bank shall execute and deliver to the Administrative Agent an Extension Amendment and such other documentation as the Administrative Agent shall reasonably specify to evidence the Extension. The Administrative Agent shall promptly notify each Bank as to the effectiveness of each Extension. Any Extension Amendment may, without the consent of any other Bank, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to implement the terms of any such Extension, including (i) any amendments necessary to establish Extended Commitments as a new tranche of Commitments and (ii) such other technical amendments as may be necessary or appropriate in the reasonable opinion of the Administrative Agent and the Borrower in connection with the establishment of such new tranche (including to preserve the pro rata treatment of the extended and non-extended tranches and to provide for the reallocation of Loans and Letter of Credit Usage upon the expiration or termination of the commitments under any tranche), in each case on terms consistent with this section.

**SECTION 3**  
**TAXES, YIELD PROTECTION AND ILLEGALITY**

**3.1 Taxes.**

(a) **Defined Terms.** For purposes of this Section 3.1, the term “Bank” includes any Issuing Bank and the term “applicable Laws” includes FATCA.

(b) **Payments Free of Taxes.** Any and all payments by or on account of any obligation of the Borrower or any Guarantor Subsidiary under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable Laws and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower or any Guarantor Subsidiary shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) **Payment of Other Taxes by the Borrower.** The Borrower and the Guarantor Subsidiaries shall timely pay to the relevant Governmental Authority in accordance with applicable Laws, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) **Indemnification by the Borrower.** The Borrower shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Bank (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Bank, shall be conclusive absent manifest error.

(e) **Indemnification by the Banks.** Each Bank shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Bank (but only to the extent that the Borrower or a Guarantor Subsidiary has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower or a Guarantor Subsidiary to do so), (ii) any Taxes attributable to such Bank’s failure to comply with the provisions of Section 10.8 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Bank, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under any Loan Document or otherwise payable by the Administrative Agent to such Bank from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) **Evidence of Payments.** As soon as practicable after any payment of Taxes by the Borrower or any Guarantor Subsidiary to a Governmental Authority pursuant to this Section 3.1, the Borrower or such Guarantor Subsidiary shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) **Status of Banks.** (i) Any Bank that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Bank, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Bank is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 3.1(g)(i)(A), (i)(B) and (i)(D) below) shall not be required if in such Bank's reasonable judgment such completion, execution or submission would subject such Bank to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Bank.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Borrower,

(A) any Bank that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or about the date on which such Bank becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Bank is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or about the date on which such Foreign Lender becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;



(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (a) a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10-percent shareholder” of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, or a “controlled foreign corporation” related to the Borrower as described in Section 881(c)(3)(C) of the Code and (b) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-2 or Exhibit K-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that, if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Bank under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Bank were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Sections 1471(b) and 1472(b) of the Code, as applicable), such Bank shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Laws (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Bank has complied with such Bank’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Bank agrees that, if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) **Treatment of Certain Refunds.** If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.1 (including by the payment of additional amounts pursuant to this Section 3.1), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) **Survival.** Each party's obligations under this Section 3.1 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

### **3.2 Increased Costs.**

(a) **Increased Costs Generally.** If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Bank (except any reserve requirement reflected in the Offshore Rate) or any Issuing Bank;

(ii) subject any Recipient to any Taxes (other than (i) Indemnified Taxes, (ii) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (iii) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments or other obligations or on its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Bank or any Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Bank or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Bank or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to increase the cost to such Bank, such Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Bank, Issuing Bank or other Recipient hereunder (whether of principal, interest or any other amount), then, upon request of such Bank, Issuing Bank or other Recipient, the Borrower will pay to such Bank, Issuing Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Bank, Issuing Bank or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) **Capital Requirements.** If any Bank or Issuing Bank determines that any Change in Law affecting such Bank or Issuing Bank or any lending office of such Bank or such Bank's or Issuing Bank's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Bank's or Issuing Bank's capital or on the capital of such Bank's or Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Bank or the Loans made by, or participations in Letters of Credit or Swing Line Loans held by, such Bank, or the Letters of Credit issued by any Issuing Bank, to a level below that which such Bank or Issuing Bank or such Bank's or Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Bank's or Issuing Bank's policies and the policies of such Bank's or Issuing Bank's holding company with respect to adequacy of capital or liquidity), then from time to time the Borrower will pay to such Bank or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Bank or Issuing Bank or such Bank's or Issuing Bank's holding company for any such reduction suffered.

(c) **Certificates for Reimbursement.** A certificate of a Bank or Issuing Bank setting forth the amount or amounts necessary to compensate such Bank or Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Bank or Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) **Delay in Requests.** Failure or delay on the part of any Bank or Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Bank's or Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Bank or Issuing Bank pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date on which such Bank or Issuing Bank, as the case may be, notifies the Borrower of (i) the Change in Law giving rise to such increased costs or reductions and (ii) such Bank's or Issuing Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

**3.3 Illegality.** If any Bank determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to the Offshore Rate or to determine or charge interest rates based upon the Offshore Rate, or if any Governmental Authority has imposed material restrictions on the authority of such Bank to

purchase or sell, or to take deposits of, Dollars or any Approved Offshore Currency or Agreed Alternate Loan Currency in the applicable interbank market, then, upon notice thereof by such Bank to the Borrower (through the Administrative Agent), (a) any obligation of such Bank to make or continue the affected Offshore Rate Loans or to convert Base Rate Loans to the affected Offshore Rate Loans shall be suspended, and (b) if such notice asserts the illegality of such Bank making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Offshore Rate component of the Base Rate, the interest rate on such Base Rate Loans of such Bank shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Offshore Rate component of the Base Rate, in each case until such Bank notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (i) the Borrower shall, upon demand from such Bank (with a copy to the Administrative Agent), prepay or, if applicable, convert the affected Offshore Rate Loans of such Bank to Base Rate Loans (and the interest rate on such Base Rate Loans of such Bank shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Offshore Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if such Bank may not lawfully continue to maintain such Offshore Rate Loans, and (ii) if such notice asserts the illegality of such Bank determining or charging interest rates based upon the Offshore Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Bank without reference to the Offshore Rate component thereof until the Administrative Agent is advised in writing by such Bank that it is no longer illegal for such Bank to determine or charge interest rates based upon the Offshore Rate. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 3.5.

#### **3.4 Inability to Determine Rates.**

(a) If, on or prior to the first day of any Interest Period, (i) the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means do not exist for ascertaining an applicable Offshore Base Rate or Offshore Rate in accordance with the respective definitions thereof (including because the applicable Bloomberg screen page (or other commercially available source providing quotations as designated by the Administrative Agent) is not available or is not published on a current basis), as applicable, for such Interest Period, or (ii) the Requisite Banks determine that for any reason in connection with any request for Offshore Rate Loans or a conversion thereto or a continuation thereof that (A) deposits in the applicable currency are not being offered to banks in the applicable interbank market for the applicable amount and Interest Period of such Offshore Rate Loans or (B) the applicable Offshore Base Rate or Offshore Rate for any requested Interest Period with respect to any proposed Offshore Rate Loans does not adequately and fairly reflect the cost to such Banks of funding such Loans, then the Administrative Agent will promptly so notify the Borrower and each Bank. Thereafter, the obligation of the Banks to make or maintain the affected Offshore Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Requisite Banks) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of the affected Offshore Rate Loans or, failing that, will be deemed to have converted such request into a request for Base Rate Loans in the amount specified therein.

(b) Notwithstanding the foregoing, if at any time the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that (i) the circumstances set forth in Section 3.4(a)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 3.4(a)(i) have not arisen but the supervisor for the administrator of the applicable Bloomberg screen page (or other commercially available source providing quotations as designated by the Administrative Agent) or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which such screen page (or other commercially available source providing quotations as designated by the Administrative Agent) shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Offshore Base Rate or Offshore Rate, as applicable, that gives due consideration to the then prevailing market convention for determining rates of interest for syndicated loans in the United States at such time, and they shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 10.2, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within 5 Business Days of the date notice of such alternate rate of interest is provided to the Banks, a written notice from the Requisite Banks stating that such Requisite Banks object to such amendment. Until an alternate rate of interest shall be determined in accordance with this Section 3.4(b) (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 3.4(b), only to the extent that the applicable Bloomberg screen page for such Interest Period is not available or published at such time on a current basis), (A) any Request for Conversion or Request for Continuation that requests a conversion of any Loans to, or a continuation of any Loans as, the affected Offshore Rate Loans shall be ineffective, and (B) if any Request for Borrowing requests a Borrowing of Offshore Rate Loans, such Borrowing shall be made as Base Rate Loans.

**3.5 Compensation for Losses.** In the event of (a) the payment of any principal of any Offshore Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Offshore Rate Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Offshore Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be and is revoked) or (d) the assignment of any Offshore Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 3.7(b), then, in any such event, the Borrower shall compensate each Bank for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Bank shall be deemed to include an amount determined by such Bank to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Offshore Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Bank would bid were it to bid, at the commencement of such period, for deposits of a comparable amount and period from other banks in the applicable interbank market. A certificate of any Bank setting forth any amount or amounts that such Bank is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Bank the amount shown as due on any such certificate within 10 days after receipt thereof.

### 3.6 Matters Applicable to all Requests for Compensation.

(a) The Administrative Agent and any Bank shall provide reasonable detail to Borrower regarding the manner in which the amount of any payment to the Administrative Agent or that Bank under this Section 3 has been determined, concurrently with demand for such payment. The Administrative Agent's or any Bank's determination of any amount payable under this Section 3 shall be conclusive in the absence of manifest error.

(b) For purposes of calculating amounts payable under this Section 3 any Loan shall be deemed to have been funded as contemplated by the definition of the interest rate applicable thereto whether or not such Loan was, in fact, so funded.

(c) All of Borrower's obligations under this Section 3 shall survive termination of the Commitments and payment in full of all Outstanding Obligations.

### 3.7 Mitigation Obligations; Replacement of Banks.

(a) **Designation of a Different Lending Office.** If any Bank requires the Borrower to pay any Indemnified Taxes or additional amounts to such Bank or any Governmental Authority for the account of such Bank pursuant to Section 3.1 or requests compensation under Section 3.2, then such Bank shall (at the request of the Borrower) use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates if, in the judgment of such Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.1 or 3.2, as the case may be, in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

(b) **Replacement of Banks.** If the Borrower is required to pay any Indemnified Taxes or additional amounts to any Bank or any Governmental Authority for the account of any Bank pursuant to Section 3.1 or if any Bank requests compensation under Section 3.2 and, in each case, such Bank has declined or is unable to designate a different Lending Office in accordance with Section 3.7(a), or if any Bank is a Defaulting Bank or a Non-Consenting Bank, then the Borrower may, at its sole expense and effort, upon notice to such Bank and the Administrative Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.8), all of its interests, rights (other than its existing rights to payments pursuant to Section 3.1 or 3.2) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Bank, if a Bank accepts such assignment); provided that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 10.8;

(ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letter of Credit Usage, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.2) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from payments required to be made pursuant to Section 3.1 or a claim for compensation under Section 3.2, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable Laws; and

(v) in the case of any assignment resulting from a Bank becoming a Non-Consenting Bank, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Bank shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Notwithstanding anything in this Section to the contrary, (A) any Bank that acts as an Issuing Bank may not be replaced hereunder at any time it has any Letter of Credit outstanding hereunder unless arrangements satisfactory to such Bank (including the furnishing of a backstop standby letter of credit in form and substance, and issued by an issuer, reasonably satisfactory to such Issuing Bank or the depositing of cash collateral into a cash collateral account in amounts and pursuant to arrangements reasonably satisfactory to such Issuing Bank) have been made with respect to such outstanding Letter of Credit, and (B) the Bank that acts as the Administrative Agent may not be replaced hereunder except in accordance with the terms of Section 9.6. For the avoidance of doubt, any Bank that is replaced hereunder and is also a Hedge Bank and/or a Cash Management Bank shall not by such replacement alone be terminated as a Hedge Bank and/or a Cash Management Bank, as applicable.

#### **SECTION 4 CONDITIONS**

**4.1 Initial Extension of Credit.** The obligation of each Bank to make the initial Loan to be made by it, or the obligation of any Issuing Bank to issue its initial Letter of Credit or to treat the Existing Letters of Credit as being outstanding under this Agreement, is subject to the satisfaction of the following conditions precedent (unless all of the Banks, in their sole and absolute discretion, shall agree otherwise):

(a) The Administrative Agent shall have received all of the following (with originals sufficient for each Bank, except the Notes), each of which shall be originals unless otherwise specified, each properly executed by the applicable Loan Party, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

- (i) executed counterparts of this Agreement;
- (ii) Notes executed by Borrower in favor of each Bank requesting a Note, each in a principal amount equal to that Bank's Commitment;
- (iii) the Master Subsidiary Guaranty executed by each Principal Subsidiary (and in any event by Subsidiaries whose aggregate revenues are at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower);
- (iv) with respect to Borrower and each Guarantor Subsidiary, such documentation as the Administrative Agent may require to establish the due organization, valid existence and good standing of Borrower and each such Subsidiary, its authority to execute, deliver and perform any Loan Documents to which it is or is to be a party, and the identity, authority and capacity of each Responsible Officer thereof authorized to act on its behalf, including certified copies of Organizational Documents and amendments thereto, certificates of good standing, certified corporate resolutions (or the equivalent), incumbency certificates, certificates of Responsible Officers and the like;
- (v) the favorable opinion of counsel to Borrower and the Guarantor Subsidiaries;
- (vi) a certificate signed by a Responsible Officer of Borrower certifying that the conditions specified in Sections 4.1(d) and 4.1(e) have been satisfied;
- (vii) the Subordination Agreement executed by the Borrower and each Guarantor Subsidiary in favor of the Banks, the Administrative Agent and the Issuing Banks; and
- (viii) such other assurances, certificates, documents, consents and opinions as the Administrative Agent reasonably may require.
- (b) The fees payable on the Closing Date pursuant to Section 2.8 and those set forth in separate letter agreements between Borrower and the Administrative Agent and Borrower and the Arrangers shall have been paid.
- (c) Attorney Costs of MUFG to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute MUFG's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings shall have been paid (provided that such estimate shall not thereafter preclude final settling of accounts between Borrower and MUFG).
- (d) The representations and warranties of Borrower contained in Section 5 shall be true and correct.



(e) Borrower and its Subsidiaries shall be in compliance with all the terms and provisions of the Loan Documents, and giving effect to the initial Loan (or initial Letter of Credit, as applicable) no Default or Event of Default shall have occurred and be continuing.

(f) No Material Adverse Change shall have occurred since June 30, 2017.

(g) The Administrative Agent and the Issuing Banks under (and as defined in) the Existing Credit Agreement shall have established mutually satisfactory arrangements to permit all Existing Letters of Credit to remain outstanding through their respective expiration dates.

(h) The Administrative Agent shall have been satisfied with its review of Borrower's (i) operating and financial statements, including the audited financial statements for Borrower's fiscal year ended on December 31, 2016 and the unaudited financial statements for Borrower's fiscal quarter ended on June 30, 2017, (ii) corporate organization and capital structure, including ownership, management and other related agreements, and (iii) operating projections covering the first five fiscal years of Borrower following the Closing Date.

**4.2 Any Extension of Credit.** The obligation of each Bank to make any Extension of Credit on any date is also subject to the following conditions precedent:

(a) the representations and warranties of Borrower contained in Section 5 shall be true and correct in all material respects as though made on and as of such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date);

(b) no Default or Event of Default shall have occurred and be continuing, or would result from such proposed Extension of Credit;

(c) the Administrative Agent shall have timely received a duly completed Request for Extension of Credit or Letter of Credit Application, as applicable, by Requisite Notice by the Requisite Time therefor; and

(d) no Material Adverse Change shall have occurred since the Closing Date.

## **SECTION 5 REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants to the Administrative Agent, the Issuing Banks and the Banks that:

**5.1 Due Organization; Good Standing.** Borrower and each of its Subsidiaries are duly organized and existing under the laws of their respective states of organization, and are properly licensed and in good standing in, and where necessary to maintain their rights and privileges have complied with the fictitious name statute of, every jurisdiction in which they are doing business.

**5.2 Power; Authorization.** The execution, delivery and performance by Borrower and each Subsidiary of the Loan Documents to which each is a party and any instrument or agreement required hereunder or thereunder are within such Person's powers, have been duly authorized, and are not in conflict with the terms of any of its Organizational Documents or any instrument or agreement to which such Person is a party or by which it is bound or affected.

**5.3 No Legal Bar.** There is no law, rule or regulation, nor is there any judgment, decree or order of any court or other Governmental Authority, binding on the Borrower or any Subsidiary which would be contravened by the execution, delivery, performance or enforcement of any Loan Document or any instrument or agreement required hereunder or thereunder.

**5.4 Enforceable Obligation.** The Loan Documents are legal, valid and binding agreements of Borrower and each Subsidiary party thereto or hereto, enforceable against Borrower and each Subsidiary in accordance with their respective terms, and any instrument or agreement required hereunder or thereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.

**5.5 Ownership of Property; Liens.** Borrower has, and each Subsidiary has, good and indefeasible title to its respective Real Property (other than Real Property which it leases) and good title to all of its other Property, including the Property reflected in the most recent audited balance sheet referred to in Section 5.17 (other than Property disposed of in the ordinary course of business), subject to no Lien of any kind except Liens permitted by Section 7.1. Borrower and each Subsidiary enjoy peaceful and undisturbed possession of all leased Real Property necessary in any material respect for the conduct of their respective businesses, none of which contains any unusual or burdensome provisions which might materially affect or impair the operation of such businesses. The leases for such leased Real Property are valid and subsisting and are in full force and effect.

**5.6 Taxes.** Borrower has, and each Subsidiary has, filed all federal, state and other income tax returns which, to the best knowledge of the officers of Borrower, are required to be filed, and each has paid all taxes as shown on such returns and on all assessments received by it to the extent that such taxes have become due, except such taxes as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP.

**5.7 Conflicting Agreements and Other Matters.** Neither Borrower nor any of its Subsidiaries is a party to any contract or agreement or subject to any restriction under its Organizational Documents which materially and adversely affects its business, Property or financial condition. Neither the execution and delivery of this Agreement nor the compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the Property of Borrower or any of its Subsidiaries pursuant to, the Organizational Documents of Borrower or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders), instrument, order, judgment, decree, statute, law, rule or regulation to which Borrower or any of its Subsidiaries is

subject. Neither Borrower nor any of its Subsidiaries is a party to, or otherwise subject to any provision contained in, any instrument evidencing indebtedness of Borrower or any of its Subsidiaries, any agreement relating thereto or any other contract or agreement (including its Organizational Documents) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt of Borrower such as the Loans, except for the Loan Documents or as set forth in the agreements listed in Schedule 5.7.

**5.8 ERISA.** No Plan (other than a Multiemployer Plan) fails to satisfy the minimum funding standard (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not a waiver of such standard or an extension of an amortization period has been sought or obtained. No liability to the Pension Benefit Guaranty Corporation has been or is expected by Borrower or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by Borrower, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, condition (financial or otherwise) or operations of Borrower and its Subsidiaries taken as a whole. Neither Borrower, any Subsidiary nor any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to Borrower and its Subsidiaries taken as a whole.

**5.9 Government Consent.** Neither the nature of Borrower or of any Subsidiary, nor any of their respective businesses or Property, nor any relationship between Borrower or any Subsidiary and any other Person, is such as to require any authorization, consent, approval, exemption or other action by or notice to or filing with any Governmental Authority in connection with the execution and delivery of this Agreement or fulfillment of or compliance with the terms and provisions hereof.

**5.10 Environmental Compliance.** Borrower and its Subsidiaries and all of their respective Property and facilities have complied and are complying at all times and in all respects with all Hazardous Materials Laws except, in any such case, where failure to comply could not reasonably be expected to constitute or cause a Material Adverse Change.

**5.11 Licenses, Permits etc.**

(a) Borrower and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, approvals, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are material to their business, without known conflict with the rights of others, including any such items that are required or appropriate in order for Borrower or any of its Subsidiaries to enter into, perform and receive payment under contracts with, or otherwise provide services to, the United States government and its departments and agencies.

(b) To the best knowledge of Borrower, no product of Borrower or its Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of Borrower, there is no material violation by any Person of any right of Borrower or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by Borrower or any of its Subsidiaries.

**5.12 Public Utility and Investment Company Status.** Neither Borrower nor any Subsidiary is a “public utility” within the meaning of the Federal Power Act. Neither Borrower nor any Subsidiary is an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, or an “investment adviser” within the meaning of the Investment Advisers Act of 1940.

**5.13 Foreign Asset Control Regulations; Absence of Foreign or Enemy Status.** Neither Borrower nor any Subsidiary is in violation of the restrictions set forth in the following laws and all Executive Orders and regulations promulgated under those laws: (i) Foreign Corrupt Practices Act, 15 U.S.C. § 78 *et seq.*; (ii) Currency and Foreign Transactions Reporting Act, 31 U.S.C. § 5316; (iii) Trading With the Enemy Act, 50 U.S.C. App. § 1-44; (iv) Cuban Democracy Act, 22 U.S.C. 6001-6010; (v) The Foreign Assistance Act of 1961, 22 U.S.C. 2370(a); (vi) International Emergency Economic Powers Act, 50 U.S.C. § 1701-1706; (vii) National Emergencies Act, 50 U.S.C. § 1601-1651; (viii) United Nations Participation Act of 1945, 22 U.S.C. § 287c; (ix) International Security and Development Cooperation Act, 22 U.S.C. 2349aa-8, 2349aa-9; (x) Cuban Liberty and Democratic Solidarity Act, 22 U.S.C. § 6021–6091; (xi) Antiterrorism and Effective Death Penalty Act of 1996, 18 U.S.C. § 2332d; and (xii) The Export Administration Act of 1979, 50 U.S.C. App. § 2407.

**5.14 Litigation.** Except as set forth on Schedule 5.14, there are no suits, proceedings, claims or disputes pending or, to its knowledge, constituting a real threat against or affecting Borrower, any Subsidiary or the Property of Borrower or any of its Subsidiaries, the adverse determination of which could reasonably be expected to constitute or cause a Material Adverse Change.

**5.15 No Default.** No event has occurred and is continuing or would result from the incurring of the Obligations by Borrower or any Subsidiary under any Loan Document, which is a Default or an Event of Default.

**5.16 Principal and Guarantor Subsidiaries.** Schedule 5.16 lists all the Principal Subsidiaries of Borrower as of the Closing Date. All Principal Subsidiaries are Guarantor Subsidiaries or, with respect to foreign Subsidiaries that are Principal Subsidiaries, are subject to the stock pledge set forth under Section 6.10. The Guarantor Subsidiaries, together with all foreign Subsidiaries that are subject to the stock pledge set forth under Section 6.10, collectively have revenues for the most recent four fiscal quarter period of Borrower of at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for such period.

**5.17 Financial Statements.** Borrower has heretofore delivered to the Administrative Agent copies of the consolidated balance sheets of Borrower as of December 31, 2016 and as of June 30, 2017, and the related consolidated statements of operations, shareholder’s equity and changes in cash flows for the year or quarter then ended, as applicable (such statements being sometimes referred to herein as the “*Financial Statements*”). The December 31, 2016 Financial Statements were audited and reported on by PricewaterhouseCoopers LLP. The Financial Statements fairly present the consolidated financial condition and the consolidated results of

operations of Borrower and its Subsidiaries as of the dates and for the periods indicated therein, and the Financial Statements have been prepared in conformity with GAAP (except as disclosed in the notes thereto). As of the Closing Date, except (i) as reflected in the Financial Statements or in the footnotes thereto or (ii) as otherwise disclosed in writing to the Administrative Agent prior to the date hereof, neither Borrower nor any Subsidiary has any obligation or liability of any kind (whether fixed, accrued, contingent, unmatured or otherwise) which is material to Borrower and the Subsidiaries on a consolidated basis and which, in accordance with GAAP consistently applied, should have been recorded or disclosed in the Financial Statements and was not. Since December 31, 2016, Borrower and each Subsidiary has conducted its business only in the ordinary course, and there has been no adverse change in the financial condition of Borrower and its Subsidiaries taken as a whole which is material to Borrower and its Subsidiaries on a consolidated basis, except in each case as disclosed in writing to the Administrative Agent prior to the Closing Date.

**5.18 Compliance with Applicable Laws.** Neither Borrower nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Authority, which default could reasonably be expected to constitute or cause a Material Adverse Change or impair its ability to perform its obligations under any Loan Document or under any instrument or agreement required hereunder or thereunder, except as disclosed in writing to the Administrative Agent. Borrower and each Subsidiary are complying in all material respects with all applicable statutes and regulations, including Hazardous Materials Laws, ERISA and applicable occupational, safety and health and other labor laws, of all Governmental Authorities, a violation of which could reasonably be expected to constitute or cause a Material Adverse Change or could impair Borrower's or any Principal Subsidiary's ability to perform its obligations under the Loan Documents to which it is party, or under any instrument or agreement required hereunder or thereunder, except as otherwise disclosed in writing to the Banks.

**5.19 Governmental Regulations.** Neither Borrower nor any Subsidiary is subject to any statute or regulation which regulates the incurring by it of indebtedness for borrowed money.

**5.20 Federal Reserve Regulations.** Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System. No part of the proceeds of the Loans will be used, directly or indirectly, for a purpose which violates any law, rule or regulation of any Governmental Authority, including the provisions of Regulations T, U and X of said Board.

**5.21 Guaranty Representations.** All representations and warranties of Borrower and the Guarantor Subsidiaries contained in the Master Subsidiary Guaranty are true and correct.

**5.22 Solvency.** Each of Borrower and its Subsidiaries is now, and after giving effect to each Extension of Credit will be, able to pay its debts (including trade debts) as they mature, has capital sufficient to carry on its business and has assets whose fair saleable value exceeds the amount of its liabilities.

**5.23 Anti-Corruption Laws and Sanctions.** Borrower and its Subsidiaries have implemented and maintain in effect policies and procedures designed to ensure compliance by Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and Borrower, its Subsidiaries and their respective officers and employees, and to the knowledge of Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any director, officer, employee, agent or Affiliate of the Borrower or any of its Subsidiaries is a Person that is, or is owned or controlled by Persons that are, the subject of any list-based or territorial Sanctions. No Borrowing or Letter of Credit, use of proceeds or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

## **SECTION 6 AFFIRMATIVE COVENANTS**

So long as any Loan remains unpaid, any Letter of Credit Usage remains outstanding, any of the other Obligations remains unpaid or unperformed or any portion of the Commitments remains in force, Borrower shall, and shall cause each of its Subsidiaries to:

**6.1 Financial Statements.** Deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent, with sufficient copies for each Bank:

(a) as soon as practicable and in any event within 60 days after the end of each quarterly period (except the last quarterly period) in each fiscal year, (i) unaudited consolidated statements of income, cash flows and shareholders' equity, and an unaudited consolidated balance sheet, of Borrower and its Subsidiaries and (ii) unaudited consolidating statements of income, and unaudited consolidating balance sheets, of Borrower and its Business Units, in each case for the period from the beginning of the current fiscal year to the end of such quarterly period or, in the case of balance sheets, as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of Borrower, subject to changes resulting from year-end adjustments;

(b) as soon as practicable and in any event within 100 days after the end of each fiscal year, (i) consolidated statements of income, cash flows and shareholders' equity, and a consolidated balance sheet, of Borrower and its Subsidiaries and (ii) consolidating statements of income, and consolidating balance sheets, of Borrower and its Business Units, in each case for such fiscal year or, in the case of balance sheets, as at the end of such fiscal year, all in reasonable detail and satisfactory in form to the Administrative Agent and, as to such consolidated statements only, reported on by independent public accountants of recognized national standing selected by Borrower and reasonably acceptable to the Administrative Agent whose report shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any other qualification or exception determined by the Administrative Agent in its good faith business judgment to be adverse to the interests of the Banks; and

(c) as soon as practicable and in any event within 100 days after the end of each fiscal year, projections for the next fiscal year of Borrower, including a balance sheet, income statement and operating cash flow statement, all in reasonable detail and satisfactory in form to the Administrative Agent.

**6.2 Certificates, Notices and Other Information.** Deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent, with sufficient copies for each Bank:

(a) contemporaneously with delivering the financial statements referred to in Sections 6.1(a) and (b), a Compliance Certificate signed by a Responsible Officer of Borrower;

(b) as soon as available and in any event within 100 days after the end of each fiscal year of Borrower, a statement listing (i) the aggregate amount of employee wages subject to ESOP contribution calculations during such fiscal year and (ii) the aggregate amount of contributions made by Borrower to the ESOP during such fiscal year;

(c) as soon as practicable and in any event within 100 days after the end of each fiscal year, (i) a statement setting forth the percentage contribution of each Guarantor Subsidiary to Borrower's consolidated gross revenues for the fiscal year and (ii) a certificate of the Secretary or an Assistant Secretary and one other officer of Borrower certifying that other than those Subsidiaries set forth on the statement described in clause (i) above, no other Subsidiaries are obligated to become Guarantor Subsidiaries or, in the case of foreign Subsidiaries, to have their stock pledged to the Administrative Agent pursuant to the terms of this Agreement, including Section 6.10;

(d) (i) as soon as practicable and in any event within sixty (60) days after the end of each of Borrower's fiscal quarters (except the last fiscal quarter), a summary gross profit backlog statement showing the total backlog of Borrower and its Business Units as of the end of each such fiscal quarter and (ii) as soon as practicable and in any event within one hundred (100) days after the end of each of Borrower's fiscal years, a summary gross profit backlog statement showing the total backlog of Borrower and its Business Units as of the end of each such fiscal year;

(e) contemporaneously with delivering the financial statements referred to in Sections 6.1(a) and (b), a schedule of Non-Recourse Investments and Non-Recourse Debt containing a breakdown of the portion of Consolidated EBITDA, Consolidated Equity and Consolidated Debt attributable thereto which has been excluded from the calculations of the financial covenants, in form and substance satisfactory to the Administrative Agent and signed by a Responsible Officer of Borrower; and

(f) promptly after request, such other information respecting the condition, financial or otherwise, or operations of Borrower and its Subsidiaries as the Administrative Agent or any Bank (through the Administrative Agent) may reasonably request.

**6.3 Prompt Notice.** Immediately (unless otherwise provided below) give written notice to the Administrative Agent of:

(a) all litigation affecting the Borrower or any Subsidiary as a defendant and where the amount claimed in a single litigation action, not fully covered by insurance, is in excess of \$25,000,000;

(b) any draw of \$10,000,000 or more under any Outside Letter of Credit;

(c) any Default or Event of Default, which notice shall specify the nature and period of existence thereof and what action Borrower proposes to take with respect thereto;

(d) as to any Plan (i) promptly and in no event more than 10 days after Borrower knows or has reason to know of the occurrence of a Reportable Event with respect to a Plan, a copy of any materials required to be filed with the PBGC with respect to such Reportable Event together with a statement of the chief financial officer of Borrower setting forth details as to such Reportable Event and the action which Borrower proposes to take with respect thereto; (ii) at least 10 days prior to the filing by any plan administrator of a Plan of a notice of intent to terminate such Plan, a copy of such notice; (iii) promptly and in no event more than 10 days after the filing thereof with the Internal Revenue Service, copies of each annual report which is filed on Form 5500, together with certified financial statements for the Plan (if any) as of the end of such year and actuarial statements on Schedule SB to such Form 5500, if any; (iv) promptly and in no event more than 10 days after Borrower knows or has reason to know of any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, a statement of a Responsible Officer of Borrower describing such event or condition; (v) promptly and in no event more than 10 days after receipt thereof by Borrower or an ERISA Affiliate, each notice received by Borrower or an ERISA Affiliate concerning the imposition of any withdrawal liability under Section 4202 of ERISA; (vi) promptly after receipt thereof a copy of any notice Borrower or any ERISA Affiliate may receive from PBGC or the Internal Revenue Service with respect to any Plan or Multiemployer Plan; provided, however, that this clause (vi) shall not apply to notices of general application promulgated by the PBGC or the Internal Revenue Service; (vii) promptly and in any event within 10 days after Borrower knows or has reason to know of any condition existing with respect to a Plan which presents a material risk of termination of the Plan, or imposition of an excise tax, requirement to provide security to the Plan, or incurrence of other liability by Borrower or any ERISA Affiliate, such that the amount of such proposed excise tax, security or liability as determined in good faith by Borrower is in excess of \$5,000,000; and (viii) promptly and in no event more than 10 days after the filing thereof with the Secretary of the Treasury, a copy of any application by Borrower or any ERISA Affiliate for a waiver of the minimum funding standard under Section 412 of the Code;

(e) any breach or non-performance of, or any default under, any Contractual Obligation of Borrower or any of its Subsidiaries, and any dispute, litigation, investigation, proceeding or suspension which may exist at any time between Borrower or any of its Subsidiaries and any Governmental Authority, in each case which could reasonably be expected to constitute or cause a Material Adverse Change;

(f) any other matter which has resulted in, or could reasonably be expected to constitute or cause, a Material Adverse Change; and



(g) promptly, such other data and information as from time to time may be reasonably requested by the Administrative Agent or any Bank (through the Administrative Agent).

**6.4 Covenant to Secure Obligations Equally.** If Borrower or any Subsidiary shall create or assume any Lien upon any of its Property, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 7.1 (unless prior written consent to the creation or assumption thereof shall have been obtained from the Requisite Banks), make or cause to be made effective a provision whereby the Guaranteed Obligations will be secured by such Lien equally and ratably with any and all other Debt thereby secured so long as any such other Debt shall be so secured; provided that, (a) notwithstanding the foregoing, this covenant shall not be construed as a consent by the Banks to any creation or assumption of any such Lien not permitted by the provisions of Section 7.1, and (b) other than any agreements pursuant to which any Permitted Private Placement Debt is issued, neither Borrower nor any of its Subsidiaries shall be a party to any agreement prohibiting, or amend any agreement to prohibit, the creation or assumption of any Lien in favor of the Administrative Agent, any Issuing Bank or any Bank upon its Property, whether now owned or hereafter acquired.

**6.5 Insurance.** Maintain, and cause each Subsidiary to maintain, with financially sound and reputable insurers, insurance with respect to their respective Property and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated; and, if requested by the Administrative Agent or any Bank, deliver evidence of such insurance coverage thereto, in reasonable detail.

**6.6 Maintenance of Property.** Maintain and keep, and cause each Subsidiary to maintain and keep, or cause to be maintained and kept, their respective Property in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section 6.6 shall not prevent Borrower or any Subsidiary from discontinuing the operation and the maintenance of any of its Property if such discontinuance is desirable in the conduct of its business and Borrower has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to constitute or cause a Material Adverse Change.

**6.7 Payment of Obligations, Taxes and Claims.** Pay, and cause each Subsidiary to pay, all obligations, including tax claims, when due, and file, and cause each Subsidiary to file, all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their Property, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, and all claims for which sums have become due and payable that have or might become a Lien on Property of Borrower or any Subsidiary, provided, that neither Borrower nor any Subsidiary need pay any such obligation, tax, assessment, charge, levy or claim if and to the extent that (a) the amount, applicability or validity thereof is being contested by Borrower or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and Borrower or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of Borrower or

such Subsidiary (the foregoing described in this clause (a) being hereafter referred to as a “*Good Faith Contest*”) or (b) the nonpayment of all such obligations, taxes, assessments, charges, levies and claims of the Borrower and its Subsidiaries in the aggregate could not reasonably be expected to constitute or cause a Material Adverse Change.

**6.8 Compliance with Laws.** Comply, and cause each Subsidiary to comply, with all applicable Laws, including (a) any Laws that apply to parties that enter into, perform or receive payment under contracts with, or otherwise provide services to, the United States government or its departments and agencies (including compliance with requirements resulting from audits conducted by the General Accounting Office), (b) ERISA, (c) Regulations T, U and X of the Board of Governors of the Federal Reserve System, (d) Hazardous Materials Laws and (e) all domestic Laws (including Executive Orders of the President of the United States of America) and all foreign Laws not in conflict with or in violation of domestic Laws, relating to the conduct of business activities by domestic corporations within and/or outside the United States of America, with respect to which noncompliance could reasonably be expected to constitute or cause a Material Adverse Change; maintain in effect and enforce policies and procedures designed to ensure compliance by Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions; and, without limiting the generality of the foregoing, comply, and cause its Subsidiaries to comply, to the extent applicable with the provisions of the following Laws and all Executive Orders and regulations promulgated under those Laws, to the extent that the noncompliance with the same could reasonably be expected to constitute or cause a Material Adverse Change: (i) Foreign Corrupt Practices Act, 15 U.S.C. § 78 et seq.; (ii) Currency and Foreign Transactions Reporting Act, 31 U.S.C. § 5316; (iii) Trading with the Enemy Act, 42 U.S.C. App. § 1-44; (iv) Cuban Democracy Act, 22 U.S.C. § 6001-6010; (v) The Foreign Assistance Act of 1961, 22 U.S.C. § 2370(a); (vi) International Emergency Economic Powers Act, 50 U.S.C. § 1701-1706; (vii) National Emergencies Act, 50 U.S.C. § 1601-1651; (viii) United Nations Participation Act of 1945, 22 U.S.C. § 287c; (ix) International Security and Development Cooperation Act, 22 U.S.C. 2349aa-8, 2349aa-9; (x) Cuban Liberty and Democratic Solidarity Act, 22 U.S.C. § 6021-6091; (xi) Antiterrorism and Effective Death Penalty Act of 1996, 18 U.S.C. § 2332d; and (xii) The Export Administration Act of 1979, 50 U.S.C. App. § 2407.

**6.9 Maintenance of Existence.** Preserve and maintain, and cause its Subsidiaries to preserve and maintain, their legal existence and all rights, privileges and franchises necessary or desirable in the ordinary conduct of their business; and not become (a) a “public utility” within the meaning of the Federal Power Act or (b) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, or an “investment adviser” within the meaning of the Investment Advisers Act of 1940.

**6.10 Guaranties of New Principal Subsidiaries; Stock Pledge of Foreign Subsidiaries; Addition of Guarantor Subsidiaries.**

(a) Cause any Person (including any existing Subsidiary) that becomes a Principal Subsidiary, within 45 days after the Guarantor Determination Date with respect thereto (unless extended by the Administrative Agent in its sole discretion), to (i) become a Guarantor Subsidiary under the Master Subsidiary Guaranty and (ii) deliver to the Administrative Agent (with copies for each Bank) (A) those documents required pursuant to Section 4.1(a)(iv), as such

documents pertain to such Guarantor Subsidiary, (B) a favorable opinion of counsel, designated by Borrower and reasonably acceptable to the Administrative Agent, with respect to such Guarantor Subsidiary in form and substance satisfactory to the Administrative Agent and (C) such other documents, agreements and instruments as the Administrative Agent may reasonably request; provided, however, with respect to any foreign Subsidiary that becomes a Principal Subsidiary, Borrower may, solely in lieu of such foreign Subsidiary becoming a Guarantor Subsidiary under the Master Subsidiary Guaranty, (1) cause the number of whole shares of capital stock closest to but not exceeding 65% of the issued and outstanding capital stock of such foreign Subsidiary directly owned by Borrower or any domestic Subsidiary to be subject at all times to a first-priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of such security documents as the Administrative Agent shall reasonably request, and (2) cause such foreign Subsidiary to deliver to the Administrative Agent the documents referenced in clause (ii) above with respect to such foreign Subsidiary; provided further, however, that (i) in no event shall any Subsidiary be required to be a Guarantor Subsidiary to the extent that doing so would result in a material adverse tax consequence to the Borrower and its Subsidiaries as a result of the operation of Section 956 of the Code, including by reason of such Subsidiary being (A) a foreign Subsidiary, (B) a direct or indirect domestic Subsidiary of a foreign Subsidiary or of a Disregarded Domestic Person (as defined below) or (C) a wholly owned domestic Subsidiary (1) substantially all of the assets of which constitute the equity of one or more foreign Subsidiaries or (2) that is treated as a disregarded entity for U.S. federal income tax purposes and that holds equity of one or more foreign Subsidiaries (each of (1) and (2), a “**Disregarded Domestic Person**”), and (ii) in no event shall any such Lien be required that would result in a material adverse tax consequence to the Borrower and its Subsidiaries as a result of the operation of Section 956 of the Code; and provided further that, in the event that Code Section 956 is materially revised or is replaced with a new section of the Code that materially differs from Section 956 as in effect on the Closing Date and either the Borrower or the Requisite Banks shall so request, the Administrative Agent, the Banks and the Borrower shall negotiate in good faith to amend this Section 6.10 to reflect such revision to Code Section 956 or such successor provision of the Code, as applicable, so as to require Principal Subsidiaries to become Guarantor Subsidiaries or to have their stock pledged as collateral for the Guaranteed Obligations to the maximum extent that doing so would not result in a material adverse tax consequence to the Borrower and its Subsidiaries; and

(b) If the Administrative Agent determines, based upon its review of any of the annual financial statements described in Section 6.1(b) and any of the annual statements described in Section 6.2(c), that the Guarantor Subsidiaries, in the aggregate, do not have revenues constituting at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower reflected in such annual statements, then within 45 days after its receipt of notice from the Administrative Agent of such determination (unless extended by the Administrative Agent in its sole discretion), cause such additional Subsidiaries, irrespective of whether Principal Subsidiaries, to (i) become Guarantor Subsidiaries under the Master Subsidiary Guaranty so that, after giving effect to such additional guaranties, the Guarantor Subsidiaries in the aggregate have revenues constituting at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower and (ii) deliver to the Administrative Agent (with copies for each Bank) each of the items required by clause (a)(ii) of this Section 6.10; provided, however, that, for purposes of making the calculations set forth above, each foreign Subsidiary whose stock is pledged pursuant to clause (a) above or otherwise shall be considered a Guarantor Subsidiary.

**6.11 Licenses, Permits etc.** Preserve, protect and maintain, and cause its Subsidiaries to, preserve, protect and maintain, all licenses, permits, authorizations, approvals, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are necessary or desirable in the ordinary conduct of the business of Borrower and its Subsidiaries, including all such items that are required or appropriate in order for Borrower or any of its Subsidiaries to enter into, perform and receive payment under contracts with, or otherwise provide services to, the United States government and its departments and agencies.

**6.12 Hazardous Materials.** Keep and maintain, and cause its Subsidiaries to keep and maintain, all real Property in which Borrower or a Subsidiary has any ownership or leasehold interest ("**Real Property**") in compliance with all Hazardous Materials Laws; provided that Borrower shall not be in violation of this covenant to the extent that such non-compliance creates no material risk to occupants of such Real Property, material damage to such Real Property or material threat to the environment for which, in the case of leased Real Property, Borrower or any of its Subsidiaries is liable and to the extent that any fines, penalties or other assessments in respect of such non-compliance do not exceed \$1,000,000 in the aggregate; and not, and not permit any of its Subsidiaries to, use, generate, manufacture, store or dispose of on, under or about any Real Property, or transport to or from any Real Property, any flammable explosives, radioactive materials, hazardous wastes or toxic substances, including any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable Laws (collectively referred to herein as "**Hazardous Materials**") except for the Hazardous Materials (a) listed on Schedule 6.12 (and, to the extent such listing includes "trade name" substances, substitutions for such trade name substances containing the same component hazardous material), or (b) used by Borrower, its Subsidiaries and other occupants of the Real Property in connection with their respective business operations or for general maintenance of such Real Property and in material compliance with Hazardous Materials Laws, in no greater than commercially reasonable quantities, in both cases for which disposal has been or will be arranged in accordance with applicable Laws; provided that Borrower shall indemnify, defend and hold harmless the Indemnitees from and against (which indemnity shall survive the repayment of the Obligations) any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, transportation, disposal, or presence of Hazardous Materials (including asbestos) on, under or about the any Real Property, including: (i) the costs of any required or necessary repair, cleanup or detoxification of any Real Property, and the preparation and implementation of any closure, remedial or other required plans and (ii) all reasonable costs and expenses incurred by the Indemnitees in connection with clause (i), including all reasonable Attorney Costs.

**6.13 Use of Proceeds.** Use the proceeds of the Loans to refinance the Existing Credit Facilities, for general working capital, to finance capital expenditures, for general corporate purposes, for purchases of stock of Borrower, to fund certain fees and expenses associated with the closing of the transactions contemplated hereunder, and for Permitted Acquisitions; provided, however, that (a) no part of the proceeds of the Loans, and no Letter of Credit, will be used, directly or indirectly, in furtherance of an offer, payment, promise to pay, or authorization of the

payment or giving of money, or anything else of value, to any Person in violation of any applicable Anti-Corruption Law, (b) the Borrower will not, directly or indirectly, use the proceeds of the Loans or use any Letter of Credit, or lend, contribute or otherwise make available such proceeds or any Letter of Credit to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that at the time of such funding is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Loans or the Letters of Credit, whether as underwriter, advisor, investor or otherwise), and (c) the Borrower will maintain in effect policies and procedures designed to promote compliance by the Borrower, its Subsidiaries, and their respective directors, officers, employees and agents with all applicable Anti-Corruption Laws.

**6.14 Books and Records.** Maintain, and cause its Subsidiaries to maintain, adequate books, accounts and records in accordance with GAAP, and permit employees or agents of the Banks at any reasonable time and as often as may reasonably be desired to inspect its Property, and to examine or audit its books, accounts and records and make copies and memoranda thereof and to discuss with its officers the business, operations, Property and financial condition of it and its Subsidiaries.

**6.15 Operation of ESOP.** Cause the ESOP to be operated and administered as a qualified Plan under Section 401(a) of the Code and, to the extent applicable, Sections 409 and 4975(e)(7) of the Code and to be in material compliance with all applicable requirements of ERISA (including Titles I and II) and the Code and regulations thereunder as from time to time in effect and applicable to the ESOP.

**6.16 Further Assurances.** Ensure that all written information, exhibits and reports furnished to the Administrative Agent and the Banks do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and promptly disclose to the Administrative Agent and correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgment or recordation thereof, thereby curing any such defect or error.

**6.17 MTA Judgment Bond.** Cause the MTA Judgment Bond to be maintained in connection with Borrower's appeal of the MTA Judgment; provided that (a) the liabilities of Borrower under the MTA Judgment Bond shall be unsecured and the form and substance of the MTA Judgment Bond shall be otherwise acceptable to the Administrative Agent, and (b) the MTA Judgment Bond shall no longer be required if the MTA Judgment is satisfied or vacated or the MTA Judgment Bond is otherwise no longer required to be maintained.

## SECTION 7 NEGATIVE COVENANTS

So long as any Loan remains unpaid, any Letter of Credit Usage remains outstanding, or any other Obligations remain unpaid or unperformed, or any portion of the Commitments remains in force, Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly:

**7.1 Lien Restrictions.** Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien upon any of their respective Property, whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Obligations in accordance with the provisions of Section 6.4), except for the following:

(a) Liens for taxes, assessments or other governmental levies or charges that are not yet delinquent, may be paid without penalty or are being actively contested in a Good Faith Contest;

(b) statutory Liens of landlords, and Liens of carriers, warehousemen, mechanics and materialmen, incurred in the ordinary course of business for sums that are not yet delinquent, may be paid without penalty or are subject to a Good Faith Contest;

(c) Liens on Property of a Subsidiary to secure obligations of such Subsidiary to Borrower;

(d) Liens (other than any Lien imposed by ERISA) incurred, or deposits made, in the ordinary course of business such as workers' compensation Liens or statutory or legal obligation Liens or deposits to support an insurance program, provided, however, that such Liens or deposits were not incurred or made in connection with the borrowing of money, or the obtaining of advances or credit;

(e) minor survey exceptions or minor encumbrances, easements or reservations, and related Liens and incidental Liens, that are necessary for the conduct of the operations of Borrower and its Subsidiaries but were not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not in the aggregate materially detract from the value of the Property of Borrower or its Subsidiaries or materially impair the use thereof in the operation of the businesses of Borrower and its Subsidiaries;

(f) Liens on contract advances and other related advances for which deposits have been received before services have been rendered;

(g) Liens incurred in connection with Non-Recourse Debt;

(h) cash deposited with issuing banks as collateral for Outside Letters of Credit that are permitted under Section 7.13 so long as the aggregate amount of such cash deposits does not exceed the Consolidated Equity limitation set forth in Section 7.13;

(i) Liens on assets consisting of interests in joint ventures or partnerships held by Borrower or its Subsidiaries and the underlying assets in such joint ventures or partnerships granted to the other party in any such joint venture or partnership where Borrower or such Subsidiary holds an interest in such joint venture or partnership of less than 50% so long as (i) no Default or Event of Default has occurred and is continuing, (ii) the aggregate value of all assets subject to such Liens does not exceed 10% of Consolidated Equity and (iii) Borrower or such Subsidiary is granted a Lien in the joint venture or partnership interests and underlying assets held by the other party or parties in such joint venture or partnership;

(j) Liens existing on property at the time of its acquisition pursuant to a Permitted Acquisition or existing on the property of any Person at the time such Person becomes a Subsidiary or is merged into or consolidated with Borrower or any Subsidiary pursuant to a Permitted Acquisition; provided that (i) such Lien was not created in contemplation of such Permitted Acquisition and (ii) the aggregate outstanding principal amount of Debt secured by all such Liens does not exceed \$30,000,000 at any time;

(k) Liens in favor of sureties issued for the benefit of Borrower or any of its Subsidiaries in the ordinary course of their business;

(l) Liens securing Debt not to exceed \$50,000,000 permitted under Section 7.2;

(m) Liens on the capital stock of foreign Subsidiaries granted to the Administrative Agent, for the benefit of the Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks, to secure the Guaranteed Obligations in accordance with the requirements of Section 6.10;

(n) Liens on the capital stock of foreign Subsidiaries granted to the holders of Permitted Private Placement Debt (or an agent or representative for the benefit of such holders) to secure the repayment of such Permitted Private Placement Debt; provided that the Administrative Agent, for the benefit of the Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks, holds a Lien in the same capital stock and the priority of the Lien in such capital stock held by the Administrative Agent is senior to or *pari passu* with the Lien of such holders and the priority thereof is governed by an intercreditor agreement in form and substance satisfactory to the Administrative Agent; and

(o) Liens permitted under Section 7.5.

**7.2 Debt.** Create, incur, assume or suffer to exist any Debt, except for:

(a) Debt under this Agreement and the other Loan Documents;

(b) inter-company indebtedness between Borrower and a Subsidiary or between any two or more Subsidiaries so long as any such inter-company indebtedness owed by Borrower or a Principal Subsidiary to a Principal Subsidiary is subordinated to the Loans pursuant to a subordination agreement in the form of Exhibit J;

(c) any Non-Recourse Debt;

(d) Debt arising under any Hedge Agreements permitted under Section 7.15;

(e) any Permitted Private Placement Debt and any guaranty thereof made by any Guarantor Subsidiary in favor of the holders of such Permitted Private Placement Debt;

(f) direct or contingent obligations under Outside Letters of Credit that are Financial Letters of Credit in an amount not to exceed \$25,000,000 at any time;

(g) unsecured liabilities of Borrower arising from the bond or undertaking required under Section 6.17;

(h) any Debt deemed to exist with respect to any transaction permitted pursuant to Section 7.5; and

(i) Debt not otherwise permitted under clauses (a) through (h) above in an amount not to exceed \$150,000,000 outstanding at any time that is either secured (as permitted under Section 7.1) or unsecured.

**7.3 Loans, Advances and Investments.** Make or permit to remain outstanding, or permit any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any stock, assets, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, except for:

(a) Permitted Investments;

(b) loans, advances and investments existing on the date hereof, as described on Schedule 7.3;

(c) loans and advances (i) between Borrower and its domestic Wholly-Owned Subsidiaries (except Non-Guarantor Subsidiaries) or (ii) between domestic Wholly-Owned Subsidiaries (except Non-Guarantor Subsidiaries);

(d) loans and advances from Borrower to Wholly-Owned Subsidiaries that are Non-Guarantor Subsidiaries or to foreign Wholly-Owned Subsidiaries, the proceeds of which are used by such Subsidiaries solely for working capital and to purchase fixed assets and not to acquire any stock, obligations or securities of, or any other investment in, or make any capital contribution or loan advance to, any Person;

(e) stock of Subsidiaries;

(f) loans and advances to, and investments in, joint ventures, partnerships, and other Persons engaged in the Line of Business, provided that Borrower, a Subsidiary or an Affiliate of Borrower is currently providing, or is contractually obligated to provide, material services to such joint venture, partnership or other Person;

(g) deferred compensation deposits and similar deposits made in the ordinary course of business;

(h) travel advances and related employee expense advances made in the ordinary course of business;

(i) Permitted Acquisitions;

(j) Hedge Agreements permitted under Section 7.15;



(k) loans, advances or extensions of credit to the ESOP Trust for the purchase of shares of stock of Borrower so long as Borrower's Consolidated Equity is at least \$650,000,000 after giving effect to any such loan, advance or extension of credit;

(l) any investment made in connection with any transaction permitted pursuant to Section 7.5; and

(m) other investments that do not exceed \$75,000,000 in the aggregate outstanding at any time.

Notwithstanding the foregoing, neither Borrower nor any of its Subsidiaries shall make any investment pursuant to clause (f) above if such investment would result in an Acquisition that is not a Permitted Acquisition.

**7.4 Merger and Sale of Assets.** Merge with or into or consolidate with, or permit any of its Subsidiaries to merge with or into or consolidate with, any other Person; or sell, lease, transfer or otherwise dispose of any assets if the book value or Fair Market Value (whichever is greater) of all the assets sold, leased, transferred or otherwise disposed of by Borrower and its Subsidiaries in any 12-month period exceeds 10% of Consolidated Equity, calculated as of the end of the most recently ended fiscal quarter, except that:

(a) any Subsidiary may merge with Borrower (provided that Borrower shall be the continuing or surviving corporation) or with or into any domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary, except that a Non-Guarantor Subsidiary may merge with or into another Non-Guarantor Subsidiary, and provided that such domestic Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to Borrower or a domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary;

(c) Borrower or any Subsidiary may dispose of (i) any assets which in the good faith judgment of Borrower are obsolete or otherwise unproductive or (ii) any permitted investment of the type set forth in Section 7.3(a) or (l);

(d) Borrower may merge with another domestic corporation so long as Borrower is the surviving corporation, no Default or Event of Default exists or would result after giving effect to the completion of such merger and such merger would otherwise qualify as a Permitted Acquisition; and

(e) Dispositions of notes and accounts receivable permitted pursuant to Section 7.5.

**7.5 Sale of Receivables.** Sell, or cause or allow any Lien to attach to, any of its notes or accounts receivable, or permit any of its Subsidiaries to do so, except for such sales not exceeding \$150,000,000 in the aggregate in any fiscal year that are (a) at fair-market value (determined by the Borrower in the exercise of its reasonable business judgment) or at a market discount of not more than 20% and (b) without recourse to the Borrower and its Subsidiaries (other than a direct or indirect Wholly-Owned Subsidiary formed for the sole purpose of engaging in such sales and that engages in no business activities other than such sales (any such Wholly-Owned Subsidiary, an "**SPV**")).

**7.6 Subsidiary Restrictions.** Permit any Subsidiary (other than an SPV) to incur or permit to exist any restriction (except statutory and regulatory restrictions imposed by foreign governmental authorities) on such Subsidiary's ability to pay dividends to Borrower or its Subsidiaries or to otherwise transfer earnings or assets to Borrower or its Subsidiaries.

**7.7 Line of Business.** Engage, or permit any of its Subsidiaries to engage, in any business activities or operations substantially different from or unrelated to the Line of Business.

**7.8 ESOP Changes.** (a) Except for amendments required by applicable Laws, permit the modification or waiver of, or any change in, any of the provisions of the ESOP if such modification, waiver or change could reasonably be expected to constitute or cause a Material Adverse Change or (b) fail to give prior notice to the Administrative Agent of each material modification or change in, or material waiver of, any of the provisions of the ESOP.

**7.9 Compliance with ERISA.** Do or permit any of its ERISA Affiliates to do any of the following, without Bank's prior written consent: (a) terminate or withdraw from any Plan so as to result in any material liability to the PBGC; (b) engage in or permit any Person to engage in any Prohibited Transaction involving any Plan which would subject Borrower to any material tax, penalty or other liability; (c) fail to satisfy the minimum funding standard (as defined in Section 302 of ERISA and Section 412 of the Code) involving any Plan, whether or not a waiver of such standard or an extension of an amortization period has been sought or granted; (d) allow or suffer to exist any event or condition, which presents a material risk of incurring a material liability to the PBGC; (e) amend any Plan so as to cause any funding-based limitations to be imposed under Section 436 of the Code; or (f) fail to make payments required under Section 412 of the Code and Section 302 of ERISA which would subject Borrower to any material tax, penalty or other liability. For the purpose of this Section only, a tax, penalty or other liability shall be considered material to Borrower if it is determined in good faith by Bank to be in excess of \$5,000,000 and such tax, penalty or liability of Borrower is not covered in full, for the benefit of Borrower, by insurance.

**7.10 Leverage Ratio.** Permit the Leverage Ratio as of the end of any Measurement Period ending as of the last day of any fiscal quarter of the Borrower, or at any other time, to exceed 3.00 to 1.00; provided, however, that, if in any fiscal quarter thereof the Borrower completes one or more Permitted Acquisitions whose total purchase consideration (including earnout payments and other deferred payments but excluding transaction costs and expenses) is \$75,000,000 or higher, then the maximum Leverage Ratio for such quarter and the next three succeeding fiscal quarters of the Borrower shall be 3.25 to 1.00 and shall thereafter revert to 3.00 to 1.00. For the avoidance of doubt, the period during which the maximum Leverage Ratio shall be increased as described above shall be extended if one or more additional Permitted Acquisitions as described in the foregoing proviso occur after the Permitted Acquisition(s) first giving rise to such increase.

**7.11 Consolidated Fixed Charge Coverage Ratio.** Permit the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Expense to (b) the sum of Consolidated Interest Expense less the portion of Consolidated Interest Expense attributable to Non-Recourse Debt less any non-cash interest charges related to the MTA Judgment taken after the fiscal quarter in which the final MTA Judgment is entered by the court plus Consolidated Lease Expense, in each case as of the end of any Measurement Period ending as of the last day of any fiscal quarter of the Borrower, or at any other time, to be less than 1.50 to 1.00, subject to the application of Section 1.2(c).

**7.12 Restricted Payments.** As to Borrower, (a) declare or pay any dividend on any class of its stock, (b) make any other distribution on any class of its stock, (c) redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock now or hereafter outstanding, (d) make any distribution of assets to its stockholders as such, (e) permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of Borrower, or (f) permit any of its Subsidiaries to make any distribution of cash, stock or any other assets to any stockholder other than Borrower or a domestic Wholly-Owned Subsidiary (all of the foregoing herein called "**Restricted Payments**"); provided, however, that Restricted Payments may be made up to an aggregate amount of \$350,000,000 during any fiscal year of Borrower so long as, after giving effect to each such Restricted Payment, Borrower's Consolidated Equity is at least \$550,000,000.

**7.13 Cash-Secured Outside Letter of Credit Usage.** Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, Outside Letter of Credit Usage with respect to cash-secured Outside Letters of Credit in excess of 5% of Consolidated Equity; provided, however, that if Borrower has at least \$50,000,000 of cash or Permitted Investments that are not subject to any Liens or any other restrictions on use after giving effect to the issuance of any cash-secured Outside Letter of Credit, the foregoing percentage may be increased from 5% to 10%.

**7.14 Transactions with Affiliates.** Enter into any transaction of any kind with any Affiliate of Borrower other than (a) salary, bonus, employee stock option and other compensation arrangements with, and advances to, employees, directors or officers in the ordinary course of business, (b) transactions that are fully disclosed to the board of directors (or the executive committee thereof) of Borrower and expressly authorized by a resolution of the board of directors (or such executive committee) of Borrower which is approved by a majority of the directors (or such executive committee) not having an interest in the transaction, (c) other transactions (including between or among Borrower and its Subsidiaries) on overall terms that are at least as favorable to Borrower and the Guarantor Subsidiaries as would be the case in an arm's-length transaction between unrelated parties of equal bargaining power and (d) transactions expressly permitted under this Agreement. Without limiting the generality of the preceding sentence, in no event shall Borrower pay, or permit any of its Subsidiaries to pay, management fees or fees for services to any Affiliate of Borrower without the prior written approval of the Administrative Agent. For the avoidance of doubt, the sharing of general corporate overhead and other administrative expenses shall not be deemed to constitute a management or service fee.

**7.15 Hedge Agreements.** Enter into any Hedge Agreement, except (a) Hedge Agreements entered into to hedge or mitigate risks to which Borrower or any Subsidiary has actual or anticipated exposure and (b) Hedge Agreements (i) entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of Borrower or any Subsidiary or (ii) that consist of forward currency exchange agreements, forward rate currency options and related “hedging” transactions against fluctuations of commodity prices, exchange rates or forward rates and are entered into in the ordinary course of business and not for speculative purposes.

## SECTION 8 EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

**8.1 Events of Default.** The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an “*Event of Default*”:

(a) **Non-Payment.** (i) Borrower shall fail to pay within five days of when due any interest payable under this Agreement or any fee payable under Section 2.4 or 2.8, or (ii) any Loan Party shall fail to pay when due any principal, expenses, indemnity (or any other amount payable to any Indemnitee) or other amount payable thereby under this Agreement or any other Loan Document, whether at maturity on a specified date, on demand, upon acceleration or otherwise; or

(b) **Misrepresentations.** Any representation or warranty made or deemed made by any Loan Party hereunder or under any other Loan Document, instrument or certificate in connection with any transaction contemplated hereby or in any financial statement furnished to the Administrative Agent or any Bank shall prove to have been false or misleading in any material respect when made or when deemed to have been made; or

(c) **Certain Covenants.** Borrower shall fail to perform or observe any covenant contained in Section 6.3, 6.4, 6.9, 6.10, 6.13 or 6.14 or Section 7; or

(d) **Reporting Covenants.** Borrower shall fail to perform or observe any covenant contained in Section 6.1 or 6.2, and such failure shall not be remedied within five Business Days after the occurrence thereof; or

(e) **Other Covenants.** Any Loan Party shall fail to perform or observe any other agreement, term or condition contained in any Loan Document, and such failure shall not be remedied within 30 days after the occurrence thereof; or

(f) **Cross-Default.** Any breach or default shall occur under any other agreement or agreements involving the borrowing of money, the extension of credit or the leasing of Property, or under one or more Hedge Agreements, where the principal amount outstanding under such agreement or agreements is in the amount of \$25,000,000 or more in the aggregate, and under which Borrower or any Subsidiary may be obligated as borrower, guarantor or lessee, if such default consists of the failure to pay any Debt beyond any period of grace provided with respect thereto or if such default permits or causes the acceleration of any Debt or the termination of any commitment to lend; or

(g) **Debtor Relief Laws.** Borrower or any of its Subsidiaries institutes or consents to the institution of any proceeding under a Debtor Relief Law relating to it or to all or any material part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed for Borrower or any of its Subsidiaries without the application or consent of that Person, and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under a Debtor Relief Law relating to Borrower or any of its Subsidiaries or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days; or

(h) **Litigation.** A final judgment or judgments, not fully covered by insurance, in an aggregate amount in excess of \$40,000,000, or having the potential to exceed \$40,000,000, is rendered against Borrower or any Subsidiary and, within 60 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged; or

(i) **Condemnation.** All, or such as in the opinion of the Requisite Banks constitutes substantially all, of the Property of Borrower shall be condemned, seized or appropriated; or

(j) **ERISA.** (i) Any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified Borrower or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$5,000,000, (iv) Borrower or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) Borrower or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) Borrower or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of Borrower or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to constitute or cause a Material Adverse Change; or

(k) **Invalidity of Loan Documents.** Any material provision of any Loan Document shall for any reason cease to be valid and binding on or enforceable against any Loan Party that is a party thereto, or any Loan Party shall so state in writing or bring an action to limit its obligations or liabilities under any Loan Document to which it is party; or

(l) **Order Decreeing Dissolution of Borrower or any Subsidiary.** Any order, judgment or decree is entered in any proceedings against Borrower or any of its Subsidiaries decreeing the dissolution of Borrower or any of its Subsidiaries and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(m) **Order Decreeing Split-Up of Borrower.** Any order, judgment or decree is entered in any proceedings against Borrower or any Subsidiary decreeing a split-up of Borrower or such Subsidiary which requires the divestiture of assets representing a substantial part, or the divestiture of the stock of a Subsidiary whose assets represent a substantial part, of the consolidated assets of Borrower and its Subsidiaries (determined in accordance with GAAP) or which requires the divestiture of assets, or stock of a Subsidiary, which shall have contributed a substantial part of the consolidated net income of Borrower and its Subsidiaries (determined in accordance with GAAP) for any of the three fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(n) **Default under Master Subsidiary Guaranty.** Any Guarantor Subsidiary shall default in the performance or observance of any term or agreement contained in the Master Subsidiary Guaranty; or

(o) **Ownership of Borrower.** The ESOP Trust shall no longer own beneficially and of record at least 50.1% of the capital stock of Borrower; or the ESOP Trust shall no longer have the ability to elect a majority of the members of the board of directors of the Borrower; or

(p) **ESOP.** The ESOP shall fail to be operated and administered as a qualified plan under Section 401(a) of the Code and, to the extent applicable, Sections 409 and 4975(e)(7) of the Code and in compliance with all applicable requirements of ERISA and the Code and regulations thereunder as from time to time in effect; provided that no Event of Default shall be deemed to have occurred under this subsection (p) if such failure (i) does not result in disqualification of the ESOP under the Code or otherwise and (ii) could not reasonably be expected to constitute or cause a Material Adverse Change.

**8.2 Remedies upon Event of Default.** If any Event of Default occurs and is continuing, the Administrative Agent shall at the request, or may with the consent, of the Requisite Banks take any or all of the following actions:

(a) declare the Commitment of each Bank to make Loans and any obligations of the Issuing Banks hereunder to be terminated, whereupon such commitments and obligations shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon and all fees and other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) require the Borrower to Cash Collateralize the Letter of Credit Usage (in an aggregate amount equal to the Minimum Collateral Amount with respect thereto); and

(d) exercise on behalf of itself, the Banks, the Issuing Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks all rights and remedies available to it, the Banks, the Issuing Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks under the Loan Documents or applicable Laws;

provided, however, that, upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under any Debtor Relief Law, the obligation of each Bank to make Loans and any obligations of the Issuing Banks in respect of Letters of Credit shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest, fees and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the Letter of Credit Usage as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Bank.

**8.3 Application of Funds.** After the exercise of remedies provided for in Section 8.2 (or after the Loans have automatically become immediately due and payable and the Letter of Credit Usage has automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.2) or if at any time insufficient funds are received by and available to the Administrative Agent to pay fully all Guaranteed Obligations then due hereunder, any amounts received on account of the Guaranteed Obligations shall, subject to the provisions of Sections 2.16 and 2.17, be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Guaranteed Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Section 3) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Guaranteed Obligations constituting fees, indemnities and other amounts (other than (i) principal, reimbursement obligations and interest and (ii) fees payable under Sections 2.4 and 2.8) payable to the Banks and the Issuing Banks (including fees, charges and disbursements of counsel to the respective Banks and Issuing Banks (including fees and time charges for attorneys who may be employees of any Bank or Issuing Bank) arising under the Loan Documents and amounts payable under Section 3, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Guaranteed Obligations constituting accrued and unpaid fees payable under Sections 2.4 and 2.8 and interest on the Loans, on unreimbursed Letter of Credit drawings and on other Guaranteed Obligations arising under the Loan Documents, ratably among the Banks and the Issuing Banks in proportion to the respective amounts described in this clause Third payable to them;

Fourth, (i) to payment of that portion of the Guaranteed Obligations constituting unpaid principal of the Loans, unreimbursed Letter of Credit drawings and Guaranteed Obligations then owing to the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks and (ii) to Cash Collateralize that portion of Letter of Credit Usage composed of the aggregate undrawn amount of Letters of Credit to the extent not otherwise Cash Collateralized by the Borrower, ratably among the Administrative Agent, the Banks, the Issuing Banks, the

Guaranteed Hedge Banks and the Guaranteed Cash Management Banks in proportion to the respective amounts described in this clause Fourth held by them; provided that (A) any such amounts applied pursuant to clause (ii) above shall be paid to the Administrative Agent for the ratable account of the applicable Issuing Banks to Cash Collateralize such Letter of Credit Usage, (B) subject to Sections 2.4 and 2.16, amounts used to Cash Collateralize the undrawn amount of Letters of Credit pursuant to this clause Fourth shall be used to satisfy drawings under such Letters of Credit as they occur, and (C) upon the expiration of any Letter of Credit (without any pending drawings), the pro rata share of Cash Collateral shall be distributed in accordance with this clause Fourth;

Fifth, to the payment in full of all other Guaranteed Obligations, in each case ratably among the Administrative Agent, the Banks, the Issuing Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks based upon the respective aggregate amounts of all such Guaranteed Obligations owing to them in accordance with the respective amounts thereof then due and payable; and

Last, the balance, if any, after all of the Guaranteed Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Excluded Swap Obligations with respect to any Guarantor Subsidiary shall not be paid with amounts received from such Guarantor Subsidiary or its assets, but appropriate adjustments shall be made with respect to payments from other Guarantor Subsidiaries or the Borrower to preserve the allocation to Guaranteed Obligations otherwise set forth above in this Section. Each Guaranteed Hedge Bank and Guaranteed Cash Management Bank shall, by its delivery of a Guaranteed Party Designation Notice to the Administrative Agent, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Section 9 for itself and its Affiliates as if a "Bank" party hereto.

## **SECTION 9 AGENCY**

**9.1 Appointment and Authority.** Each of the Banks and the Issuing Banks hereby irrevocably appoints MUFG to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents (MUFG Union Bank, N.A., an affiliate of MUFG that was the "Administrative Agent" under the Existing Credit Agreement, being deemed to have resigned such role effective as of the Closing Date) and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as otherwise provided in Sections 9.6(a) and (b), the provisions of this Section 9 are solely for the benefit of the Administrative Agent, the Banks and the Issuing Banks, and neither the Borrower nor any Guarantor Subsidiary shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Document (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Laws. Instead such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties.



**9.2 Rights as a Bank.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Bank as any other Bank and may exercise the same as though it were not the Administrative Agent, and the term “Bank” or “Banks” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Banks.

**9.3 Exculpatory Provisions.**

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder and thereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Even of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Requisite Banks (or such other number or percentage of the Banks as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Laws, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Bank in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Requisite Banks (or such other number or percentage of the Banks as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances provided in Sections 8 and 10.2) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing the same is given to the Administrative Agent in writing by the Borrower, a Bank or an Issuing Bank.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Section 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) The Administrative Agent shall not be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Disqualified Institutions. Without limiting the generality of the foregoing, the Administrative Agent shall not (i) be obligated to ascertain, monitor or inquire as to whether any Bank or Participant or prospective Bank or Participant is a Disqualified Institution or (ii) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, to any Disqualified Institution.

**9.4 Reliance by Administrative Agent.** The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, increase, reinstatement or renewal of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Bank or an Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Bank or Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Bank or Issuing Bank prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**9.5 Delegation of Duties.** The Administrative Agent may perform any or all of its duties and exercise any or all of its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any or all of their respective duties and exercise any or all of their respective rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section 9 shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facility hereunder as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agent except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

## 9.6 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Banks, the Issuing Banks and the Borrower. Upon receipt of any such notice of resignation, the Requisite Banks shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in New York, New York, or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Requisite Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Requisite Banks) (the “**Resignation Effective Date**”), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Banks and the Issuing Banks, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that in no event shall any such successor Administrative Agent be a Defaulting Bank or a Disqualified Institution. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Bank pursuant to clause (d) of the definition thereof, the Requisite Banks may, to the extent permitted by applicable Laws, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Requisite Banks and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Requisite Banks) (the “**Removal Effective Date**”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable), (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, and (ii) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Bank and Issuing Bank directly, until such time, if any, as the Requisite Banks appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent’s resignation or removal hereunder and under the other Loan Documents, the provisions of this Section 9 and Section 10.3 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

**9.7 Non-Reliance on Administrative Agent and Other Banks.** Each Bank and Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank and Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

**9.8 No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the Arrangers, Syndication Agent and Documentation Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Bank or an Issuing Bank hereunder.

**9.9 Administrative Agent May File Proofs of Claim.** In the case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relating to the Borrower or any Guarantor Subsidiary, the Administrative Agent (irrespective of whether the principal of any Loan or Letter of Credit Usage shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and Letter of Credit Usage and all other Guaranteed Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks, the Issuing Banks and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Banks, the Issuing Banks and the Administrative Agent and their respective agents and counsel and all other amounts due the Banks, the Issuing Banks and the Administrative Agent under Section 10.3) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bank and Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Banks and the Issuing Banks, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel and any other amounts due the Administrative Agent under Section 10.3.

### 9.10 Collateral and Guaranty Matters.

(a) Each Bank (and any other Person for which the Administrative Agent may be acting under the Loan Documents, including each Bank in its capacity as a potential Hedge Bank or Cash Management Bank) irrevocably authorizes the Administrative Agent, at its option and in its discretion,

(i) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (A) upon termination of all Commitments and payment in full of all Guaranteed Obligations (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit (other than Letters of Credit as to which other arrangements satisfactory to the Administrative Agent and the applicable Issuing Bank(s) shall have been made), (B) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted under the Loan Documents or (C) subject to Section 10.2, if approved, authorized or ratified in writing by the Requisite Banks; and

(ii) to release any Guarantor Subsidiary from its obligations under the Master Subsidiary Guaranty if such Person ceases to be a Guarantor Subsidiary as a result of a transaction permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Requisite Banks will confirm in writing the Administrative Agent's authority to release its interest in particular types or items of property, or to release any Guarantor Subsidiary from its obligations under the Master Subsidiary Guaranty pursuant to this Section 9.

(b) The Administrative Agent shall not be responsible for, or have a duty to ascertain or inquire into, any representation or warranty regarding the existence, value or collectability of any collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon or any certificate prepared by the Borrower or any Guarantor Subsidiary in connection therewith, nor shall the Administrative Agent be responsible or liable to the Banks for any failure to monitor or maintain any portion of the collateral.

## SECTION 10 MISCELLANEOUS

**10.1 Cumulative Remedies; No Waiver.** The rights, powers, privileges and remedies of the Administrative Agent and the Banks provided herein or in other Loan Documents are cumulative and not exclusive of any right, power, privilege or remedy provided by law or equity. No failure or delay on the part of the Administrative Agent or any Bank in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Section 4 are inserted for the sole benefit of the Administrative Agent and the Banks; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan or Letter of Credit without prejudicing the Administrative Agent's or the Banks' rights to assert them in whole or in part in respect of any other Loan.

**10.2 Amendments; Consents.** No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent hereunder or thereunder, and no consent to any departure by Borrower therefrom, may in any event be effective unless in a writing signed by the Requisite Banks (and, in the case of any amendment, modification or supplement of or to any Loan Document to which Borrower is a party, signed by Borrower and, in the case of any amendment, waiver or consent affecting the rights or duties of the Administrative Agent or the Swing Line Bank or any Issuing Bank under this Agreement or any other Loan Document, signed by the Administrative Agent, the Swing Line Bank or such Issuing Bank, as applicable), and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all Banks affected thereby, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To reduce the amount of principal, principal prepayment or the rate of interest payable on, any Loan, the amount of the Commitment or the Pro Rata Share of any Bank (other than pursuant to an assignment pursuant to Section 10.8) or the amount of any fee or other amount payable to any Bank under the Loan Documents, or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on any Loan or any installment of any non-use fee;

(c) To extend the term of the Commitments or increase the maximum amount of the Commitments (except as permitted under Section 2.15);

(d) To terminate the Master Subsidiary Guaranty, or to release any Guarantor Subsidiary from liability under the Master Subsidiary Guaranty (except as permitted under Section 10.23);

(e) To amend the definition of "Requisite Banks", Section 4, Section 9, this Section 10.2 or Section 10.10;

(f) To amend any provision of this Agreement that expressly requires the consent or approval of all the Banks; or

(g) To amend or waive Section 10.8 to allow an assignment by Borrower of its obligations hereunder.

Any amendment, modification, supplement, termination, waiver or consent with respect to clauses (c) through (g) above shall be deemed to affect all Banks.

If any Bank does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Bank and that has been approved by the Requisite Banks, the Borrower may replace such Non-Consenting Bank in accordance with Section 3.7(b); provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section shall apply equally to, and shall be binding upon, all the Banks and the Administrative Agent. Notwithstanding anything to the contrary herein, no Defaulting Bank shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Banks or each affected Bank may be effected with the consent of the applicable Banks other than Defaulting Banks), except that (x) the Commitment of any Defaulting Bank may not be increased or extended without the consent of such Bank and (y) any waiver, amendment or modification requiring the consent of all Banks or each affected Bank that by its terms affects any Defaulting Bank more adversely than other affected Banks shall require the consent of such Defaulting Bank.

Notwithstanding anything to the contrary herein the Administrative Agent may, with the prior written consent of the Borrower only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency; provided that in each case such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Requisite Banks to the Administrative Agent within ten Business Days following receipt of notice thereof.

### **10.3 Expenses; Indemnity; Damage Waiver.**

(a) **Costs and Expenses.** The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Administrative Agent, in connection with the syndication of the credit facility provided hereunder, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, extension, reinstatement or renewal of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Bank or any Issuing Bank (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Bank or any Issuing Bank), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent, any Bank or any Issuing Bank, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring, proceeding under any Debtor Relief Law or negotiations in respect of such Loans or Letters of Credit.

(b) **Indemnification by the Borrower.** The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Bank and each Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any

Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or any Guarantor Subsidiary) arising out of, in connection with or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any Property owned or operated by the Borrower or any of its Subsidiaries, or any environmental liability related thereto, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any Guarantor Subsidiary, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (B) result from a claim brought by the Borrower or any Guarantor Subsidiary against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction or (C) result from a claim not involving an act or omission of the Borrower or any Subsidiary and that is brought by an Indemnitee against another Indemnitee (other than against an Arranger or the Administrative Agent in its capacity as such). This Section 10.3(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) **Reimbursement by Banks.** To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), any Issuing Bank, the Swing Line Bank or any Related Party of any of the foregoing, each Bank severally agrees to pay to the Administrative Agent (or any such sub-agent), such Issuing Bank, the Swing Line Bank or such Related Party, as the case may be, such Bank's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Bank's Pro Rata Share at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Bank); provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), such Issuing Bank or the Swing Line Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), such Issuing Bank or any the Swing Line Bank in connection with such capacity. The obligations of the Banks under this paragraph (c) are subject to the provisions of Section 10.4.



(d) **Waiver of Consequential Damages, Etc.** To the fullest extent permitted by applicable Laws, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit, or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) **Payments.** All amounts due under this Section shall be payable not later than 10 days after demand therefor.

(f) **Survival.** Each party's obligations under this Section shall survive the termination of the Loan Documents and payment of the Obligations.

**10.4 Nature of Banks' Obligations.** The obligations of the Banks hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Administrative Agent or the Banks or any of them pursuant hereto or thereto may, or may be deemed to, make the Banks a partnership, an association, a joint venture or other entity, either among themselves or with Borrower or any Affiliate of Borrower. Each Bank's obligation to make any Loan pursuant hereto is several and not joint or joint and several, and in the case of the initial Loan only is conditioned upon the performance by all other Banks of their obligations to make initial Loans. A default by any Bank will not increase the Pro Rata Share attributable to any other Bank. Any Bank not in default may, if it desires, assume in such proportion as the non-defaulting Banks agree the obligations of any Bank in default, but is not obligated to do so.

**10.5 Survival of Representations and Warranties.** All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of Borrower or any of its Subsidiaries, will survive the making of the Extensions of Credit hereunder and the execution and delivery of any Notes, and have been or will be relied upon by the Administrative Agent and each Bank, notwithstanding any investigation made by the Administrative Agent or any Bank or on their behalf.

**10.6 Notices.** Except as otherwise expressly provided in the Loan Documents, all notices, requests, demands, directions and other communications provided for therein shall be given by Requisite Notice and shall be effective as follows:

**Mode of Delivery**

Courier  
Facsimile  
Mail  
Personal delivery  
Telephone

**Effective on earlier of actual receipt and:**

On scheduled delivery date  
When transmission complete  
Fourth Business Day after deposit in U.S. mail  
When received  
When answered

provided, however, that notice to the Administrative Agent pursuant to Section 2 or 9 shall not be effective until actually received by the Administrative Agent. The Administrative Agent and any Bank shall be entitled to rely and act on any notice purportedly given by or on behalf of Borrower even if such notice (a) was not made in a manner specified herein, (b) was incomplete, (c) was not preceded or followed by any other notice specified herein, or (d) the terms of such notice as understood by the recipient varied from any subsequent related notice provided for herein. Borrower shall indemnify the Administrative Agent and any Bank from any loss, cost, expense or liability as a result of relying on any notice permitted herein.

**10.7 Execution of Loan Documents.** Unless the Administrative Agent otherwise specifies with respect to any Loan Document, (a) this Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument and (b) execution of any such counterpart may be evidenced by a telecopier transmission of the signature of such party. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

**10.8 Successors and Assigns.**

(a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Bank, and no Bank may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, express or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Banks) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) **Assignments by Banks.** Any Bank may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (in each case with respect to any Facility) any such assignment shall be subject to the following conditions:

**(i) Minimum Amounts.**

(A) in the case of an assignment of the entire remaining amount of the assigning Bank's Commitment and/or the Loans at the time owing to it or an assignment to a Bank or an Affiliate of a Bank, no minimum amount need be assigned; and

(B) in any case not described in clause (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) **Proportionate Amounts.** Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned.

(iii) **Required Consents.** No consent shall be required for any assignment except to the extent required by clause (b)(i)(B) of this Section, and in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment, or (2) such assignment is to a Bank or an Affiliate of a Bank; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice thereof; and provided, further, that the Borrower's consent shall not be required during the primary syndication of the credit facility provided hereunder;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for an assignment to a Person that is not a Bank or an Affiliate of a Bank; and

(C) the consent of each Issuing Bank and the Swing Line Bank shall be required for any assignment.

(iv) **Assignment and Assumption.** The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Bank, shall deliver to the Administrative Agent an Administrative Questionnaire in the form supplied by the Administrative Agent.

(v) **No Assignment to Certain Persons.** No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries or (B) to any Defaulting Bank or any of its Subsidiaries or any Person that, upon becoming a Bank hereunder, would constitute a Defaulting Bank or a Subsidiary thereof.

(vi) **No Assignment to Natural Persons.** No such assignment shall be made to a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person).

(vii) **Certain Additional Payments.** In connection with any assignment of rights and obligations of any Defaulting Bank hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Bank, to each of which the applicable assignee and assignor hereby irrevocably consent), to (A) pay and satisfy in full all payment liabilities then owed by such Defaulting Bank to the Administrative Agent, each Issuing Bank, each Swing Line Bank and each other Bank hereunder (and interest accrued thereon) and (B) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swing Line Loans in accordance with its Pro Rata Share. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Bank hereunder shall become effective under applicable Laws without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Bank for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3, 10.3 and 10.11 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Bank will constitute a waiver or release of any claim of any party hereunder arising from that Bank's having been a Defaulting Bank. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) **Register.** The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in New York, New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amounts (and stated interest)

of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the “**Register**”). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Banks shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) **Participations.** Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than to a natural Person or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person or to the Borrower or any of the Borrower’s Affiliates) (each a “**Participant**”) in all or a portion of such Bank’s rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Bank’s obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower, the Administrative Agent, the Issuing Banks and the Banks shall continue to deal solely and directly with such Bank in connection with such Bank’s rights and obligations under this Agreement. For the avoidance of doubt, each Bank shall be responsible for the indemnity under Section 10.3(c) without regard to the existence of any participations.

Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, modification or waiver described in Section 10.2 that requires the unanimous consent of the Banks and affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2 and 3.5 (subject to the requirements and limitations therein, including the requirements under Section 3.1(g) (it being understood that the documentation required under Section 3.1(g) shall be delivered to the participating Bank)) to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (i) agrees to be subject to the provisions of Section 3.7 as if it were an assignee under paragraph (b) of this Section; and (ii) shall not be entitled to receive any greater payment under Section 3.1 or 3.2, with respect to any participation, than its participating Bank would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Bank that sells a participation agrees, at the Borrower’s request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 3.7(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.9 as though it were a Bank; provided that such Participant agrees to be subject to Section 10.10 as though it were a Bank. Each Bank that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under the Loan Documents (the “**Participant Register**”); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information

relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) **Certain Pledges.** Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(f) **Disqualified Institutions.** (i) No assignment or participation shall be made to, and no increase in the Commitments pursuant to Section 2.15 (an "**Incremental Commitment**") shall be provided by, any Person that was a Disqualified Institution as of the date (the "**Trade Date**") on which the assigning Bank entered into a binding agreement to sell and assign all or a portion of its rights and obligations under this Agreement to such Person or on the effective date of the applicable Incremental Commitment, as the case may be (unless the Borrower has consented to such assignment or Incremental Commitment in writing in its sole and absolute discretion, in which case such Person will not be considered a Disqualified Institution for the purpose of such assignment, participation or Incremental Commitment). For the avoidance of doubt, with respect to any assignee or any Person that provides an Incremental Commitment (an "**Incremental Bank**") and, in either case, becomes a Disqualified Institution after the applicable Trade Date (including as a result of the delivery of a notice pursuant to, and/or the expiration of the notice period referred to in, the definition of "Disqualified Institution"), (A) such assignee or Incremental Bank shall not retroactively be disqualified from becoming a Bank, and (B) the execution by the Borrower of an Assignment and Assumption with respect to such assignee or a joinder with respect to such Incremental Bank will not by itself result in such assignee or Incremental Bank no longer being considered a Disqualified Institution. Any assignment or Incremental Commitment in violation of this clause (f)(i) shall not be void, but the other provisions of this clause (f) shall apply.

(ii) If any assignment or participation is made to, or any Incremental Commitment is provided by, any Disqualified Institution without the Borrower's prior written consent in violation of clause (i) above, or if any Person becomes a Disqualified Institution after the applicable Trade Date, the Borrower may, at its sole expense and effort, upon notice to the applicable Disqualified Institution and the Administrative Agent, (A) terminate the Commitment of such Disqualified Institution and repay all obligations of the Borrower owing to such Disqualified Institution in connection with such Commitment and/or (B) require such Disqualified Institution to assign, without recourse (in accordance with and subject to the restrictions contained in this Section 10.8), all of its interest, rights and obligations under this Agreement to one or more Eligible Assignees at the lesser of (1) the principal amount thereof and (2) the amount that such Disqualified Institution paid to acquire such interests, rights and obligations, in each case plus accrued interest, accrued fees and all other amounts (other than principal amounts) payable to it hereunder.

(iii) Notwithstanding anything to the contrary contained in this Agreement, Disqualified Institutions (A) will not (1) have the right to receive information, reports or other materials provided to Banks by the Borrower, the Administrative Agent or any other Bank, (2) attend or participate in meetings attended by the Banks and the Administrative Agent or (3) access any electronic site established for the Banks or confidential communications from counsel to or financial advisors of the Administrative Agent or the Banks, and (B) (1) for purposes of any consent to any amendment, waiver or modification of, or any action under, and for the purpose of any direction to the Administrative Agent or any Bank to undertake any action (or refrain from taking any action) under this Agreement or any other Loan Document, each Disqualified Institution will be deemed to have consented in the same proportion as the Banks that are not Disqualified Institutions consented to such matter, and (2) for purposes of voting on any plan of reorganization or plan of liquidation pursuant to any Debtor Relief Law (a “**Debtor Relief Plan**”), each Disqualified Institution party hereto hereby agrees (a) not to vote on such Debtor Relief Plan, (b) if such Disqualified Institution does vote on such Debtor Relief Plan notwithstanding the restriction in the foregoing clause (a), such vote will be deemed not to be in good faith and shall be “designated” pursuant to Section 1126(e) of the U.S. Bankruptcy Code (or any similar provision in any other Debtor Relief Laws), and such vote shall not be counted in determining whether the applicable class has accepted or rejected such Debtor Relief Plan in accordance with Section 1126(c) of the U.S. Bankruptcy Code (or any similar provision in any other Debtor Relief Laws) and (c) not to contest any request by any party for a determination by the Bankruptcy Court (or other applicable court of competent jurisdiction) effectuating the foregoing clause (b).

(iv) The Administrative Agent shall have the right, and the Borrower hereby expressly authorizes the Administrative Agent, to (A) post the list of Disqualified Institutions provided by the Borrower and any updates thereto from time to time (collectively the “**DQ List**”) on any electronic site established for the Banks, including that portion of such site that is designated for “public side” Banks and/or (B) provide the DQ List to each Bank requesting the same.

**10.9 Right of Setoff.** If an Event of Default shall have occurred and be continuing, each Bank, each Issuing Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Laws, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held, and other obligations (in whatever currency) at any time owing, by such Bank, such Issuing Bank or any such Affiliate, to or for the credit or the account of the Borrower or any Guarantor Subsidiary against any and all of the obligations of the Borrower or such Guarantor Subsidiary now or hereafter existing under this Agreement or any other Loan Document to such Bank or such Issuing Bank or their respective Affiliates, irrespective of whether or not such Bank, Issuing Bank or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Guarantor Subsidiary may be contingent or unmatured or are owed to a branch, office or Affiliate of such Bank or such Issuing Bank different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; provided that, in the event that any Defaulting

Bank shall exercise any such right of setoff, (a) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.16 and, pending such payment, shall be segregated by such Defaulting Bank from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Banks and the Banks, and (b) such Defaulting Bank shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Guaranteed Obligations owing to such Defaulting Bank as to which it exercised such right of setoff. The rights of each Bank, each Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Bank, such Issuing Bank or their respective Affiliates may have. Each Bank and Issuing Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

**10.10 Sharing of Payments by Banks.** If any Bank shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any of its Loans, participations in Letters of Credit or Swing Line Loans, or other obligations hereunder resulting in such Bank receiving payment of a proportion of the aggregate amount of its Loans, participations in Letters of Credit or Swing Line Loans, or other obligations hereunder greater than its Pro Rata Share thereof as provided herein, then the Bank receiving such greater proportion shall (a) notify the Administrative Agent of such fact and (b) purchase (for cash at face value) participations in the Loans, participations in Letters of Credit or Swing Line Loans, and such other obligations of the other Banks, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Banks ratably in accordance with the aggregate amount of principal, participations in Letters of Credit or Swing Line Loans, and such other obligations owing to them; provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this paragraph shall not be construed to apply to (i) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Bank or Disqualified Institution), (ii) the application of Cash Collateral provided for herein or (iii) any payment obtained by a Bank as consideration for the assignment of or sale of a participation in any of its Loans or participations in Letter of Credit Usage to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this paragraph shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable Laws, that any Bank acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Bank were a direct creditor of the Borrower in the amount of such participation.



**10.11 Nonliability of the Banks.** Borrower acknowledges and agrees that:

(a) Any inspections of any Property of Borrower made by or through the Administrative Agent or the Banks are for purposes of administration of the Extensions of Credit only and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to the Administrative Agent or the Banks pursuant to the Loan Documents, neither the Administrative Agent nor the Banks shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Administrative Agent or the Banks;

(c) The relationship between Borrower and the Administrative Agent and the Banks is, and shall at all times remain, solely that of borrowers and lenders; neither the Administrative Agent nor the Banks shall under any circumstance be construed to be partners or joint venturers of Borrower or its Affiliates; neither the Administrative Agent nor the Banks shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; neither the Administrative Agent nor the Banks undertake or assume any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their Property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Administrative Agent or the Banks in connection with such matters is solely for the protection of the Administrative Agent and the Banks and neither Borrower nor any other Person is entitled to rely thereon; and

(d) The Administrative Agent and the Banks shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property caused by the actions, inaction or negligence of Borrower and/or its Affiliates and Borrower hereby indemnifies and holds the Administrative Agent and the Banks harmless from any such loss, damage, liability or claim.

**10.12 No Third Parties Benefited.** This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower, the Administrative Agent and the Banks in connection with the Loans, and is made for the sole benefit of Borrower, the Administrative Agent and the Banks, and the Administrative Agent's and the Banks' successors and assigns. Except as otherwise expressly provided herein, no other Person shall have any rights of any nature hereunder or by reason hereof.

**10.13 Confidentiality.** Each Bank agrees to hold any confidential information that it may receive from Borrower pursuant to this Agreement in confidence, except for disclosure: (a) to a Bank's Affiliates; (b) to other Banks and their Affiliates; (c) to legal counsel and accountants for Borrower or any Bank; (d) to other professional advisors to Borrower or any Bank, provided that the recipient has accepted such information subject to a confidentiality agreement

substantially similar to this Section; (e) to regulatory officials having jurisdiction over that Bank; (f) as required by law or legal process or in connection with any legal proceeding to which that Bank and Borrower are adverse parties; (g) to another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that Bank's interests hereunder or a participation interest in its Loans; (h) to any credit insurance provider or direct, indirect, actual or prospective counterparty (and its advisor) to any swap, derivative or securitization transaction related to the Obligations under this Agreement; and (i) as Borrower may otherwise agree in writing; provided that the recipient under clause (g) or (h) above has agreed to treat such information confidentially on a basis similar to the foregoing. For purposes of the foregoing, "confidential information" shall mean any information respecting Borrower or its Subsidiaries reasonably considered by Borrower to be confidential, other than (i) information previously filed with any Governmental Authority and available to the public, (ii) information previously published in any public medium from a source other than, directly or indirectly, that Bank, and (iii) information previously disclosed by Borrower to any Person not associated with Borrower without a confidentiality agreement or obligation substantially similar to this Section. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of the Administrative Agent or the Banks to Borrower.

**10.14 Further Assurances.** Borrower and its Subsidiaries shall, at their expense and without expense to the Banks or the Administrative Agent do, execute and deliver such further acts and documents as any Bank or the Administrative Agent from time to time reasonably requires to assure and confirm the rights hereby created or intended or to carry out the intention or to facilitate the performance of the terms of any Loan Document.

**10.15 Integration.** This Agreement, together with the other Loan Documents and any letter agreements referred to herein, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Banks in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

**10.16 Failure to Charge Not Subsequent Waiver.** Any decision by the Administrative Agent or any Bank not to require payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of the Administrative Agent's or such Bank's right to require full payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

### 10.17 Governing Law; Jurisdiction; Etc.

(a) **Governing Law.** This Agreement and the other Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of New York.

(b) **Jurisdiction.** The Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Administrative Agent, any Bank, any Issuing Bank, or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York sitting in New York County and the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York state court or, to the fullest extent permitted by applicable Laws, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent, any Bank or any Issuing Bank may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(c) **Waiver of Venue.** The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable Laws, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Laws, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) **Service of Process.** Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 10.6. Nothing in this Agreement shall affect the right of any party hereto to serve process in any other manner permitted by applicable Laws.

**10.18 Severability of Provisions.** Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable. Without limiting the foregoing provisions of this Section 10.18, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Banks shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, an Issuing Bank or the Swing Line Bank, as applicable, then such provisions shall be deemed to be in effect only to the extent not so limited.

**10.19 Headings.** Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

**10.20 Time of the Essence.** Time is of the essence of the Loan Documents.

**10.21 Waiver of Right to Trial by Jury.** EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

**10.22 Purported Oral Amendments.** BORROWER EXPRESSLY ACKNOWLEDGES THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 10.2. BORROWER AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE ADMINISTRATIVE AGENT OR ANY BANK THAT DOES NOT COMPLY WITH SECTION 10.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

**10.23 Release of Guarantors.** Upon receipt of a Request for Release duly executed by Borrower and otherwise in form and substance acceptable to the Administrative Agent, certifying that (a) a Guarantor Subsidiary has ceased to be a Principal Subsidiary, (b) no Default or Event of Default has occurred and is then continuing, (c) the Guarantor Subsidiaries (other than the Guarantor Subsidiary referred to in clause (a) hereof), together with any foreign Subsidiaries whose stock is pledged pursuant to Section 6.10, have revenues in the aggregate constituting at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower, for which financial statements have been delivered pursuant to Section 6.1, and (d) that the representations and warranties of Borrower contained in Section 5 hereof are true and correct in all material respects, the Administrative Agent may, by executing and delivering a Release to Borrower, release such Guarantor Subsidiary from its obligations under the Master Subsidiary Guaranty.

**10.24 USA PATRIOT Act Notice.** Each Bank that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify Borrower in accordance with the Act.

**10.25 Intercreditor Agreement.**

(a) Each Bank (i) acknowledges that, in connection with Borrower’s incurrence of Permitted Private Placement Debt, an intercreditor agreement will be entered into among the Administrative Agent (on behalf of the Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks), the holders of the Permitted Private Placement Debt (or an agent or representative on their behalf), Borrower and the Guarantor Subsidiaries providing that the right to payment and lien priority in any collateral will be *pari passu* as between the Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks, with respect to the Guaranteed Obligations, and such holders, with respect to the Permitted Private Placement Debt (each an “**Intercreditor Agreement**”), (ii) shall receive and have an opportunity to review and approve such Intercreditor Agreement prior to its becoming effective, (iii) agrees that it will be bound by and will take no actions contrary to the provisions of such Intercreditor Agreement, (iv) authorizes and instructs the Administrative Agent to enter into such Intercreditor Agreement as the Administrative Agent and on behalf of such Bank and (v) consents to the *pari passu* ranking of its right to payment and lien priority with the Permitted Private Placement Debt on the terms set forth in such Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of any such Intercreditor Agreement and this Agreement, the provisions of such Intercreditor Agreement shall control.

(b) Each of the Administrative Agent and the Banks (i) acknowledges that, in connection with the Borrower’s incurrence of Permitted Private Placement Debt prior to the Closing Date, MUFG Union Bank, N.A. (under its former name “Union Bank, N.A.”), in its capacity as “Administrative Agent” under the Existing Credit Agreement, entered into an Intercreditor Agreement dated as of July 1, 2014 (the “**Existing Intercreditor Agreement**”) with the Borrower, certain Subsidiaries of the Borrower identified on the signature pages thereof and the parties identified on the signature pages thereof as the “Initial Note Holders,” (ii) it has received and had the opportunity to review the Existing Intercreditor Agreement, and (iii) by executing this Agreement (or becoming a party to this Agreement after the Closing Date), it (A) approves the Existing Intercreditor Agreement, (B) agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement, (C) authorizes and instructs the Administrative Agent, as the Administrative Agent and on behalf of such Bank, to enter into any confirmation and/or reaffirmation of the Existing Intercreditor Agreement that may be reasonably requested by the Borrower or any of the Initial Note Holders and (D) consents to the *pari passu* ranking of its right to payment and lien priority with the Permitted Private Placement Debt on the terms set forth in such Existing Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of the Existing Intercreditor Agreement and this Agreement, the provisions of the Existing Intercreditor Agreement shall control.

**10.26 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any of the parties hereto, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority, and each party hereto also agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder that may be payable to such party by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all or a portion of such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking or a bridge institution that may be issued to such party or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; and

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

**10.27 Judgment Currency.** If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any under any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of each Loan Party in respect of any such sum due from it to the Administrative Agent or any Bank hereunder or under any other Loan Document shall, notwithstanding any judgment in a currency (the "**Judgment Currency**") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "**Agreement Currency**"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Bank, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Bank, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Bank from any Loan Party in the Agreement Currency, such Loan Party agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Bank, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Bank in such currency, the Administrative Agent or such Bank, as the case may be, agrees to return the amount of any excess to such Loan Party (or to any other Person that may be entitled thereto under applicable Laws).

**10.28 No Substitution or Novation.** Nothing contained in this Agreement shall be construed as a substitution or novation of the obligations outstanding under the Existing Credit Agreement or the other Existing Loan Documents (as defined below), which shall remain in full force and effect except as modified hereby or by instruments executed concurrently herewith. Nothing expressed or implied in this Agreement shall be construed as a release or other discharge of the Borrower or any Guarantor Subsidiary from any of its obligations or liabilities under the Existing Credit Agreement or any of the other “Loan Documents” executed in connection therewith (together the “**Existing Loan Documents**”). Each of the Loan Parties hereby (a) confirms and agrees that each Existing Loan Document to which it is a party that is not being amended and restated concurrently herewith is and shall continue to be in full force and effect and is hereby ratified and confirmed in all respects, except that on and after the Closing Date all references in any such Existing Loan Document to “the Credit Agreement,” “thereto,” “thereof,” “thereunder” or words of like import referring to the Existing Credit Agreement shall mean and be a reference to the Existing Credit Agreement as amended and restated by this Agreement, and (b) confirms and agrees that, to the extent that any such Existing Loan Document purports to grant a Lien on any Property as security for any or all of the Guaranteed Obligations of the Loan Parties under any or all of the Existing Loan Documents, such Lien is hereby ratified and confirmed in all respects in favor of the Administrative Agent with respect to this Agreement and the other Loan Documents.

*[Rest of page intentionally left blank; signature pages follow]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**PARSONS CORPORATION**, a Delaware corporation

By: /s/ Shelley Green  
Name: Shelley Green  
Title: Vice President—Treasury and Risk  
Management



**THE BANK OF TOKYO-MITSUBISHI UFJ,  
LTD., as the Administrative Agent**

By: /s/ Lauren Hom

Name: Lauren Hom

Title: Director

**THE BANK OF TOKYO-MITSUBISHI UFJ,  
LTD., as the Swing Line Bank and a Bank**

By: /s/ Lauren Hom

Name: Lauren Hom

Title: Director

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as the Syndication Agent  
and a Bank**

By: /s/ Mark B. Felker

Name: Mark B. Felker

Title: Managing Director

**THE BANK OF NOVA SCOTIA**, as a  
Documentation Agent and a Bank

By: /s/ Michael Grad

Name: Michael Grad

Title: Director

By: /s/ Ling Li

Name: Ling Li

Title: Executive Director

By: /s/ Katsuyuki Kubo

Name: Katsuyuki Kubo

Title: Managing Director

**US BANK NATIONAL ASSOCIATION**, as a  
Documentation Agent and a Bank

By: /s/ Glenn Leyrer

Name: Glenn Leyrer

Title: Vice President

S-7

By: /s/ Mukesh Singh

Name: Mukesh Singh

Title: Director

**BNP PARIBAS**, as a Bank

By: /s/ Jamie Dillon

Name: Jamie Dillon

Title: Managing Director

By: /s/ Mary-Ann Wong

Name: Mary-Ann Wong

Title: Vice President



**FIRST AMENDMENT**  
**TO**  
**FIFTH AMENDED AND RESTATED CREDIT AGREEMENT**

This First Amendment to Fifth Amended and Restated Credit Agreement (this “**Amendment**”), dated as of January 4, 2019, is made by and among Parsons Corporation, a Delaware corporation (“**Borrower**”), the Banks party to the Credit Agreement referred to below and MUFG Bank Ltd. (under its previous name “The Bank of Tokyo Mitsubishi UFJ, Ltd.”), as administrative agent for the Banks (the “**Administrative Agent**”).

Recitals

This Amendment is made with reference to the following facts:

A. Borrower, MUFG Bank, Ltd. (under its previous name “The Bank of Tokyo Mitsubishi UFJ, Ltd.”), as the Administrative Agent and as swing line lender, and the other banks named therein are party to the Fifth Amended and Restated Credit Agreement dated as of November 15, 2017 (as amended, restated or otherwise modified from time to time, the “**Credit Agreement**”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth for such terms in the Credit Agreement, and the rules of interpretation set forth in Section 1.4 of the Credit Agreement are incorporated herein by reference.

B. Subject to the terms and conditions set forth herein, the parties to the Credit Agreement have agreed to amend the Credit Agreement as set forth below.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants and benefits contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, the Administrative Agent and the Banks agree as follows:

**1. AMENDMENT OF CREDIT AGREEMENT**

1.1 Section 1.1 (Terms) Section 1.1 of the Credit Agreement is amended by inserting the following new definitions in the appropriate alphabetical location therein:

“**Asset Disposition**” means any Transfer except: (a) any Transfer from a Subsidiary to the Borrower or a Wholly-Owned Subsidiary and any Transfer from the Borrower to a Wholly-Owned Subsidiary, so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default shall exist; and (b) any Transfer made in the ordinary course of business and involving only property that is either (i) inventory held for sale or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Borrower or any of its Subsidiaries or that is obsolete.

**“Beneficial Ownership Certification”** means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

**“Beneficial Ownership Regulation”** means 31 C.F.R. § 1010.230.

**“Benefit Plan”** means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan.”

**“Debt Prepayment Application”** means, with respect to any Transfer of property, the application by the Borrower or its Subsidiaries of cash in an amount equal to the Net Proceeds Amount with respect to such Transfer to pay Senior Debt of the Borrower (other than Senior Debt owing to any of its Subsidiaries or any Affiliate and Senior Debt in respect of any revolving credit or similar credit facility providing the Borrower with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Debt the availability of credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of such Senior Debt).

**“First Amendment Effective Date”** means the date on which the First Amendment to Fifth Amended and Restated Credit Agreement dated as of January 4, 2019 among Borrower, the Administrative Agent and the Banks became effective.

**“Net Proceeds Amount”** means, with respect to any Transfer of any asset by the Borrower or any Subsidiary thereof, an amount equal to the difference of (a) the aggregate amount of consideration (valued at the Fair Market Value thereof by the Borrower or such Subsidiary in good faith) received by the Borrower or Subsidiary in respect of such Transfer, minus (b) all applicable taxes and all ordinary and reasonable out-of-pocket costs and expenses actually incurred by the Borrower or Subsidiary in connection with such Transfer.

**“Property Reinvestment Application”** means, with respect to any Asset Disposition, the application of the Net Proceeds Amount (or a portion thereof) with respect to such Asset Disposition to the acquisition by the Borrower or any Subsidiary of fixed or capital assets of the Borrower or any Subsidiary to be used in the business of such Person.

**“PTE”** means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

“**Senior Debt**” means any Debt of Borrower other than Debt that is in any manner subordinated in right of payment or security in any respect to the Debt evidenced by this Agreement and the Notes.

“**Term Loan Agreement**” means the Term Loan Agreement dated as of January 4, 2019 among the Borrower, MUFG Union Bank, N.A., as administrative agent, and the other financial institutions party thereto, including any refinancing or replacement thereof from time to time.

“**Transfer**” means, with respect to any Person, any transaction (including by merger, consolidation or disposition of all or substantially all of the assets of such Person) in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including Subsidiary equity interests. “Transfer” shall also include the creation of minority interests in connection with any merger or consolidation involving a Subsidiary if the resulting entity is owned, directly or indirectly, by the Borrower in a proportion less than the proportion of ownership of such Subsidiary by the Borrower immediately preceding such merger or consolidation.

1.2 Section 1.1 (Terms). The definition of “Permitted Private Placement Debt” in Section 1.1 of the Credit Agreement is amended by amending and restating clause (e) of that definition to read as follows:

(e) the maturity date of all such Debt is no earlier than the date that is one year after the date referenced in clause (a) of the definition of “Maturity Date”, provided that up to \$50,000,000 of such Debt may mature on or after July 15, 2021.

1.3 Section 1.2 (Accounting Terms). Section 1.2(b) of the Credit Agreement is amended by adding a new sentence at the conclusion of such Section, to read as follows:

For the avoidance of doubt, the implementation of Accounting Standards Update No. 2016-02, *Leases*, shall constitute a change in GAAP for purposes of this Section 1.2(b).

1.4 New Section 1.6 (Divisions). A new Section 1.6 is added to the Credit Agreement, to read as follows:

**1.6 Divisions.** For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person; and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first day of its existence by the holders of its equity interests at such time.

1.5 Section 6.2 (Certificates, Notices and Other Information) Section 6.2 of the Credit Agreement is amended by (i) deleting the word “and” at the end of Section 6.2(e) and (ii) amending and restating Section 7.2(f) in its entirety and adding a new Section 7.2(g), so as to read as follows:

(f) promptly after request, such information and documentation as reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable “know your customer” and anti-money-laundering rules and regulations, including the PATRIOT Act and the Beneficial Ownership Regulation; and

(g) promptly after request, such other information respecting the condition, financial or otherwise, or operations of Borrower and its Subsidiaries as the Administrative Agent or any Bank (through the Administrative Agent) may reasonably request.

1.6 Section 6.4 (Covenant to Secure Obligations Equally). Section 6.4 of the Credit Agreement is amended and restated in its entirety to read as follows:

**6.4 Covenant to Secure Obligations Equally.** If Borrower or any Subsidiary shall create or assume any Lien upon any of its Property, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 7.1 (unless prior written consent to the creation or assumption thereof shall have been obtained from the Requisite Banks), make or cause to be made effective a provision whereby the Guaranteed Obligations will be secured by such Lien equally and ratably with any and all other Debt thereby secured so long as any such other Debt shall be so secured; provided that, (a) notwithstanding the foregoing, this covenant shall not be construed as a consent by the Banks to any creation or assumption of any such Lien not permitted by the provisions of Section 7.1, and (b) other than (i) the Term Loan Agreement, (ii) any agreements pursuant to which any Permitted Private Placement Debt is issued and (iii) any agreements pursuant to which any Debt permitted pursuant to Section 7.2(j) is issued (so long as, in the case of the agreements referenced in this clause (iii), such prohibitions are no more restrictive than the corresponding provisions of this Agreement), neither Borrower nor any of its Subsidiaries shall be a party to any agreement prohibiting, or amend any agreement to prohibit, the creation or assumption of any Lien in favor of the Administrative Agent, any Issuing Bank or any Bank upon its Property, whether now owned or hereafter acquired.

1.7 Section 7.1 (Lien Restrictions). Section 7.1(n) of the Credit Agreement is amended and restated in its entirety to read as follows:

(n) Liens on the capital stock of foreign Subsidiaries granted to (i) the holders of the “Guaranteed Obligations” under the Term Loan Agreement (or an agent or representative for the benefit of such holders) to secure the repayment of

such “Guaranteed Obligations,” (ii) the holders of Permitted Private Placement Debt (or an agent or representative for the benefit of such holders) to secure the repayment of such Permitted Private Placement Debt and (iii) the holders of any Debt permitted pursuant to Section 7.2(j) (or an agent or representative for the benefit of such holders) to secure the repayment of such Debt; provided that the Administrative Agent, for the benefit of the Banks, the Guaranteed Hedge Banks and the Guaranteed Cash Management Banks, holds a Lien on the same capital stock and the priority of the Lien on such capital stock held by the Administrative Agent is senior to or *pari passu* with the Lien of such holders and the priority thereof is governed by an intercreditor agreement in form and substance satisfactory to the Administrative Agent; and

1.8 Section 7.2 (Debt). Section 7.2 of the Credit Agreement is amended by amending and restating Section 7.2(i) in its entirety and adding a new Section 7.2(j), so as to read as follows:

(i) the “Guaranteed Obligations” under the Term Loan Agreement, provided that the “Outstanding Obligations” thereunder do not exceed \$150,000,000 in principal amount outstanding at any time, and any guaranty thereof made by any Guarantor Subsidiary in favor of the holders of such “Guaranteed Obligations”; and

(j) Debt not otherwise permitted under clauses (a) through (i) above in a principal amount not to exceed \$150,000,000 outstanding at any time that is either secured (as permitted under Section 7.1) or unsecured and any guaranty thereof made by any Guarantor Subsidiary in favor of the holders of such Debt.

1.9 Section 7.4 (Merger and Sale of Assets). Section 7.4 of the Credit Agreement is amended and restated in its entirety to read as follows:

**7.4 Merger and Sale of Assets.** Merge with or into or consolidate with, or permit any of its Subsidiaries to merge with or into or consolidate with, any other Person, or sell, lease, transfer or otherwise dispose of any assets if the book value or Fair Market Value (whichever is greater) of all Asset Dispositions by Borrower and its Subsidiaries in any 12-month period exceeds 10% of Consolidated Equity, calculated as of the end of the most recently ended fiscal quarter, except that:

(a) any Subsidiary may merge with Borrower (provided that Borrower shall be the continuing or surviving corporation) or with or into any domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary, except that a Non-Guarantor Subsidiary may merge with or into another Non-Guarantor Subsidiary, and provided that such domestic Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to Borrower or a domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary;

(c) Borrower or any Subsidiary may dispose of (i) any assets which in the good faith judgment of Borrower are obsolete or otherwise unproductive or (ii) any permitted investment of the type set forth in Section 7.3(a) or (l);

(d) Borrower may merge with another domestic corporation so long as Borrower is the surviving corporation, no Default or Event of Default exists or would result after giving effect to the completion of such merger and such merger would otherwise qualify as a Permitted Acquisition; and

(e) Dispositions of notes and accounts receivable permitted pursuant to Section 7.5 shall be permitted.

If the Net Proceeds Amount for any Transfer is, within 365 days after such Transfer, (i) applied to a Debt Prepayment Application, (ii) applied to or would otherwise constitute a Property Reinvestment Application or (iii) applied to any combination of the foregoing clauses (i) and (ii), then such Transfer, for the purpose of determining compliance with this Section 7.4, shall be deemed not to be an Asset Disposition.

1.10 New Section 10.29. A new Section 10.29 is added to the Credit Agreement, to read as follows:

**10.29 Certain ERISA Matters.**

(a) Each Bank represents and warrants, as of the date such Person became a Bank party hereto (or, if later, the First Amendment Effective Date), to, and covenants, from such to the date such Person ceases being a Bank party hereto, for the benefit of, the Administrative Agent, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any Guarantor, that at least one of the following is and will be true:

(i) such Bank is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Bank’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions

involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Bank's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement;

(iii) (A) such Bank is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Bank to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfy the requirements of sub-sections (b) through (g) of Part I of PTE 84-14, and (D) to the best knowledge of such Bank, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Bank's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Bank.

(b) In addition, unless either sub-clause (i) in the immediately preceding clause (a) is true with respect to a Bank or a Bank has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Bank further represents and warrants, as of the date such Person became a Bank party hereto (or, if later, the First Amendment Effective Date), to, and covenants, from such date to the date such Person ceases being a Bank party hereto, for the benefit of, the Administrative Agent, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any Guarantor, that the Administrative Agent is not a fiduciary with respect to the assets of such Bank involved in such Bank's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

## 2. CONDITIONS PRECEDENT

The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

2.1 Documentation.

(a) The Administrative Agent shall have received this Amendment, duly executed by Borrower and the Requisite Banks;

(b) The Administrative Agent shall have received a Consent to this Amendment from the Guarantor Subsidiaries, in the form of Annex 1 hereto;

(c) The Administrative Agent shall have received such additional agreements, certificates, reports, approvals, instruments, documents, consents and/or reaffirmations as the Administrative Agent may reasonably request; and

(d) If the Borrower or any Guarantor qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, the Administrative Agent shall have received a Beneficial Ownership Certification in relation to the Borrower or such Guarantor.

2.2 Representations and Warranties. All of Borrower’s representations and warranties contained herein shall be true and correct on and as of the date of execution hereof, and no Event of Default shall have occurred and be continuing under the Credit Agreement or any of the other Loan Documents, as modified hereby.

3. REPRESENTATIONS AND WARRANTIES. Borrower hereby reaffirms and restates, as of the date hereof, all of the representations and warranties made by Borrower in the Credit Agreement and the other Loan Documents, except to the extent such representations and warranties specifically relate to an earlier date.

4. MISCELLANEOUS

4.1 Costs and Expenses. In addition to the Obligations of Borrower under the Credit Agreement, Borrower agrees to pay all costs and expenses (including reasonable attorneys’ fees) expended or incurred by the Administrative Agent in connection with the negotiation, documentation and preparation of this Amendment and any other documents executed in connection herewith, and in carrying out the terms of this Amendment, whether incurred before or after the effective date hereof.

4.2 Integration. The Loan Documents, including this Amendment and the documents, instruments and agreements executed in connection herewith, contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated herein and supersede all prior negotiations, discussions and correspondence.

4.3 Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or electronic mail shall also deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability or binding effect of this Amendment.



4.4 Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

4.5 Non-Impairment of Loan Documents. On the date all conditions precedent set forth herein are satisfied in full, this Amendment shall be a part of the Credit Agreement. Except as expressly provided in this Amendment, all provisions of the Loan Documents shall remain in full force and effect, and the Banks and the Administrative Agent shall continue to have all of their rights and remedies under the Loan Documents.

4.6 References to the Loan Documents. This Amendment shall constitute a Loan Document. Upon and after the execution of this Amendment by each of the parties hereto, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby.

*[Signature page follows.]*

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date first set forth above.

**PARSONS CORPORATION**

By: /s/ Shelley D. Green  
Name: Shelley D. Green  
Title: Vice President-Treasury and Risk Management

**MUFG BANK, LTD.**, as the Administrative Agent

By: /s/ Katie Cunningham

Name: Katie Cunningham

Title: Director

**MUFG BANK, LTD.**, as a Bank

By: /s/ Katie Cunningham

Name: Katie Cunningham

Title: Director

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as a Bank**

By: /s/ Mark B. Felker

Name: Mark B. Felker

Title: Managing Director

By: /s/ Ling Li

Name: Ling Li

Title: Executive Director

**U.S. BANK NATIONAL ASSOCIATION**, as a Bank

By: /s/ Glenn Leyrer

Name: Glenn Leyrer

Title: Vice President

**SUMITOMO MITSUI BANKING  
CORPORATION, as a Bank**

By: /s/ Katsuyuki Kubo

Name: Katsuyuki Kubo

Title: Managing Director

**BANK OF AMERICA, N.A.**, as a Bank

By: /s/ Mokesh Singh

Name: Mokesh Singh

Title: Director



**BNP PARIBAS**, as a Bank

By: /s/ Pierre Nicholas Rogers

Name: Pierre Nicholas Rogers

Title: Managing Director

By: /s/ Andrew W. Stuart

Name: Andrew W. Stuart

Title: Managing Director

**THE BANK OF NOVA SCOTIA, as a Bank**

By: /s/ Michael Grad

Name: Michael Grad

Title: Director

Term Loan Agreement  
Dated as of January 4, 2019

among

Parsons Corporation,  
as Borrower,

MUFG Union Bank, N.A.,  
as Administrative Agent,

The Bank of Nova Scotia,  
as Syndication Agent,

and

The Other Financial Institutions Party Hereto

and

MUFG Union Bank, N.A.

and

The Bank of Nova Scotia,  
as Co-Lead Arrangers

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TABLE OF CONTENTS

	<u>Page</u>
Section 1 DEFINITIONS	1
1.1 Terms	1
1.2 Accounting Terms	23
1.3 Divisions	24
1.4 Terms Generally	24
1.5 Times of Day	25
Section 2 COMMITMENTS; INTEREST, FEES, PAYMENT PROCEDURES	25
2.1 The Loans	25
2.2 Borrowing, Conversions and Continuations of Loans	25
2.3 Prepayments	26
2.4 Voluntary Reduction or Termination of Commitments	27
2.5 Principal and Interest	27
2.6 Fees	28
2.7 Computation of Interest and Fees	28
2.8 Manner and Treatment of Payments among the Banks, Borrower and the Administrative Agent	28
2.9 Funding Sources	29
2.10 Guaranty	29
2.11 Defaulting Banks	30
2.12 Recommitment and Extension	31
Section 3 TAXES, YIELD PROTECTION AND ILLEGALITY	32
3.1 Taxes	32
3.2 Increased Costs	37
3.3 Illegality	38
3.4 Inability to Determine Rates	39
3.5 Compensation for Losses	39
3.6 Matters Applicable to all Requests for Compensation	40
3.7 Mitigation Obligations; Replacement of Banks	41
Section 4 CONDITIONS	41

4.1	Initial Extension of Credit	41
4.2	Any Extension of Credit	42
Section 5 REPRESENTATIONS AND WARRANTIES		43
5.1	Due Organization; Good Standing	43
5.2	Power; Authorization	43
5.3	No Legal Bar	43
5.4	Enforceable Obligation	43
5.5	Ownership of Property; Liens	43
5.6	Taxes	44
5.7	Conflicting Agreements and Other Matters	44
5.8	ERISA	44
5.9	Government Consent	44
5.10	Environmental Compliance	44
5.11	Licenses, Permits etc.	45
5.12	Public Utility and Investment Company Status	45
5.13	Foreign Asset Control Regulations; Absence of Foreign or Enemy Status	45
5.14	Litigation	45
5.15	No Default	45
5.16	Principal and Guarantor Subsidiaries	46
5.17	Financial Statements	46
5.18	Compliance with Applicable Laws	46
5.19	Governmental Regulations	46
5.20	Federal Reserve Regulations	47
5.21	Guaranty Representations	47
5.22	Solvency	47
5.23	Anti-Corruption Laws and Sanctions	47
Section 6 AFFIRMATIVE COVENANTS		47
6.1	Financial Statements	47
6.2	Certificates, Notices and Other Information	48
6.3	Prompt Notice	49
6.4	Covenant to Secure Obligations Equally	50
6.5	Insurance	50
6.6	Maintenance of Property	51

6.7	Payment of Obligations, Taxes and Claims	51
6.8	Compliance with Laws	51
6.9	Maintenance of Existence	52
6.10	Guaranties of New Principal Subsidiaries; Stock Pledge of Foreign Subsidiaries; Addition of Guarantor Subsidiaries	52
6.11	Licenses, Permits etc.	53
6.12	Hazardous Materials	53
6.13	Use of Proceeds	54
6.14	Books and Records	54
6.15	Operation of ESOP	54
6.16	Further Assurances	55
Section 7 NEGATIVE COVENANTS		55
7.1	Lien Restrictions	55
7.2	Debt	57
7.3	Loans, Advances and Investments	57
7.4	Merger and Sale of Assets	58
7.5	Sale of Receivables	59
7.6	Subsidiary Restrictions	59
7.7	Line of Business	59
7.8	ESOP Changes	59
7.9	Compliance with ERISA	60
7.10	Leverage Ratio	60
7.11	Consolidated Fixed Charge Coverage Ratio	60
7.12	Restricted Payments	60
7.13	Cash-Secured Outside Letter of Credit Usage	61
7.14	Transactions with Affiliates	61
7.15	Hedge Agreements	61
Section 8 EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT		61
8.1	Events of Default	61
8.2	Remedies upon Event of Default	64
8.3	Application of Funds	64
Section 9 AGENCY		65
9.1	Appointment and Authority	65

9.2	Rights as a Bank	65
9.3	Exculpatory Provisions	66
9.4	Reliance by Administrative Agent	67
9.5	Delegation of Duties	67
9.6	Resignation of Administrative Agent	67
9.7	Non-Reliance on Administrative Agent and Other Banks	68
9.8	No Other Duties, Etc.	69
9.9	Administrative Agent May File Proofs of Claim	69
9.10	Collateral and Guaranty Matters	69
Section 10 MISCELLANEOUS		70
10.1	Cumulative Remedies; No Waiver	70
10.2	Amendments; Consents	70
10.3	Expenses; Indemnity; Damage Waiver	72
10.4	Nature of Banks' Obligations	73
10.5	Survival of Representations and Warranties	74
10.6	Notices	74
10.7	Execution of Loan Documents	74
10.8	Successors and Assigns	74
10.9	Right of Setoff	79
10.10	Sharing of Payments by Banks	80
10.11	Nonliability of the Banks	81
10.12	No Third Parties Benefited	81
10.13	Confidentiality	81
10.14	Further Assurances	82
10.15	Integration	82
10.16	Failure to Charge Not Subsequent Waiver	82
10.17	Governing Law; Jurisdiction; Etc.	83
10.18	Severability of Provisions	83
10.19	Headings	84
10.20	Time of the Essence	84
10.21	Waiver of Right to Trial by Jury	84
10.22	Purported Oral Amendments	84
10.23	Release of Guarantors	84

10.24	USA PATRIOT Act Notice	84
10.25	Certain ERISA Matters	85
10.26	Intercreditor Agreement	86
10.27	Acknowledgement and Consent to Bail-In of EEA Financial Institutions	86
10.28	Judgment Currency	87

## EXHIBITS

### *Form of*

A	Compliance Certificate
B	Master Subsidiary Guaranty
C	Note
D	Assignment and Assumption
E	Request for Continuation
F	Request for Conversion
G	Request for Borrowing
H	Request for Release
I	Release
J	Subordination Agreement
K	Recommitment Request
L	Recommitment Notice
M 1-4	U.S. Tax Compliance Certificates

## SCHEDULES

1.1(a)	Existing Non-Recourse Investments
1.1(b)	Existing Non-Recourse Debt
2.1	Commitments and Pro Rata Shares
5.7	Agreements Restricting Debt
5.14	Litigation
5.16	Principal Subsidiaries
6.12	Hazardous Materials
7.3	Existing Permitted Investments
10.6	Lending Offices and Notice Addresses



## TERM LOAN AGREEMENT

This TERM LOAN AGREEMENT dated as of January 4, 2019 is entered into by and among PARSONS CORPORATION, a Delaware corporation (“**Borrower**”), each lender whose name is set forth on the signature pages of this Agreement and each lender which may hereafter become a party to this Agreement (collectively, the “**Banks**” and individually, a “**Bank**”), MUFG UNION BANK, N.A., as administrative agent for the Banks (in such capacity, the “**Administrative Agent**”) and as co-lead arranger, and THE BANK OF NOVA SCOTIA, as syndication agent and as co-lead arranger, with reference to the following facts:

### RECITALS

WHEREAS, The parties hereto wish to enter into this Agreement, pursuant to which the Banks shall make term loans available to Borrower, the proceeds of which term loans will be used by Borrower for general corporate purposes, including to finance one or more possible acquisitions.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

### **SECTION 1 DEFINITIONS**

**1.1 Terms.** The following terms used in this Agreement and in any exhibits annexed hereto shall have the following meanings unless the context otherwise requires.

“**Acquisition**” means, whether through a single transaction or a series of related transactions, (a) the acquisition of (i) a majority of the equity interests in another Person that are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right to so vote has been suspended by the happening of any such contingency, or (ii) other controlling ownership interests in another Person (including the purchase of an option, warrant or convertible or similar type security to acquire such ownership interests at the time it becomes exercisable by the holder thereof), whether by purchase of such equity or other ownership interests or upon the exercise of an option or warrant for, or conversion of securities into, such equity or other ownership interests, or (b) the acquisition of assets of another Person that constitute all or substantially all of the assets of such Person or of a division, line of business or other business unit of such Person.

“**Acquisition Consideration**” means the consideration given by Borrower or any of its Subsidiaries for an Acquisition, including the fair market value of any cash, Property, stock or services given, the maximum amount that could reasonably be expected to be paid pursuant to any earnout contracts or agreements, and the amount of any Debt in respect of indebtedness for borrowed money, synthetic leases and Capitalized Lease Obligations assumed or incurred by Borrower or any of its Subsidiaries in connection with such Acquisition.

“**Administrative Agent**” has the meaning specified in the first paragraph of this Agreement and includes any successor administrative agent.

**“Administrative Agent’s Office”** means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 10.6, or such other address or account as the Administrative Agent hereafter may designate by written notice to Borrower and the Banks.

**“Affiliate”** means, with respect to a specified Person, another Person that directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

**“Agreement”** means this Term Loan Agreement, together with all exhibits and schedules hereto.

**“Anti-Corruption Laws”** means all laws, rules and regulations of any jurisdiction applicable to Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption, including the Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and the rules and regulations under those Acts.

**“Applicable Amount”** means (a) with respect to Offshore Rate Loans, a rate per annum of 1.25% or (b) with respect to Base Rate Loans, 0.25%.

**“Arrangers”** means, collectively, MUFG and The Bank of Nova Scotia.

**“Asset Disposition”** means any Transfer except: (a) any Transfer from a Subsidiary to the Borrower or a Wholly-Owned Subsidiary and any Transfer from the Borrower to a Wholly-Owned Subsidiary, so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default shall exist; and (b) any Transfer made in the ordinary course of business and involving only property that is either (i) inventory held for sale or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Borrower or any of its Subsidiaries or that is obsolete.

**“Assignment and Assumption”** means an Assignment and Assumption substantially in the form of Exhibit D.

**“Attorney Costs”** means and includes all fees and disbursements of any law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel.

**“Availability Period”** means the period commencing on the Closing Date and ending on February 3, 2019.

**“Bail-In Action”** means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

**“Bail-In Legislation”** means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time described in the EU Bail-In Legislation Schedule.

“**Bank**” means each lender from time to time a party hereto.

“**Base Rate**” means, for any day, the highest of: (a) the rate of interest in effect for such day as publicly announced from time to time by MUFG in New York, New York as its “reference rate” (the “reference rate” being a rate set by MUFG based upon various factors, including MUFG’s costs and desired return, general economic conditions and other factors, and used as a reference point for pricing some loans, which may be priced at, above or below such announced rate); (b) the rate equal to 1.50% per annum above the Offshore Rate for an Interest Period of one month; and (c) the rate equal to 0.50% per annum above the latest Federal Funds Rate; provided that, if the Base Rate calculated pursuant to the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Any change in the MUFG reference rate, such Offshore Rate for an Interest Period of one month or the Federal Funds Rate shall take effect at the opening of business on the day such change occurs. Notwithstanding the foregoing, if the Base Rate is being used as an alternate rate of interest pursuant to Section 3.4(b), then the Base Rate shall be determined without reference to clause (b) above.

“**Base Rate Loan**” means a Loan denominated in Dollars that bears interest based on the Base Rate.

“**Beneficial Ownership Certification**” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“**Beneficial Ownership Regulation**” means 31 C.F.R. § 1010.230.

“**Benefit Plan**” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan.”

“**Borrower**” has the meaning set forth in the introductory paragraph hereto.

“**Borrowing**” means a borrowing hereunder consisting of Loans of the same type made on the same day and, other than in the case of Base Rate Loans, having the same Interest Period.

“**Borrowing Date**” means the date that a Loan is made by the Banks, which shall be a Business Day.

“**Business Day**” means any day other than a day (a) that is a Saturday, Sunday or other day on which commercial banks in Los Angeles or New York City are authorized or required by law to close and (b) if the applicable Business Day relates to Offshore Rate Loans, on which dealings are carried on in the London interbank market in Dollars.

“**Business Units**” means the following Subsidiaries constituting the Borrower’s principal business divisions: Parsons Environment & Infrastructure Group Inc. and its Subsidiaries; Parsons Government Services Inc. and its Subsidiaries; Parsons International Limited and its Subsidiaries; Parsons Transportation Group Inc. and its Subsidiaries; and any additional principal business divisions of the Borrower that may be created or acquired from time to time.

“**Capitalized Lease Obligation**” means any rental obligation which under GAAP is or will be required to be capitalized on the books of Borrower or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with GAAP.

“**Capitalized Leases**” means all leases which contain Capitalized Lease Obligations.

“**Change in Law**” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines and directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“**Closing Date**” means the date all conditions set forth in Section 4.1 are satisfied or waived by the Requisite Banks.

“**Code**” means the United States Internal Revenue Code of 1986.

“**Commitment**” means, for each Bank, the amount set forth as such opposite such Bank’s name on Schedule 2.1. The respective Pro Rata Shares of the Banks are set forth in Schedule 2.1.

“**Commodity Exchange Act**” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

“**Compliance Certificate**” means a certificate in the form of Exhibit A, properly completed and signed by a Responsible Officer of Borrower.

“**Connection Income Taxes**” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“**Consolidated Debt**” means, without duplication, all Debt of Borrower and its Subsidiaries on a consolidated basis, excluding (a) inter-company indebtedness between Borrower and a Subsidiary or between any two or more Subsidiaries (provided that any such inter-company indebtedness owed by Borrower or a Principal Subsidiary to a Principal Subsidiary shall be subordinated to the Loans pursuant to a subordination agreement substantially in the form attached hereto as Exhibit J), and (b) any Non-Recourse Debt.

“**Consolidated EBITDA**” means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Earnings for such period, plus (a) the following to the extent deducted in calculating such Consolidated Net Earnings: (i) Consolidated Interest Expense for such period, (ii) tax expense for federal, state, local and foreign income

taxes for such period (net of tax benefit), (iii) depreciation and amortization expense for such period, (iv) other non-recurring non-cash charges, writedowns, expenses, losses or other items reducing such Consolidated Net Earnings for such period, including any impairment charges or the impact of purchase accounting (excluding any such non-cash charge, writedown, expense, loss or item to the extent that it represents an accrual or reserve for a cash expenditure for a future period), (v) cost of employee services received in share-based payment transactions (in accordance with FASB ASC 718) that do not represent a cash item in such period or any future period and (vi) Non-Cash ESOP Expenses of the Borrower and its Subsidiaries, excluding, however, items (i) through (vi) above derived from or attributable to Non-Recourse Investments or Non-Recourse Debt, and minus (b) to the extent included in calculating such Consolidated Net Earnings, all non-cash items increasing Consolidated Net Earnings for such period.

“**Consolidated Equity**” means total assets less total liabilities (including Consolidated Debt) of Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP, excluding, however, Consolidated Equity attributable to Non-Recourse Investments.

“**Consolidated Interest Expense**” means, for any period, all interest expense, including all commissions, discounts and related amortization and other fees and charges with respect to letters of credit and bankers’ acceptance financing for borrowed money indebtedness and the net costs associated with Hedge Agreements in respect of interest rates, amortization of debt expense and original issue discount and the interest portion of any deferred payment obligation, calculated in accordance with the effective interest method, of Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

“**Consolidated Lease Expense**” means, for any period, (a) lease expense minus (b) lease income from third parties for Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP excluding, however, Consolidated Lease Expense attributable to Non-Recourse Investments.

“**Consolidated Net Earnings**” means gross revenues less all expenses, including tax expense and other proper charges, of Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP; provided that Consolidated Net Earnings shall not include: (a) extraordinary gains or losses; (b) any gains (or losses) in excess of \$300,000 in the aggregate over losses (or gains) resulting from the sale, conversion or other disposition of fixed assets; (c) undistributed earnings from investments in entities other than Subsidiaries; (d) gains or losses arising from changes in accounting principles; and (e) any gains or losses resulting from the retirement or extinguishment of Debt, all determined in accordance with GAAP.

“**Continuation**” and “**Continue**” each mean, with respect to any Loan other than a Base Rate Loan, the continuation of such Loan as the same type of Loan in the same principal amount and in the same currency, but with a new Interest Period and an interest rate determined as of the first day of such new Interest Period. Continuations must occur on the last day of the Interest Period for such Loan.

“**Contractual Obligation**” means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its Property is bound.

**“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. **“Controlling”** and **“Controlled”** have meanings correlative thereto.

**“Conversion”** and **“Convert”** each mean, with respect to any Loan, the conversion of one type of Loan into another type of Loan. With respect to Loans other than Base Rate Loans, Conversions must occur on the last day of the Interest Period for such Loans.

**“Debt”** means, with respect to any Person, without duplication, the sum of (a) indebtedness of such Person for borrowed money, (b) Capitalized Lease Obligations of such Person, (c) indebtedness secured by a Lien on Property owned by such Person (whether or not it has assumed or otherwise become liable for such indebtedness), (d) liabilities of such Person with respect to the deferred purchase price of Property, (e) redemption obligations with respect to mandatorily redeemable preferred stock of such Person (other than preferred stock in existence as of the date hereof), (f) if such Person is a Subsidiary, all preferred stock of such Person, (g) reimbursement obligations of such Person with respect to unreimbursed drawings under letters of credit (other than Financial Letters of Credit), (h) reimbursement obligations of such Person equal to the face amount of all outstanding Financial Letters of Credit, (i) all net obligations and liabilities under Hedge Agreements to the extent due and payable as a result of a termination event or event of default under such Hedge Agreements and (j) guaranties or other contingent obligations of such Person with respect to liabilities of a type described in any of clauses (a) through (i) above.

**“Debt Prepayment Application”** means, with respect to any Transfer of property, the application by the Borrower or its Subsidiaries of cash in an amount equal to the Net Proceeds Amount with respect to such Transfer to pay Senior Debt of the Borrower (other than Senior Debt owing to any of its Subsidiaries or any Affiliate and Senior Debt in respect of any revolving credit or similar credit facility providing the Borrower with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Debt the availability of credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of such Senior Debt).

**“Debtor Relief Laws”** means the Bankruptcy Code of the United States of America and all other liquidation, conservatorship, bankruptcy, assignment (for the benefit of creditors), moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws of the United States of America or other applicable countries from time to time in effect.

**“Default”** means any event or circumstance which, with the passing of time, the giving of notice or both, would become an Event of Default.

**“Defaulting Bank”** means, subject to Section 2.11(b), any Bank that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Bank notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Bank’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any Bank any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Bank’s obligation to fund a Loan hereunder and states that such position is based on such Bank’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-in Action; provided, however, that a Bank shall not be a Defaulting Bank solely by virtue of the ownership or acquisition of any equity interest in that Bank or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Bank with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Bank (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Bank. Any determination by the Administrative Agent that a Bank is a Defaulting Bank under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Bank shall be deemed to be a Defaulting Bank (subject to Section 2.11(b)) upon delivery of written notice of such determination to the Borrower and each Bank.

**“Default Rate”** means an interest rate (before as well as after judgment) equal to (a) with respect to overdue principal, the interest rate otherwise applicable plus 2.00% per annum (provided that, with respect to Offshore Rate Loans, the determination of the applicable interest rate is subject to Section 2.2(e) to the extent that Loans may not be converted to, or continued as, Offshore Rate Loans pursuant thereto) and (b) with respect to any other overdue amount (including overdue interest), the interest rate otherwise applicable to Base Rate Loans plus 2.00% per annum.

**“Designated Deposit Account”** means a deposit account to be maintained by Borrower with any one of the Banks, as from time to time designated by Borrower by written notification to the Administrative Agent.

**“Disposition”** means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any Property by the Borrower or any Subsidiary (or the granting of any unconditional option or other unconditional right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

**“Disqualified Institution”** means, on any date, (a) any Person designated by the Borrower as a “Disqualified Institution” by written notice delivered to the Administrative Agent on or prior to the date hereof and (b) any other Person that is a competitor (as defined below) of the Borrower or any of its Subsidiaries, which Person has been designated by the Borrower as a “Disqualified Institution” by written notice to the Administrative Agent and the Banks not less than 2 Business Days prior to such date; provided that “Disqualified Institution” shall exclude any Person that the Borrower has designated as no longer being a “Disqualified Institution” by written notice delivered to the Administrative Agent from time to time. As used in this definition, “competitor” means any Person engaged in any of the following businesses or activities: engineering, construction, technical or professional services (including design/design-build services and program/construction management services).

**“Dollars”** and the sign “\$” means dollars in lawful currency of the United States of America.

**“DQ List”** has the meaning set forth in Section 10.8(f)(iv).

**“EEA Financial Institution”** means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clause (a) or (b) of this definition and is subject to consolidated supervision with its parent;

**“EEA Member Country”** means any of the member states of the European Union, Iceland, Liechtenstein or Norway.

**“EEA Resolution Authority”** means any Governmental Authority or any other Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

**“Eligible Assignee”** means (a) a financial institution organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (b) a commercial bank organized under the laws of any other country that is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000, provided that such bank is acting through a branch or agency located in the United States; (c) a Person that is primarily engaged in the business of commercial banking and that is (i) a Subsidiary of a Bank, (ii) a Subsidiary of a Person of which a Bank is a Subsidiary or (iii) a Person of which a Bank is a Subsidiary; or (d) another Bank. For the avoidance of doubt, any Disqualified Institution is subject to Section 10.8(f).

**“ERISA”** means the Employee Retirement Income Security Act of 1974.



“**ERISA Affiliate**” means any corporation which is a member of the same controlled group of corporations as Borrower within the meaning of Section 414 of the Code, or any trade or business which is under common control with Borrower within the meaning of Section 414 of the Code.

“**ESOP**” means the Parsons Employee Stock Ownership Plan.

“**ESOP Trust**” means the Trust established under the ESOP.

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“**Eurodollar Reserve Percentage**” means, for any day, the reserve percentage (expressed as a decimal and rounded upward, if necessary, to the next higher 1/100<sup>th</sup> of 1%) in effect for such day as prescribed by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member of the Federal Reserve System in New York City.

“**Event of Default**” has the meaning set forth in Section 8.1.

“**Excluded Taxes**” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Bank, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes; (b) in the case of a Bank, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Bank with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Bank acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 3.7(b)) or (ii) such Bank changes its lending office, except in each case to the extent that, pursuant to Section 3.1, amounts with respect to such Taxes were payable either to such Bank’s assignor immediately before such Bank became a party hereto or to such Bank immediately before it changed its lending office; (c) Taxes attributable to such Recipient’s failure to comply with Section 3.1(g); and (d) any U.S. federal withholding Taxes imposed under FATCA.

“**Extension of Credit**” means (a) the Borrowing of any Loans or (b) the Conversion or Continuation of any Loans (collectively, the “**Extensions of Credit**”).

“**Fair Market Value**” means, at any time and with respect to any Property, the sale value of such Property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

“**FASB ASC**” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such sections of the Code.

“**Federal Funds Rate**” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System on such day, as published on the next succeeding Business Day by the Federal Reserve Bank of New York; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if no such rate is so published for any day that is a Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent, and (c) if such rate for such day is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“**Federal Reserve Board**” means the Board of Governors of the Federal Reserve System or any Governmental Authority succeeding to its functions.

“**Financial Letter of Credit**” means any standby letter of credit covering the potential default of a financial contractual obligation, and includes all letters of credit required to be classified as such by the Federal Reserve Board or by the Office of the Comptroller of the Currency.

“**Foreign Lender**” means (a) if the Borrower is a U.S. Person, a Bank that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Bank that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

“**GAAP**” means generally accepted accounting principles in the United States of America set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession).

“**Good Faith Contest**” has the meaning set forth in Section 6.7.

“**Governmental Authority**” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union and the European Central Bank).

“**Guaranteed Obligations**” means all Obligations.

“**Guarantor Subsidiary**” means a Subsidiary of Borrower that is a party to the Master Subsidiary Guaranty.

“**Guarantor Determination Date**” means (a) with respect to any Principal Subsidiary formed or acquired after the date of this Agreement, the date of formation or acquisition of such Principal Subsidiary and (b) with respect to any existing Subsidiary that becomes a Principal Subsidiary, the date thereafter on which the Borrower delivers (or the final date by which the Borrower is required to deliver) financial statements pursuant to Section 6.1(b) that demonstrate (or would demonstrate) that such Subsidiary has become a Principal Subsidiary.

“**Hazardous Materials**” has the meaning set forth in Section 6.12.

“**Hazardous Materials Laws**” means any applicable Laws relating to or regulating environmental conditions, protection of the environment, or pollution or contamination of the air, soil, surface water or ground water from any Hazardous Material or any human exposure thereto.

“**Hedge Agreement**” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, that are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement (any such master agreement, together with any related schedules, a “**Master Agreement**”), including any such obligations or liabilities under any Master Agreement.

“**Indemnified Taxes**” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower or any Guarantor Subsidiary under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“**Indemnitee**” has the meaning specified in Section 10.3(b).

“**Intercreditor Agreement**” has the meaning specified in Section 10.26.

“**Interest Payment Date**” means, with respect to any Offshore Rate Loan, the last day of each Interest Period applicable to such Loan and, with respect to Base Rate Loans, each Quarterly Payment Date; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds 90 days or three months (as applicable), the date which falls 90 days or three months, respectively, after the beginning of such Interest Period and after each Interest Payment Date thereafter shall also be an Interest Payment Date.

**“Interest Period”** means, with respect to any Offshore Rate Loan, the period commencing on the Business Day the Loan is disbursed, Continued or Converted to an Offshore Rate Loan and ending on the date one, three, six or twelve months thereafter (or, in the case of a Base Rate Loan bearing interest under clause (b) of the definition of “Base Rate,” commencing on the Business Day the Loan is disbursed and ending on the date one month thereafter), as selected by Borrower in its Request for Extension of Credit; provided that:

(a) if any Interest Period pertaining to an Offshore Rate Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) No Interest Period shall extend beyond the Maturity Date.

**“IRS”** means the United States Internal Revenue Service.

**“Joint Venture”** means any joint venture, partnership or other minority-owned entity (other than a Subsidiary) in which Borrower or any of its Subsidiaries or other Affiliates owns an interest.

**“Laws”** means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

**“Lending Office”** means, with respect to any Bank, the office or offices of the Bank specified as its “Lending Office” or “Domestic Lending Office” or “Offshore Lending Office,” as the case may be, opposite its name on Schedule 10.6, or such other office or offices of the Bank as to which it may from time to time notify Borrower and the Administrative Agent.

**“Leverage Ratio”** means, as of any date of determination, the ratio of (a) Consolidated Debt to (b) Consolidated EBITDA for the four fiscal quarters ending on such date.

**“Lien”** means any mortgage, deed of trust, pledge, hypothecation, assignment, charge, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including those created by, arising under or evidenced by any conditional-sale or other title-retention agreement, the interest of a lessor under a lease which, in accordance with GAAP, is classified as a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under a lease which, in accordance with GAAP, is not classified as a capital lease.

**“Line of Business”** means the business of providing architectural, technical, engineering, program management, construction, construction management, project development and related services.

**“Loan”** means any advance made or to be made by any Bank to Borrower as provided in [Section 2](#).

**“Loan Documents”** means this Agreement, the Notes, the Master Subsidiary Guaranty, the Subordination Agreement, all other subordination agreements entered into pursuant hereto, all Intercreditor Agreements, all Requests for Extension of Credit, all Compliance Certificates, all documents, agreements and instruments by which a Subsidiary becomes a Guarantor Subsidiary or by which a Subsidiary’s stock is pledged pursuant to Section 6.10 or otherwise, and all other agreements of any type or nature hereafter executed and delivered by Borrower or any of its Subsidiaries to the Administrative Agent or any Bank in any way relating to or in furtherance of this Agreement, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

**“Loan Parties”** means the Borrower and the Guarantor Subsidiaries.

**“Master Subsidiary Guaranty”** means the Master Subsidiary Guaranty, dated as of January 4, 2019, substantially in the form of [Exhibit B](#) hereto executed and delivered by the Guarantor Subsidiaries, and any amendments or supplements thereto.

**“Material Adverse Change”** means (a) a material adverse change in, or a material adverse effect upon, the operations, business, Property or financial condition of Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of Borrower or any Guarantor Subsidiary to perform under any Loan Document and avoid any Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Loan Document.

**“Maturity Date”** means January 3, 2020, as such date may be extended in accordance with Section 2.12.

**“Measurement Period”** means, at any date of determination, the most recently completed four fiscal quarters of the Borrower or, for purposes of determining Pro Forma Compliance, the most recently completed four fiscal quarters of the Borrower for which financial statements have been delivered pursuant to Section 6.1.

“**Minimum Amount**” means, with respect to each of the following actions, the amount set forth opposite such action (a reference to “Minimum Amount” shall also be deemed a reference to the increments in excess thereof set forth below):

<b>Type of Action</b>	<b>Minimum Amount</b>	<b>Increments in Excess of Minimum Amount</b>
Borrowing of, or Conversion into, Base Rate Loans	\$ 5,000,000	\$ 1,000,000
Prepayment of Base Rate Loans	\$ 1,000,000	\$ 1,000,000
Borrowing of, prepayment of, Continuation of, or Conversion into, Offshore Rate Loans	\$ 5,000,000	\$ 1,000,000
Reduction in Commitments	\$ 1,000,000	\$ 250,000
Assignments	\$ 5,000,000	None

“**Moody’s**” means Moody’s Investor’s Service, Inc.

“**MTA Judgment**” means the judgment rendered against Borrower in the case entitled Los Angeles County Metropolitan Transportation Authority v. Parsons-Dillingham Metro Rail Construction Manager Joint Venture et al., case number BC150298, in the Superior Court of the State of California, County of Los Angeles.

“**MUFG**” means MUFG Union Bank, N.A., a national banking association that is a member of MUFG, a global financial group.

“**Multiemployer Plan**” means any Plan which is a “multiemployer plan” (as such term is defined in Section 4001(a)(3) of ERISA).

“**Net Proceeds Amount**” means, with respect to any Transfer of any asset by the Borrower or any Subsidiary thereof, an amount equal to the difference of (a) the aggregate amount of consideration (valued at the Fair Market Value thereof by the Borrower or such Subsidiary in good faith) received by the Borrower or Subsidiary in respect of such Transfer, minus (b) all applicable taxes and all ordinary and reasonable out-of-pocket costs and expenses actually incurred by the Borrower or Subsidiary in connection with such Transfer.

“**Non-Cash ESOP Expense**” means, for any period, the amount of non-cash contributions made to the ESOP by Borrower.

“**Non-Consenting Bank**” means any Bank that does not approve any consent, waiver or amendment that (a) requires the approval of all or all affected Banks in accordance with the terms of Section 10.2 and (b) has been approved by the Requisite Banks.

**“Non-Defaulting Bank”** means, at any time, each Bank that is not a Defaulting Bank at such time.

**“Non-Guarantor Subsidiary”** means any Subsidiary that is not a party to the Master Subsidiary Guaranty.

**“Non-Recourse Debt”** means either (a) Debt of Borrower and its Subsidiaries existing on the Closing Date and listed on Schedule 1.1(b) or (b) Debt, including non-recourse property Debt, non-recourse project Debt and non-recourse military family housing Debt, of Borrower and its Subsidiaries incurred after the Closing Date with respect to which:

(i) the lender thereof has no direct or indirect recourse to either (A) Borrower or any of its Subsidiaries (other than to any single-purpose Subsidiary whose sole asset is the Property securing such Non-Recourse Debt), whether by means of judicial foreclosure or otherwise, or (B) any Property of Borrower or any of its Subsidiaries other than the Property securing such Non-Recourse Debt; and

(ii) neither Borrower nor any of its Subsidiaries has any obligations of the type described in clause (i) of the definition of Debt, including reimbursement obligations under any letters of credit relating to such Debt;

provided, however, that any such Debt under this clause (b) incurred after the Closing Date shall be reasonably satisfactory to the Arrangers.

**“Non-Recourse Investments”** means the Property owned directly or indirectly by Borrower and its Subsidiaries as of the Closing Date and listed on Schedule 1.1(a) hereto and any Property acquired by Borrower or any of its Subsidiaries after the Closing Date with Non-Recourse Debt and which secures such Non-Recourse Debt.

**“Note”** means a promissory note, substantially in the form of Exhibit C, payable to a Bank and evidencing the aggregate indebtedness owing to such Bank.

**“Obligations”** means all present and future obligations and liabilities, of every type and description, of the Loan Parties arising under or in connection with this Agreement or any other Loan Document, due or to become due to the Administrative Agent, any Bank or any Person entitled to indemnification pursuant to Section 10.3 or any of their respective successors, transferees or assigns, and shall include (a) all liability for payment of principal of and interest on the Loans and under any Notes, (b) all liability under the Loan Documents for any fees, expense reimbursements and indemnifications and (c) any and all other debts, obligations and liabilities to the Administrative Agent or any Bank heretofore, now or hereafter incurred or created (and all renewals, extensions, readvances, modifications and rearrangements thereof), under, in connection with, in respect of, or evidenced or created by this Agreement or any or all of the other Loan Documents, whether voluntary or involuntary, however arising, and whether due or not due, absolute or contingent, secured or unsecured, liquidated or unliquidated, determined or undetermined, direct or indirect, and whether any Loan Party may be liable individually or jointly with others.

**“Offshore Base Rate”** means, for any Interest Period, the rate per annum equal to the London Interbank Offered Rate (“**LIBOR**”), as published on the applicable Bloomberg screen page (or such other commercially available source providing LIBOR quotations for Dollars as may be designated by the Administrative Agent from time to time) at or about 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; provided that, if any Offshore Base Rate calculated pursuant to the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. In the event that the rate referenced in the preceding sentence is not available (other than as provided in Section 3.4(b)), such rate shall be the rate per annum determined by the Administrative Agent as the rate of interest at which Dollar deposits (for delivery on the first day of the applicable Interest Period) in same-day funds in the approximate amount of MUFG’s Loan with a term equivalent to such Interest Period would be offered by its London Branch to major banks in the offshore Dollar market at their request on the Rate Determination Date.

**“Offshore Rate”** means a rate per annum (rounded upward, if necessary, to the next highest 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

provided that, if any Offshore Rate calculated pursuant to the foregoing shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

**“Offshore Rate Loan”** means a Loan denominated in Dollars that bears interest based on the Offshore Rate, other than a Loan bearing interest under clause (b) of the definition of “Base Rate.”

**“Organizational Documents”** means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement or limited liability company agreement (or equivalent or comparable documents with respect to any non-U.S. jurisdiction); (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization (or equivalent or comparable documents with respect to any non-U.S. jurisdiction); and (d) with respect to all entities, any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization (or equivalent or comparable documents with respect to any non-U.S. jurisdiction)

**“Other Connection Taxes”** means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).



**“Other Taxes”** means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to [Section 3.7\(b\)](#)).

**“Outside Letter of Credit”** means any commercial, performance or financial letter of credit not issued under the Revolving Credit Agreement (including an evergreen letter of credit) in respect of which Borrower or any of its Subsidiaries is directly or indirectly liable for drawings thereunder.

**“Outside Letter of Credit Usage”** means, as at any date of determination, the undrawn face amount of all outstanding Outside Letters of Credit plus the aggregate amount of all drawings under Outside Letters of Credit honored by the issuing bank(s) thereunder and not reimbursed to such issuing bank(s).

**“Outstanding Obligations”** means, as of any date, and giving effect to making any Extensions of Credit requested on such date and all payments, repayments and prepayments made on such date, the sum of the aggregate outstanding principal of all Loans.

**“Participant”** has the meaning specified in [Section 10.8\(d\)](#).

**“Participant Register”** has the meaning specified in [Section 10.8\(d\)](#).

**“PATRIOT Act”** means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

**“PBGC”** means the Pension Benefit Guaranty Corporation, or any successor or replacement entity thereto under ERISA.

**“Permitted Acquisition”** means an Acquisition by Borrower or any Subsidiary of another Person engaged in a line of business substantially the same as the Line of Business (the **“target”**), which Acquisition has been approved by the board of directors of the target, so long as: (a) no Default or Event of Default exists or would result after giving effect to the completion of such Acquisition; (b) Borrower has demonstrated to the satisfaction of the Administrative Agent that, after giving Pro Forma Effect to such Acquisition, Borrower and its Subsidiaries are in Pro Forma Compliance; and (c) if the total purchase consideration (including earnout payments and other deferred payments but excluding transaction costs and expenses) for such Acquisition is \$100,000,000 or higher, the Administrative Agent shall have received audited financial statements of the target that are in form and substance satisfactory to the Administrative Agent.

**“Permitted Investments”** means, as at any date of determination, investments in cash, cash equivalents and marketable securities to the extent permitted under Borrower’s investment policy in effect from time to time.

**“Permitted Private Placement Debt”** means Debt issued by the Borrower in one or more private placement transactions so long as:

(a) such Debt is unsecured, except for Liens on the capital stock of foreign Subsidiaries in which the Administrative Agent, for the benefit of the Banks, also holds a Lien in accordance with the requirements of Section 6.10, so long as such Liens are junior to or *pari passu* with the Liens of the Administrative Agent and the priority thereof is governed by an intercreditor agreement reasonably satisfactory to the Administrative Agent;

(b) the aggregate principal amount of Debt issued in all such private placement transactions does not exceed \$400,000,000 at any time outstanding;

(c) the Administrative Agent and the Banks rank senior to or *pari passu* with the holders of such Debt with respect to recourse against the Borrower and the Guarantor Subsidiaries;

(d) there is no scheduled amortization of such Debt; and

(e) the maturity date of all such Debt (i) incurred on or before the Closing Date is no earlier than January 2, 2021 and (ii) incurred after the Closing Date is no earlier than the date that is one year after the Maturity Date in effect as of the date on which such Debt is incurred.

**“Person”** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

**“Plan”** means any “employee pension benefit plan” (as such term is defined in Section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made or are required to be made, by Borrower or any ERISA Affiliate.

**“Principal Subsidiary”** means any direct or indirect Subsidiary of Borrower which has contributed more than 10% of the gross consolidated revenues of Borrower and its Subsidiaries, on a Pro Forma Basis, for any of the preceding four fiscal quarters of Borrower; provided that in no event shall Saudi Arabian Parsons Limited be considered a Principal Subsidiary. All Principal Subsidiaries of Borrower as of the Closing Date are listed on Schedule 5.16.

**“Pro Forma Basis”** and **“Pro Forma Effect”** each means, for any Disposition of all or substantially all of a division or a line of business or for any Acquisition, whether actual or proposed, for purposes of determining compliance with the financial covenants set forth in Sections 7.10 and 7.11, that each such transaction or proposed transaction shall be deemed to have occurred on and as of the first day of the relevant Measurement Period, and the following pro forma adjustments shall be made:

(a) in the case of an actual or proposed Disposition, all income statement items (whether positive or negative) attributable to the line of business or the Person subject to such Disposition shall be excluded from the results of the Borrower and its Subsidiaries for such Measurement Period;

(b) in the case of an actual or proposed Acquisition, income statement items (whether positive or negative) attributable to the property, line of business or Person subject to such Acquisition shall be included in the results of the Borrower and its Subsidiaries for such Measurement Period;

(c) interest accrued during the relevant Measurement Period on, and the principal of, any Debt repaid or to be repaid or refinanced in such transaction shall be excluded from the results of the Borrower and its Subsidiaries for such Measurement Period;

(d) any Debt actually or proposed to be incurred or assumed in such transaction shall be deemed to have been incurred as of the first day of the applicable Measurement Period, and interest thereon shall be deemed to have accrued from such day on such Debt at the applicable rates provided therefor (and in the case of interest that does or would accrue at a formula or floating rate, at the rate in effect at the time of determination) and shall be included in the results of the Borrower and its Subsidiaries for such Measurement Period; and

(e) the above pro forma calculations shall be made in good faith by a financial or accounting officer of the Borrower who is a Responsible Officer and may include, for the avoidance of doubt, the amount of synergies and cost savings projected by the Borrower from actions taken or expected to be taken during the 12-month period following the date of such transaction, net of the amount of actual benefits theretofore realized during such period from such actions; provided that (i) such amounts are reasonably identifiable, quantifiable and factually supportable in the good faith judgment of the Borrower and the Administrative Agent, (ii) such synergies and cost savings are directly attributable to such transaction, (iii) no amounts shall be added pursuant to this clause (e) to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such period and (iv) the aggregate amount of cost savings added pursuant to this clause (e) for any such period shall not exceed 20% of Consolidated EBITDA for such period, calculated without giving effect to any adjustment pursuant to this clause (e).

**“Pro Forma Compliance”** means, with respect to any transaction, that such transaction does not cause, create or result in a Default or an Event of Default after giving Pro Forma Effect, based upon the results of operations for the most recently completed Measurement Period, to (a) such transaction and (b) all other transactions that are contemplated or required to be given Pro Forma Effect hereunder that have occurred on or after the first day of the relevant Measurement Period.

**“Prohibited Transaction”** has the respective meanings assigned to that term in Section 4975 of the Code and in Section 406 of ERISA.

**“Property”** means all types of real, personal, tangible, intangible or mixed property.

**“Property Reinvestment Application”** means, with respect to any Asset Disposition, the application of the Net Proceeds Amount (or a portion thereof) with respect to such Asset Disposition to the acquisition by the Borrower or any Subsidiary of fixed or capital assets of the Borrower or any Subsidiary to be used in the business of such Person.

**“Pro Rata Share”** means, with respect to each Bank, the percentage of the combined Commitments set forth opposite the name of that Bank on Schedule 2.1.

**“PTE”** means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

**“Quarterly Payment Date”** means each June 30, September 30, December 31 and March 31.

**“Rate Determination Date”** means the date two (2) Business Days prior to the commencement of the applicable Interest Period or such other day as is generally treated as the rate-fixing day by market practice in the applicable interbank market, as determined by the Administrative Agent; provided that, to the extent such market practice is not administratively feasible for the Administrative Agent, then **“Rate Determination Date”** means such other day as otherwise reasonably determined by the Administrative Agent.

**“Real Property”** has the meaning specified in Section 6.12.

**“Recipient”** means (a) the Administrative Agent or (b) any Bank, as applicable.

**“Related Entity”** means any Subsidiary, Affiliate or Joint Venture of Borrower.

**“Related Parties”** means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

**“Release”** means a written release of a Guarantor Subsidiary, substantially in the form of Exhibit I, duly signed by the Administrative Agent.

**“Reportable Event”** means a “reportable event” described in Section 4043(c) of ERISA as to which the 30 day notice period has not been waived.

**“Request for Borrowing”** means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit G, or a telephonic request followed by such a written request, in each case delivered to the Administrative Agent by Requisite Notice.

**“Request for Continuation”** means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit E, or a telephonic request followed by such a written request, in each case delivered to the Administrative Agent by Requisite Notice.

“**Request for Conversion**” means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit F, or a telephonic request followed by such a written request, in each case delivered to the Administrative Agent by Requisite Notice.

“**Request for Extension of Credit**” means a Request for Borrowing, Request for Continuation or Request for Conversion.

“**Request for Release**” means a written request duly completed and signed by a Responsible Officer of Borrower, substantially in the form of Exhibit H, delivered to the Administrative Agent by Requisite Notice.

“**Requisite Banks**” means, as of any date of determination, (a) if the Commitments are then in effect, three or more Banks having in the aggregate more than 50% of the combined Commitments then in effect and (b) if the Commitments have then been terminated and there are Loans outstanding, three or more Banks holding Loans aggregating more than 50% of the aggregate outstanding principal amount of the Loans; provided that the Commitment of, and the portion of the Loans held or deemed held by, any Bank that is a Defaulting Bank shall be excluded for purposes of making a determination of Requisite Banks.

“**Requisite Notice**” means, unless otherwise provided herein, (a) irrevocable written notice to the intended recipient or (b) irrevocable telephonic notice to the intended recipient, promptly confirmed by a written notice to such recipient. Such notices shall be (i) delivered or made to such recipient at the address, telephone number or facsimile number set forth on Schedule 10.6 or as otherwise designated by such recipient by Requisite Notice to the Administrative Agent and (ii) if made by Borrower, given or made by a Responsible Officer of Borrower. Any written notice shall be in the form, if any, prescribed in the applicable section herein and may be given by facsimile provided such facsimile is promptly confirmed by a telephone call to such recipient.

“**Requisite Time**” means, with respect to any of the actions listed below, the time and date set forth below opposite such action (all times are California time):

<u>Action</u>	<u>Time</u>	<u>Date of Action</u>
Delivery of Request for Extension of Credit for, or notice of:		
• Borrowing of, prepayment of, or Conversion into, Base Rate Loans	8:30 a.m.	Same date as such Borrowing, prepayment or Conversion
• Borrowing of, prepayment of, Continuation of, or Conversion into, Offshore Rate Loans	10:00 a.m.	3 Business Days prior to such Borrowing, prepayment or Conversion
Voluntary reduction in or termination of Commitments	10:00 a.m.	3 Business Days prior to such reduction or termination

**“Responsible Officer”** means the President, the Chief Financial Officer, the Treasurer or the Controller of Borrower or any Guarantor Subsidiary, as applicable, or any other officer of Borrower or any Guarantor Subsidiary, as applicable, from time to time so designated thereby in writing to the Administrative Agent.

**“Revolving Credit Agreement”** means the Fifth Amended and Restated Credit Agreement dated as of November 15, 2017 among the Borrower, MUFG Bank, Ltd. (under its previous name “The Bank of Tokyo-Mitsubishi UFJ, Ltd.”), as administrative agent, and the other financial institutions party thereto, including any refinancing or replacement thereof from time to time.

**“Sanctioned Country”** means, at any time, a country, territory or region which is the subject or target of any Sanctions.

**“Sanctioned Person”** means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European Union, any EU member state or any Governmental Authority of Canada, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

**“Sanctions”** means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, Her Majesty’s Treasury of the United Kingdom, any Governmental Authority of Canada or any other relevant sanctions authority.

**“Senior Debt”** means any Debt of Borrower other than Debt that is in any manner subordinated in right of payment or security in any respect to the Debt evidenced by this Agreement and the Notes.

**“SPV”** has the meaning specified in Section 7.5.

**“Standard and Poor’s”** means S&P Global Ratings, a unit of S&P Global Inc.

**“Subordination Agreement”** means the Subordination Agreement substantially in the form of Exhibit J.

**“Subsidiary”** of a Person means a corporation, partnership, limited liability company, association, joint venture or other business entity of which a majority of the equity interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time owned, or the management of which is controlled directly or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees and other charges imposed by any Governmental Authority, including any interest, additions to tax and penalties applicable thereto.

“**Trade Date**” has the meaning specified in Section 10.8(f).

“**Transfer**” means, with respect to any Person, any transaction (including by merger, consolidation or disposition of all or substantially all of the assets of such Person) in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including Subsidiary equity interests. “Transfer” shall also include the creation of minority interests in connection with any merger or consolidation involving a Subsidiary if the resulting entity is owned, directly or indirectly, by the Borrower in a proportion less than the proportion of ownership of such Subsidiary by the Borrower immediately preceding such merger or consolidation.

“**type**” of Loan means an Offshore Rate Loan or a Base Rate Loan.

“**U.S. Borrower**” means the Borrower if and so long as it is a U.S. Person.

“**U.S. Person**” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“**U.S. Tax Compliance Certificate**” means a certificate substantially in the form of Exhibit M-1, M-2, M-3 or M-4, as applicable.

“**Wholly-Owned Subsidiary**” means any Subsidiary all of the equity interests in which (other than directors’ qualifying shares) are, at the time as of which any determination is being made, owned by Borrower either directly or through one or more Wholly-Owned Subsidiaries.

“**Withholding Agent**” means the Borrower, any Guarantor Subsidiary or the Administrative Agent.

“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

## **1.2 Accounting Terms.**

(a) **Generally.** All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements referred to in Section 6.1(b), except as otherwise specifically prescribed herein. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Debt of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

(b) **Changes in GAAP.** If at any time any change in GAAP (including the adoption of International Financial Reporting Standards) would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Requisite Banks shall so request, the Administrative Agent, the Banks and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Requisite Banks); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Banks financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the audited financial statements referred to in Section 6.1(b) for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above. For the avoidance of doubt, the implementation of Accounting Standards Update No. 2016-02, *Leases*, shall constitute a change in GAAP for purposes of this Section 1.2(b).

(c) **Pro Forma Treatment.** Each Disposition of all or substantially all of a line of business, and each Acquisition, by the Borrower and its Subsidiaries that is consummated during any Measurement Period shall, for purposes of determining compliance with the financial covenants set forth in Sections 7.10 and 7.11, be given Pro Forma Effect as of the first day of such Measurement Period.

**1.3 Divisions.** For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person; and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first day of its existence by the holders of its equity interests at such time.

**1.4 Terms Generally.** The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder" and words of similar



import shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections, Exhibits and Schedules shall be construed to refer to Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, supplemented, replaced or otherwise modified from time to time, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

**1.5 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Pacific time (daylight or standard, as applicable).

## **SECTION 2 COMMITMENTS; INTEREST, FEES, PAYMENT PROCEDURES**

### **2.1 The Loans.**

(a) Subject to the terms and conditions set forth in this Agreement, each Bank severally agrees to make Loans during the Availability Period, and to Convert and Continue such Loans until the Maturity Date, as Borrower may request; provided, however, that at no time shall (i) the aggregate Outstanding Obligations of each Bank exceed such Bank's Commitment or (ii) the aggregate Outstanding Obligations of all the Banks exceed the combined Commitments. Loans which are repaid, including by prepayment, may not be reborrowed.

(b) Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank in the ordinary course of business. Upon the request of any Bank made through the Administrative Agent, such Bank's Loans may be evidenced by one or more Notes, instead of or in addition to loan accounts. Each such Bank may attach schedules to its Note(s) and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto. Such loan accounts, records or Notes shall be conclusive absent manifest error of the amount of such Loans and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower to pay any amount owing with respect to the Loans.

(c) The combined Commitments as of the Closing Date total \$150,000,000.

### **2.2 Borrowing, Conversions and Continuations of Loans.**

(a) Borrower may irrevocably request a Borrowing, Conversion or Continuation of Loans in a Minimum Amount therefor by delivering a Request for Borrowing, a Request for Conversion or a Request for Continuation, respectively, therefor by Requisite Notice to the Administrative Agent not later than the Requisite Time therefor. Only one drawdown of Loans shall be permitted hereunder. The initial Borrowing hereunder and all Conversions and Continuations shall constitute Base Rate Loans unless properly and timely otherwise designated as set forth in the preceding sentence.

(b) Promptly following receipt of a Request for Borrowing, the Administrative Agent shall notify each Bank of its Pro Rata Share thereof by Requisite Notice.

In the case of a Borrowing of Loans, each Bank shall make the funds for its Loan available to the Administrative Agent at the Administrative Agent's Office not later than the Requisite Time therefor on the Business Day specified in such Request for Borrowing. Unless the Administrative Agent shall have received notice from a Bank prior to the time of any Loan that such Bank will not make available to the Administrative Agent the amount of such Bank's ratable portion of such Loan, the Administrative Agent may assume that such Bank has made such amount available to the Administrative Agent on the date of such Loan in accordance with this Section 2.2(b), and the Administrative Agent may in reliance upon such assumption make a corresponding amount available to Borrower on such date. Upon satisfaction or waiver of the applicable conditions set forth in Section 4, all funds so received shall be made available to Borrower in like funds received.

(c) The Administrative Agent shall promptly notify Borrower and the Banks of the Offshore Rate applicable to any Offshore Rate Loan upon determination thereof.

(d) Unless the Administrative Agent otherwise consents, (i) all of the Loans shall be either Offshore Rate Loans or Base Rate Loans at any time, and (ii) not more than five (5) different Interest Periods shall be outstanding at any time.

(e) If the Borrower fails to deliver a timely and complete Request for Continuation or Request for Conversion with respect to a Borrowing of Offshore Rate Loans prior to the end of the Interest Period therefor, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected that such Borrowing shall automatically be converted to Base Rate Loans at the end of such Interest Period. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Requisite Banks, so notifies the Borrower, then, so long as such Event of Default is continuing, (i) no outstanding Loans may be converted to or continued as Offshore Rate Loans, and (ii) unless repaid, each Borrowing of Offshore Rate Loans shall automatically be converted to Base Rate Loans at the end of the Interest Period therefor.

(f) If a Loan is to be made on the same date that another Loan is due and payable, the Banks shall make available to the Administrative Agent the full amount of the Loan to be made on that date and Borrower shall make available to the Administrative Agent the full amount of the Loan to be repaid on such date, it being the agreement of the parties not to effect any netting of the amount to be loaned against the amount to be paid on such date.

(g) The failure of any Bank to make any Loan on any date shall not relieve any other Bank of any obligation to make a Loan on such date, but no Bank shall be responsible for the failure of any other Bank to so make its Loan.

### **2.3 Prepayments.**

(a) Upon Requisite Notice to the Administrative Agent not later than the Requisite Time therefor, Borrower may at any time and from time to time voluntarily prepay Loans in the Minimum Amount therefor. The Administrative Agent will promptly notify each Bank thereof and of such Bank's Pro Rata Share of such prepayment.

(b) If for any reason the Outstanding Obligations exceed the combined Commitments as in effect or as reduced or because of any limitation set forth in this Agreement or otherwise, Borrower shall immediately prepay Loans in an amount sufficient to eliminate such excess.

(c) Any prepayment of a Loan other than a Base Rate Loan shall be accompanied by all accrued interest thereon, together with the costs set forth in Section 3.5.

(d) Each payment or prepayment of outstanding Loans must be made ratably among all Banks.

(e) Any amount prepaid may not be reborrowed.

#### **2.4 Voluntary Reduction or Termination of Commitments.**

(a) Upon Requisite Notice to the Administrative Agent not later than the Requisite Time therefor, Borrower shall have the right, at any time and from time to time, without penalty or charge, to permanently and irrevocably reduce the then unused portion of the combined Commitments in a Minimum Amount therefor, or terminate the then unused portion of the combined Commitments.

(b) The Administrative Agent shall promptly notify the Banks of any reduction or the termination of the Commitments under this Section. Each Bank's Commitment shall be reduced by an amount equal to such Bank's Pro Rata Share times the amount of such reduction.

#### **2.5 Principal and Interest.**

(a) If not sooner paid, Borrower shall pay, and promises to pay, the outstanding principal amount of each Loan on the Maturity Date.

(b) Subject to subsection (c) below, Borrower shall pay interest on the unpaid principal amount of each Loan (before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law) from the date borrowed until paid in full (whether by acceleration or otherwise) on each Interest Payment Date for each type of Loan at a rate per annum equal to the applicable interest rate determined in accordance with the definition of such type of Loan, plus the Applicable Amount.

(c) Upon the occurrence and during the continuance of an Event of Default, all Loans and other amounts outstanding hereunder shall bear interest at a fluctuating interest rate per annum at all times equal to the applicable Default Rate. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be compounded monthly, on the last day of each calendar month, to the fullest extent permitted by applicable Laws and payable upon demand.

## 2.6 Fees.

(a) **Administrative Agency Fee.** Borrower shall pay to the Administrative Agent an administrative agency fee in such amounts and at such times as heretofore agreed upon by letter agreement between Borrower and the Administrative Agent. The administrative agency fee is for the services to be performed by the Administrative Agent in acting as Administrative Agent and is fully earned on the date paid. The administrative agency fee paid to the Administrative Agent is solely for its own account and is nonrefundable.

(b) **Arrangement and Upfront Fees.** Borrower shall pay to the Administrative Agent on the Closing Date (i) such arrangement fees, for the respective accounts of the Arrangers, and (ii) such upfront fees, for the respective accounts of the Banks, as heretofore have been agreed upon by letter agreement between Borrower and the Arrangers. Such arrangement and upfront fees are fully-earned on the Closing Date and are nonrefundable.

**2.7 Computation of Interest and Fees.** Computation of interest on Base Rate Loans (other than Base Rate Loans bearing interest under clause (b) of the definition of "Base Rate") shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed; computation of interest on all other types of Loans and all fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to the Banks than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made; interest shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid. Any Loan that is repaid on the same day on which it is made shall bear interest for one day. Notwithstanding anything in this Agreement to the contrary, interest in excess of the maximum amount permitted by applicable Laws shall not accrue or be payable hereunder, and any amount paid as interest hereunder which would otherwise be in excess of such maximum permitted amount shall instead be treated as a payment of principal.

## 2.8 Manner and Treatment of Payments among the Banks, Borrower and the Administrative Agent.

(a) Unless otherwise provided herein, all payments by Borrower or any Bank hereunder shall be made to the Administrative Agent at the Administrative Agent's Office not later than the Requisite Time for such type of payment without condition and without deduction for any counterclaim, defense, recoupment or setoff. All payments received after such Requisite Time shall be deemed received on the next succeeding Business Day. Unless otherwise provided herein, all payments shall be made in immediately available funds in lawful money of the United States of America.

(b) Upon satisfaction of any applicable terms and conditions set forth herein, the Administrative Agent shall promptly make any amounts received in accordance with the prior subsection available in like funds received as follows: (i) if payable to Borrower, by crediting the Designated Deposit Account, and (ii) if payable to any Bank, by wire transfer to such Bank at the address specified in Schedule 10.6. The Administrative Agent's determination, or any Bank's determination not contradictory thereto, of any amount payable hereunder shall be conclusive in the absence of manifest error.

(c) Subject to the definition of "Interest Period," if any payment to be made by Borrower shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day.

(d) Unless the Administrative Agent shall have received notice from a Bank, in the case of Base Rate Loans prior to 10:00 a.m. on the proposed date of Borrowing, and otherwise prior to the proposed date of Borrowing, that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available on such date in accordance with Section 2.2 and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Bank has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Bank and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Bank, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Bank pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Bank pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Bank's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim that the Borrower may have against a Bank that has failed to make such payment to the Administrative Agent.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Banks hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Banks the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Banks severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Bank, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

**2.9 Funding Sources.** Nothing in this Agreement shall be deemed to obligate any Bank to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Bank that it has obtained or will obtain the funds for any Loan in any particular place or manner.

**2.10 Guaranty.** All Obligations of Borrower under this Agreement and the other Loan Documents, shall be guaranteed by the Guarantor Subsidiaries pursuant to the Master Subsidiary Guaranty.

## 2.11 Defaulting Banks.

(a) **Defaulting Bank Adjustments.** Notwithstanding anything to the contrary contained in this Agreement, if any Bank becomes a Defaulting Bank, then, until such time as that Bank is no longer a Defaulting Bank, to the extent permitted by applicable Laws:

(i) **Waivers and Amendments.** Such Defaulting Bank's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Requisite Banks."

(ii) **Defaulting Bank Waterfall.** Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Bank (whether voluntary or mandatory, at maturity, pursuant to Section 8 or otherwise) or received by the Administrative Agent from a Defaulting Bank pursuant to Section 10.9 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Bank to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Bank has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Bank's potential future funding obligations with respect to Loans under this Agreement; *fourth*, to the payment of any amounts owing to the Banks as a result of any judgment of a court of competent jurisdiction obtained by any Bank against such Defaulting Bank as a result of such Defaulting Bank's breach of its obligations under this Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Bank as a result of such Defaulting Bank's breach of its obligations under this Agreement; and *sixth*, to such Defaulting Bank or as otherwise directed by a court of competent jurisdiction; provided that, if such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Bank has not fully funded its appropriate share and such Loans were made at a time when the conditions set forth in Section 4.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Banks on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Bank until such time as all Loans are held by the Banks pro rata in accordance with their Commitments. Any payments, prepayments or other amounts paid or payable to a Defaulting Bank that are applied (or held) to pay amounts owed by a Defaulting Bank pursuant to this clause (ii) shall be deemed paid to and redirected by such Defaulting Bank, and each Bank irrevocably consents hereto.

(b) **Defaulting Bank Cure.** If the Borrower and the Administrative Agent agree in writing that a Bank is no longer a Defaulting Bank, the Administrative Agent will so notify the parties hereto, whereupon, as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to cash collateral), such Bank will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Banks or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Banks in accordance with their respective Commitments, whereupon such Bank will cease to be a Defaulting Bank; provided

that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Bank was a Defaulting Bank; and provided, further, that, except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Bank to Bank will constitute a waiver or release of any claim of any party hereunder arising from such Bank's having been a Defaulting Bank.

## 2.12 Recommitment and Extension.

(a) The Borrower may, by written notice to the Administrative Agent in the form of Exhibit K (a "**Recommitment Request**") given not later than the 45th day prior to the Maturity Date, request that the Banks, in their sole and absolute discretion, recommit to maintain their Loans outstanding for one additional period of not more than 364 days after the original Maturity Date (as specified by the Borrower in such notice), provided that any extension shall be subject to the following: (i) no Default or Event of Default shall have occurred and be continuing; (ii) the representations and warranties made by the Borrower in this Agreement shall be true and correct in all material respects (except to the extent any such representation and warranty relates solely to an earlier date, in which case the representation and warranty shall have been true and correct in all material respects as of such earlier date); and (iii) the Guarantor Subsidiaries shall have consented to such extension and confirmed the effectiveness of the Master Subsidiary Guaranty with respect thereto, in a writing in form and substance satisfactory to the Administrative Agent. Such recommitment, if approved in accordance herewith, shall become effective on the Maturity Date only with respect to each Bank that consents thereto (each a "**Recommitting Bank**") by written notice in the form of Exhibit L (a "**Recommitment Notice**") to the Administrative Agent (which Recommitment Notice shall be promptly delivered by the Administrative Agent to the Borrower) given not later than the 20th day prior to the Maturity Date (the "**Recommitment Request Response Date**"); provided that (i) such recommitment shall be effective only if Banks holding more than 50% of the aggregate principal amount of the outstanding Loans as of the date of the Recommitment Request agree to become Recommitting Banks, (ii) any Bank that declines to consent to such recommitment or that fails to submit a Recommitment Notice on or before the applicable Recommitment Request Response Date shall constitute a "**Non-Committing Bank**," and (iii) subject to clause (b) below, not later than 10 days prior to the Maturity Date (before giving effect to the requested extension thereof), the Borrower shall have the right to replace any Non-Committing Bank with a new lender that qualifies as an Eligible Assignee, is reasonably acceptable to the Administrative Agent and executes an instrument of joinder to this Agreement that is in form and substance reasonably acceptable to the Administrative Agent and that, in any event, contains the representations, warranties, indemnities and other protections afforded to the Administrative Agent and the other Banks that would be granted or made by an assignee by means of the execution of an Assignment and Assumption. No Bank shall have any obligation to consent to any such recommitment. The Administrative Agent shall notify each Bank of the receipt of a Recommitment Request promptly after receipt thereof. The Administrative Agent shall notify the Borrower and the Banks not later than five days after the applicable Recommitment Request Response Date whether the Administrative Agent has received Recommitment Notices from Banks holding more than 50% of the outstanding Loans on the date of the applicable Recommitment Request.

(b) In connection with any extension of the Maturity Date pursuant to this Section 2.12, the Borrower, the Administrative Agent and each Recommitting Bank shall execute and deliver to the Administrative Agent an amendment to this Agreement and such other documentation as the Administrative Agent shall reasonably specify to evidence the extension of the Maturity Date. Any such amendment may, without the consent of any Non-Committing Bank, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to implement the terms of any such extension, including (i) any amendments necessary to increase the interest-rate margins included in the definition of “Applicable Amount” or to provide for the payment of fees to the Recommitting Banks and (ii) such other, technical amendments as may be necessary or appropriate in the reasonable opinion of the Administrative Agent and the Borrower in connection with the extension of the Maturity Date, in each case on terms consistent with this section.

(c) Any outstanding Loans (to the extent not replaced by a replacement Bank as provided herein) owing to any Non-Committing Bank shall be due and payable on the Maturity Date as in effect prior to the extension, and on such Maturity Date the Borrower shall pay to the Administrative Agent, for the account of each Non-Committing Bank, an amount equal to such Non-Committing Bank’s Loans, together with accrued but unpaid interest and fees thereon and all other amounts then payable hereunder to such Non-Committing Bank. If, however, on or before the date that is 10 days prior to the Maturity Date, the Borrower obtains a replacement Bank for any such Non-Committing Bank as provided herein and such replacement Bank agrees to the recommitment through the new Maturity Date, then such replacement Bank shall for all purposes of this Section 2.12 and this Agreement (including for the purpose of determining whether the 50% test set out in Section 2.12(a) has been met) be deemed to be a Recommitting Bank, and the Loans of such replacement Bank shall be deemed recommitted to, effective as of the Maturity Date, for the extended term.

(d) With respect to the Recommitting Banks, the Maturity Date for the maintained Loans shall be as specified in the Recombitment Request.

### SECTION 3 TAXES, YIELD PROTECTION AND ILLEGALITY

#### 3.1 Taxes.

(a) **Defined Terms.** For purposes of this Section 3.1, the term “applicable Laws” includes FATCA.

(b) **Payments Free of Taxes.** Any and all payments by or on account of any obligation of the Borrower or any Guarantor Subsidiary under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable Laws and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower or any Guarantor Subsidiary shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.



(c) **Payment of Other Taxes by the Borrower.** The Borrower and the Guarantor Subsidiaries shall timely pay to the relevant Governmental Authority in accordance with applicable Laws, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) **Indemnification by the Borrower.** The Borrower shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Bank (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Bank, shall be conclusive absent manifest error.

(e) **Indemnification by the Banks.** Each Bank shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Bank (but only to the extent that the Borrower or a Guarantor Subsidiary has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower or a Guarantor Subsidiary to do so), (ii) any Taxes attributable to such Bank's failure to comply with the provisions of Section 10.8 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Bank, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Bank by the Administrative Agent shall be conclusive absent manifest error. Each Bank hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Bank under any Loan Document or otherwise payable by the Administrative Agent to such Bank from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) **Evidence of Payments.** As soon as practicable after any payment of Taxes by the Borrower or any Guarantor Subsidiary to a Governmental Authority pursuant to this Section 3.1, the Borrower or such Guarantor Subsidiary shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) **Status of Banks.** (i) Any Bank that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Bank, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Laws or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Bank is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 3.1(g)(ii)(A), (ii)(B), and (ii)(D) below) shall not be required if in such Bank's reasonable judgment such completion, execution or submission would subject such Bank to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Bank.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Borrower,

(A) any Bank that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or about the date on which such Bank becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Bank is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or about the date on which such Foreign Lender becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (a) a U.S. Tax Compliance Certificate substantially in the form of Exhibit M-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10-percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, or a "controlled foreign corporation" related to the Borrower as described in Section 881(c)(3)(C) of the Code and (b) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit M-2 or Exhibit M-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that, if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit M-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Bank under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable Laws as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Laws to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Bank under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Bank were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Sections 1471(b) and 1472(b) of the Code, as applicable), such Bank shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Laws (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Bank has complied with such Bank's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Bank agrees that, if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) **Treatment of Certain Refunds.** If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.1 (including by the payment of additional amounts pursuant to this Section 3.1), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant

Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) **Survival.** Each party's obligations under this Section 3.1 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

### **3.2 Increased Costs.**

(a) **Increased Costs Generally.** If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Bank (except any reserve requirement reflected in the Offshore Rate);

(ii) subject any Recipient to any Taxes (other than (i) Indemnified Taxes, (ii) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (iii) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments or other obligations or on its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Bank;

and the result of any of the foregoing shall be to increase the cost to such Bank or such other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by such Bank or other Recipient hereunder (whether of principal, interest or any other amount), then, upon request of such Bank or other Recipient, the Borrower will pay to such Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Bank or other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) **Capital Requirements.** If any Bank determines that any Change in Law affecting such Bank or any lending office of such Bank or such Bank's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Bank's capital or on the capital of such Bank's holding company, if any, as a consequence of this Agreement, the Commitment of such Bank or the Loans made by such Bank, to a level below that which such Bank or such Bank's holding company could have achieved but

for such Change in Law (taking into consideration such Bank's policies and the policies of such Bank's holding company with respect to adequacy of capital or liquidity), then from time to time the Borrower will pay to such Bank such additional amount or amounts as will compensate such Bank or such Bank's holding company for any such reduction suffered.

(c) **Certificates for Reimbursement.** A certificate of a Bank setting forth the amount or amounts necessary to compensate such Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Bank the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) **Delay in Requests.** Failure or delay on the part of any Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Bank pursuant to this Section for any increased costs incurred or reductions suffered more than nine months prior to the date on which such Bank notifies the Borrower of (i) the Change in Law giving rise to such increased costs or reductions and (ii) such Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

**3.3 Illegality.** If any Bank determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to the Offshore Rate or to determine or charge interest rates based upon the Offshore Rate, or if any Governmental Authority has imposed material restrictions on the authority of such Bank to purchase or sell, or to take deposits of, Dollars in the applicable interbank market, then, upon notice thereof by such Bank to the Borrower (through the Administrative Agent), (a) any obligation of such Bank to make or continue the affected Offshore Rate Loans or to convert Base Rate Loans to the affected Offshore Rate Loans shall be suspended, and (b) if such notice asserts the illegality of such Bank making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Offshore Rate component of the Base Rate, the interest rate on such Base Rate Loans of such Bank shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Offshore Rate component of the Base Rate, in each case until such Bank notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (i) the Borrower shall, upon demand from such Bank (with a copy to the Administrative Agent), prepay or, if applicable, convert the affected Offshore Rate Loans of such Bank to Base Rate Loans (and the interest rate on such Base Rate Loans of such Bank shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Offshore Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if such Bank may not lawfully continue to maintain such Offshore Rate Loans, and (ii) if such notice asserts the illegality of such Bank determining or charging interest rates based upon the Offshore Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Bank without reference to the Offshore Rate component thereof until the Administrative Agent is advised in writing by such Bank that it is no longer illegal for such Bank to determine or charge interest rates based upon the Offshore Rate. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 3.5.

### 3.4 Inability to Determine Rates.

(a) If, on or prior to the first day of any Interest Period, (i) the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means do not exist for ascertaining an applicable Offshore Base Rate or Offshore Rate in accordance with the respective definitions thereof (including because the applicable Bloomberg screen page (or other commercially available source providing quotations as designated by the Administrative Agent) is not available or is not published on a current basis), as applicable, for such Interest Period, or (ii) the Requisite Banks determine that for any reason in connection with any request for Offshore Rate Loans or a conversion thereto or a continuation thereof that (A) deposits in Dollars are not being offered to banks in the applicable interbank market for the applicable amount and Interest Period of such Offshore Rate Loans or (B) the applicable Offshore Base Rate or Offshore Rate for any requested Interest Period with respect to any proposed Offshore Rate Loans does not adequately and fairly reflect the cost to such Banks of funding such Loans, then the Administrative Agent will promptly so notify the Borrower and each Bank. Thereafter, the obligation of the Banks to make or maintain the affected Offshore Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Requisite Banks) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of the affected Offshore Rate Loans or, failing that, will be deemed to have converted such request into a request for Base Rate Loans in the amount specified therein.

(b) Notwithstanding the foregoing, if at any time the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that (i) the circumstances set forth in Section 3.4(a)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 3.4(a)(i) have not arisen but the supervisor for the administrator of the applicable Bloomberg screen page (or other commercially available source providing quotations as designated by the Administrative Agent) or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which such screen page (or other commercially available source providing quotations as designated by the Administrative Agent) shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Offshore Base Rate or Offshore Rate, as applicable, that gives due consideration to the then prevailing market convention for determining rates of interest for syndicated loans in the United States at such time, and they shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 10.2, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within 5 Business Days of the date notice of such alternate rate of interest is provided to the Banks, a written notice from the Requisite Banks stating that such Requisite Banks object to such amendment. Until an alternate rate of interest shall be determined in accordance with this Section 3.4(b) (but, in the case of the circumstances described in clause (ii) of the first sentence

of this Section 3.4(b), only to the extent that the applicable Bloomberg screen page for such Interest Period is not available or published at such time on a current basis), (A) any Request for Conversion or Request for Continuation that requests a conversion of any Loans to, or a continuation of any Loans as, the affected Offshore Rate Loans shall be ineffective, and (B) if any Request for Borrowing requests a Borrowing of Offshore Rate Loans, such Borrowing shall be made as Base Rate Loans.

**3.5 Compensation for Losses.** In the event of (a) the payment of any principal of any Offshore Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Offshore Rate Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Offshore Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be and is revoked) or (d) the assignment of any Offshore Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 3.7(b), then, in any such event, the Borrower shall compensate each Bank for the loss, cost and expense attributable to such event. Such loss, cost or expense to any Bank shall be deemed to include an amount determined by such Bank to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Offshore Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Bank would bid were it to bid, at the commencement of such period, for deposits of a comparable amount and period from other banks in the applicable interbank market. A certificate of any Bank setting forth any amount or amounts that such Bank is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Bank the amount shown as due on any such certificate within 10 days after receipt thereof.

### **3.6 Matters Applicable to all Requests for Compensation.**

(a) The Administrative Agent and any Bank shall provide reasonable detail to Borrower regarding the manner in which the amount of any payment to the Administrative Agent or that Bank under this Section 3 has been determined, concurrently with demand for such payment. The Administrative Agent's or any Bank's determination of any amount payable under this Section 3 shall be conclusive in the absence of manifest error.

(b) For purposes of calculating amounts payable under this Section 3 any Loan shall be deemed to have been funded as contemplated by the definition of the interest rate applicable thereto whether or not such Loan was, in fact, so funded.

(c) All of Borrower's obligations under this Section 3 shall survive termination of the Commitments and payment in full of all Outstanding Obligations.

### 3.7 Mitigation Obligations; Replacement of Banks.

(a) **Designation of a Different Lending Office.** If any Bank requires the Borrower to pay any Indemnified Taxes or additional amounts to such Bank or any Governmental Authority for the account of such Bank pursuant to Section 3.1 or requests compensation under Section 3.2, then such Bank shall (at the request of the Borrower) use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates if, in the judgment of such Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.1 or 3.2, as the case may be, in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

(b) **Replacement of Banks.** If the Borrower is required to pay any Indemnified Taxes or additional amounts to any Bank or any Governmental Authority for the account of any Bank pursuant to Section 3.1 or if any Bank requests compensation under Section 3.2 and, in each case, such Bank has declined or is unable to designate a different Lending Office in accordance with Section 3.7(a), or if any Bank is a Defaulting Bank or a Non-Consenting Bank, then the Borrower may, at its sole expense and effort, upon notice to such Bank and the Administrative Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.8), all of its interests, rights (other than its existing rights to payments pursuant to Section 3.1 or 3.2) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Bank, if a Bank accepts such assignment); provided that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 10.8;

(ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.2) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from payments required to be made pursuant to Section 3.1 or a claim for compensation under Section 3.2, such assignment will result in a reduction in such compensation or payments thereafter;

(iv) such assignment does not conflict with applicable Laws; and

(v) in the case of any assignment resulting from a Bank becoming a Non-Consenting Bank, the applicable assignee shall have consented to the applicable amendment, waiver or consent.

A Bank shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Notwithstanding anything in this Section to the contrary, the Bank that acts as the Administrative Agent may not be replaced hereunder except in accordance with the terms of Section 9.6.



**SECTION 4  
CONDITIONS**

**4.1 Initial Extension of Credit.** The obligation of each Bank to make the initial Loan to be made by it is subject to the satisfaction of the following conditions precedent (unless all of the Banks, in their sole and absolute discretion, shall agree otherwise):

(a) The Administrative Agent shall have received all of the following (with originals sufficient for each Bank, except the Notes), each of which shall be originals unless otherwise specified, each properly executed by the applicable Loan Party, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

(i) executed counterparts of this Agreement;

(ii) Notes executed by Borrower in favor of each Bank requesting a Note, each in a principal amount equal to that Bank's Commitment;

(iii) the Master Subsidiary Guaranty executed by each Principal Subsidiary (and in any event by Subsidiaries whose aggregate revenues are at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower);

(iv) with respect to Borrower and each Guarantor Subsidiary, such documentation as the Administrative Agent may require to establish the due organization, valid existence and good standing of Borrower and each such Subsidiary, its authority to execute, deliver and perform any Loan Documents to which it is or is to be a party, and the identity, authority and capacity of each Responsible Officer thereof authorized to act on its behalf, including certified copies of Organizational Documents and amendments thereto, certificates of good standing, certified corporate resolutions (or the equivalent), incumbency certificates, certificates of Responsible Officers and the like;

(v) the favorable opinion of counsel to Borrower and the Guarantor Subsidiaries;

(vi) a certificate signed by a Responsible Officer of Borrower certifying that the conditions specified in Sections 4.1(d) and 4.1(e) have been satisfied;

(vii) the Subordination Agreement executed by the Borrower and each Guarantor Subsidiary in favor of the Banks and the Administrative Agent;

(viii) a Request for Borrowing; and

(ix) such other assurances, certificates, documents, consents and opinions as the Administrative Agent reasonably may require.

(b) The fees payable on the Closing Date pursuant to Section 2.6 and those set forth in separate letter agreements between Borrower and the Administrative Agent and Borrower and the Arrangers shall have been paid.

(c) Attorney Costs of MUFG to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute MUFG's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings shall have been paid (provided that such estimate shall not thereafter preclude final settling of accounts between Borrower and MUFG).

(d) The representations and warranties of Borrower contained in Section 5 shall be true and correct.

(e) Borrower and its Subsidiaries shall be in compliance with all the terms and provisions of the Loan Documents, and giving effect to the initial Loan no Default or Event of Default shall have occurred and be continuing.

(f) No Material Adverse Change shall have occurred since September 30, 2018.

(g) (i) Upon the reasonable request of any Bank made at least ten days prior to the Closing Date, the Borrower shall have provided to such Bank the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including the PATRIOT Act, in each case at least five days prior to the Closing Date, and (ii) at least five days prior to the Closing Date, if the Borrower or any Guarantor qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Borrower or such Guarantor shall deliver a Beneficial Ownership Certification in relation to the Borrower or such Guarantor.

(h) The Administrative Agent shall have been satisfied with its review of Borrower's (i) operating and financial statements, including the audited financial statements for Borrower's fiscal year ended on December 31, 2017 and the unaudited financial statements for Borrower's fiscal quarter ended on September 30, 2018, (ii) corporate organization and capital structure, including ownership, management and other related agreements, and (iii) operating projections covering the first five fiscal years of Borrower following the Closing Date.

**4.2 Any Extension of Credit.** The obligation of each Bank to make any Extension of Credit on any date is also subject to the following conditions precedent:

(a) the representations and warranties of Borrower contained in Section 5 shall be true and correct in all material respects as though made on and as of such date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date);

(b) no Default or Event of Default shall have occurred and be continuing, or would result from such proposed Extension of Credit;

(c) the Administrative Agent shall have timely received a duly completed Request for Extension of Credit by Requisite Notice by the Requisite Time therefor; and

(d) no Material Adverse Change shall have occurred since the Closing Date.

## SECTION 5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to the Administrative Agent and the Banks that:

**5.1 Due Organization; Good Standing.** Borrower and each of its Subsidiaries are duly organized and existing under the laws of their respective states of organization, and are properly licensed and in good standing in, and where necessary to maintain their rights and privileges have complied with the fictitious name statute of, every jurisdiction in which they are doing business.

**5.2 Power; Authorization.** The execution, delivery and performance by Borrower and each Subsidiary of the Loan Documents to which each is a party and any instrument or agreement required hereunder or thereunder are within such Person's powers, have been duly authorized, and are not in conflict with the terms of any of its Organizational Documents or any instrument or agreement to which such Person is a party or by which it is bound or affected.

**5.3 No Legal Bar.** There is no law, rule or regulation, nor is there any judgment, decree or order of any court or other Governmental Authority, binding on the Borrower or any Subsidiary which would be contravened by the execution, delivery, performance or enforcement of any Loan Document or any instrument or agreement required hereunder or thereunder.

**5.4 Enforceable Obligation.** The Loan Documents are legal, valid and binding agreements of Borrower and each Subsidiary party thereto or hereto, enforceable against Borrower and each Subsidiary in accordance with their respective terms, and any instrument or agreement required hereunder or thereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.

**5.5 Ownership of Property; Liens.** Borrower has, and each Subsidiary has, good and indefeasible title to its respective Real Property (other than Real Property which it leases) and good title to all of its other Property, including the Property reflected in the most recent audited balance sheet referred to in [Section 5.17](#) (other than Property disposed of in the ordinary course of business), subject to no Lien of any kind except Liens permitted by [Section 7.1](#). Borrower and each Subsidiary enjoy peaceful and undisturbed possession of all leased Real Property necessary in any material respect for the conduct of their respective businesses, none of which contains any unusual or burdensome provisions which might materially affect or impair the operation of such businesses. The leases for such leased Real Property are valid and subsisting and are in full force and effect.

**5.6 Taxes.** Borrower has, and each Subsidiary has, filed all federal, state and other income tax returns which, to the best knowledge of the officers of Borrower, are required to be filed, and each has paid all taxes as shown on such returns and on all assessments received by it to the extent that such taxes have become due, except such taxes as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP.

**5.7 Conflicting Agreements and Other Matters.** Neither Borrower nor any of its Subsidiaries is a party to any contract or agreement or subject to any restriction under its Organizational Documents which materially and adversely affects its business, Property or financial condition. Neither the execution and delivery of this Agreement nor the compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the Property of Borrower or any of its Subsidiaries pursuant to, the Organizational Documents of Borrower or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders), instrument, order, judgment, decree, statute, law, rule or regulation to which Borrower or any of its Subsidiaries is subject. Neither Borrower nor any of its Subsidiaries is a party to, or otherwise subject to any provision contained in, any instrument evidencing indebtedness of Borrower or any of its Subsidiaries, any agreement relating thereto or any other contract or agreement (including its Organizational Documents) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt of Borrower such as the Loans, except for the Loan Documents or as set forth in the agreements listed in Schedule 5.7.

**5.8 ERISA.** No Plan (other than a Multiemployer Plan) fails to satisfy the minimum funding standard (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not a waiver of such standard or an extension of an amortization period has been sought or obtained. No liability to the Pension Benefit Guaranty Corporation has been or is expected by Borrower or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by Borrower, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, condition (financial or otherwise) or operations of Borrower and its Subsidiaries taken as a whole. Neither Borrower, any Subsidiary nor any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to Borrower and its Subsidiaries taken as a whole.

**5.9 Government Consent.** Neither the nature of Borrower or of any Subsidiary, nor any of their respective businesses or Property, nor any relationship between Borrower or any Subsidiary and any other Person, is such as to require any authorization, consent, approval, exemption or other action by or notice to or filing with any Governmental Authority in connection with the execution and delivery of this Agreement or fulfillment of or compliance with the terms and provisions hereof.

**5.10 Environmental Compliance.** Borrower and its Subsidiaries and all of their respective Property and facilities have complied and are complying at all times and in all respects with all Hazardous Materials Laws except, in any such case, where failure to comply could not reasonably be expected to constitute or cause a Material Adverse Change.

### 5.11 Licenses, Permits etc.

(a) Borrower and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, approvals, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are material to their business, without known conflict with the rights of others, including any such items that are required or appropriate in order for Borrower or any of its Subsidiaries to enter into, perform and receive payment under contracts with, or otherwise provide services to, the United States government and its departments and agencies.

(b) To the best knowledge of Borrower, no product of Borrower or its Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of Borrower, there is no material violation by any Person of any right of Borrower or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by Borrower or any of its Subsidiaries.

**5.12 Public Utility and Investment Company Status.** Neither Borrower nor any Subsidiary is a “public utility” within the meaning of the Federal Power Act. Neither Borrower nor any Subsidiary is an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, or an “investment adviser” within the meaning of the Investment Advisers Act of 1940.

**5.13 Foreign Asset Control Regulations; Absence of Foreign or Enemy Status.** Neither Borrower nor any Subsidiary is in violation of the restrictions set forth in the following laws and all Executive Orders and regulations promulgated under those laws: (i) Foreign Corrupt Practices Act, 15 U.S.C. § 78 *et seq.*; (ii) Currency and Foreign Transactions Reporting Act, 31 U.S.C. § 5316; (iii) Trading With the Enemy Act, 50 U.S.C. App. § 1-44; (iv) Cuban Democracy Act, 22 U.S.C. 6001-6010; (v) The Foreign Assistance Act of 1961, 22 U.S.C. 2370(a); (vi) International Emergency Economic Powers Act, 50 U.S.C. § 1701-1706; (vii) National Emergencies Act, 50 U.S.C. § 1601-1651; (viii) United Nations Participation Act of 1945, 22 U.S.C. § 287c; (ix) International Security and Development Cooperation Act, 22 U.S.C. 2349aa-8, 2349aa-9; (x) Cuban Liberty and Democratic Solidarity Act, 22 U.S.C. § 6021-6091; (xi) Antiterrorism and Effective Death Penalty Act of 1996, 18 U.S.C. § 2332d; and (xii) The Export Administration Act of 1979, 50 U.S.C. App. § 2407.

**5.14 Litigation.** Except as set forth on Schedule 5.14, there are no suits, proceedings, claims or disputes pending or, to its knowledge, constituting a real threat against or affecting Borrower, any Subsidiary or the Property of Borrower or any of its Subsidiaries, the adverse determination of which could reasonably be expected to constitute or cause a Material Adverse Change.

**5.15 No Default.** No event has occurred and is continuing or would result from the incurring of the Obligations by Borrower or any Subsidiary under any Loan Document, which is a Default or an Event of Default.

**5.16 Principal and Guarantor Subsidiaries.** Schedule 5.16 lists all the Principal Subsidiaries of Borrower as of the Closing Date. All Principal Subsidiaries are Guarantor Subsidiaries or, with respect to foreign Subsidiaries that are Principal Subsidiaries, are subject to the stock pledge set forth under Section 6.10. The Guarantor Subsidiaries, together with all foreign Subsidiaries that are subject to the stock pledge set forth under Section 6.10, collectively have revenues for the most recent four fiscal quarter period of Borrower of at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for such period.

**5.17 Financial Statements.** Borrower has heretofore delivered to the Administrative Agent copies of the consolidated balance sheets of Borrower as of December 31, 2017 and as of September 30, 2018, and the related consolidated statements of operations, shareholder's equity and changes in cash flows for the year or quarter then ended, as applicable (such statements being sometimes referred to herein as the "**Financial Statements**"). The December 31, 2017 Financial Statements were audited and reported on by PricewaterhouseCoopers LLP. The Financial Statements fairly present the consolidated financial condition and the consolidated results of operations of Borrower and its Subsidiaries as of the dates and for the periods indicated therein, and the Financial Statements have been prepared in conformity with GAAP (except as disclosed in the notes thereto). As of the Closing Date, except (i) as reflected in the Financial Statements or in the footnotes thereto or (ii) as otherwise disclosed in writing to the Administrative Agent prior to the date hereof, neither Borrower nor any Subsidiary has any obligation or liability of any kind (whether fixed, accrued, contingent, unmatured or otherwise) which is material to Borrower and the Subsidiaries on a consolidated basis and which, in accordance with GAAP consistently applied, should have been recorded or disclosed in the Financial Statements and was not. Since December 31, 2017, Borrower and each Subsidiary has conducted its business only in the ordinary course, and there has been no adverse change in the financial condition of Borrower and its Subsidiaries taken as a whole which is material to Borrower and its Subsidiaries on a consolidated basis, except in each case as disclosed in writing to the Administrative Agent prior to the Closing Date.

**5.18 Compliance with Applicable Laws.** Neither Borrower nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Authority, which default could reasonably be expected to constitute or cause a Material Adverse Change or impair its ability to perform its obligations under any Loan Document or under any instrument or agreement required hereunder or thereunder, except as disclosed in writing to the Administrative Agent. Borrower and each Subsidiary are complying in all material respects with all applicable statutes and regulations, including Hazardous Materials Laws, ERISA and applicable occupational, safety and health and other labor laws, of all Governmental Authorities, a violation of which could reasonably be expected to constitute or cause a Material Adverse Change or could impair Borrower's or any Principal Subsidiary's ability to perform its obligations under the Loan Documents to which it is party, or under any instrument or agreement required hereunder or thereunder, except as otherwise disclosed in writing to the Banks.

**5.19 Governmental Regulations.** Neither Borrower nor any Subsidiary is subject to any statute or regulation which regulates the incurring by it of indebtedness for borrowed money.

**5.20 Federal Reserve Regulations.** Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System. No part of the proceeds of the Loans will be used, directly or indirectly, for a purpose which violates any law, rule or regulation of any Governmental Authority, including the provisions of Regulations T, U and X of said Board.

**5.21 Guaranty Representations.** All representations and warranties of Borrower and the Guarantor Subsidiaries contained in the Master Subsidiary Guaranty are true and correct.

**5.22 Solvency.** Each of Borrower and its Subsidiaries is now, and after giving effect to each Extension of Credit will be, able to pay its debts (including trade debts) as they mature, has capital sufficient to carry on its business and has assets whose fair saleable value exceeds the amount of its liabilities.

**5.23 Anti-Corruption Laws and Sanctions.** Borrower and its Subsidiaries have implemented and maintain in effect policies and procedures designed to ensure compliance by Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and Borrower, its Subsidiaries and their respective officers and employees, and to the knowledge of Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any director, officer, employee, agent or Affiliate of the Borrower or any of its Subsidiaries is a Person that is, or is owned or controlled by Persons that are, the subject of any list-based or territorial Sanctions. No Borrowing, use of proceeds or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

## **SECTION 6 AFFIRMATIVE COVENANTS**

So long as any Loan remains unpaid, any of the other Obligations remains unpaid or unperformed or any portion of the Commitments remains in force, Borrower shall, and shall cause each of its Subsidiaries to:

**6.1 Financial Statements.** Deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent, with sufficient copies for each Bank:

(a) as soon as practicable and in any event within 60 days after the end of each quarterly period (except the last quarterly period) in each fiscal year, (i) unaudited consolidated statements of income, cash flows and shareholders' equity, and an unaudited consolidated balance sheet, of Borrower and its Subsidiaries and (ii) unaudited consolidating statements of income, and unaudited consolidating balance sheets, of Borrower and its Business Units, in each case for the period from the beginning of the current fiscal year to the end of such quarterly period or, in the case of balance sheets, as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of Borrower, subject to changes resulting from year-end adjustments;

(b) as soon as practicable and in any event within 100 days after the end of each fiscal year, (i) consolidated statements of income, cash flows and shareholders' equity, and a consolidated balance sheet, of Borrower and its Subsidiaries and (ii) consolidating statements of income, and consolidating balance sheets, of Borrower and its Business Units, in each case for such fiscal year or, in the case of balance sheets, as at the end of such fiscal year, all in reasonable detail and satisfactory in form to the Administrative Agent and, as to such consolidated statements only, reported on by independent public accountants of recognized national standing selected by Borrower and reasonably acceptable to the Administrative Agent whose report shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any other qualification or exception determined by the Administrative Agent in its good faith business judgment to be adverse to the interests of the Banks; and

(c) as soon as practicable and in any event within 100 days after the end of each fiscal year, projections for the next fiscal year of Borrower, including a balance sheet, income statement and operating cash flow statement, all in reasonable detail and satisfactory in form to the Administrative Agent.

**6.2 Certificates, Notices and Other Information.** Deliver to the Administrative Agent in form and detail satisfactory to the Administrative Agent, with sufficient copies for each Bank:

(a) contemporaneously with delivering the financial statements referred to in Sections 6.1(a) and (b), a Compliance Certificate signed by a Responsible Officer of Borrower;

(b) as soon as available and in any event within 100 days after the end of each fiscal year of Borrower, a statement listing (i) the aggregate amount of employee wages subject to ESOP contribution calculations during such fiscal year and (ii) the aggregate amount of contributions made by Borrower to the ESOP during such fiscal year;

(c) as soon as practicable and in any event within 100 days after the end of each fiscal year, (i) a statement setting forth the percentage contribution of each Guarantor Subsidiary to Borrower's consolidated gross revenues for the fiscal year and (ii) a certificate of the Secretary or an Assistant Secretary and one other officer of Borrower certifying that other than those Subsidiaries set forth on the statement described in clause (i) above, no other Subsidiaries are obligated to become Guarantor Subsidiaries or, in the case of foreign Subsidiaries, to have their stock pledged to the Administrative Agent pursuant to the terms of this Agreement, including Section 6.10;

(d) (i) as soon as practicable and in any event within sixty (60) days after the end of each of Borrower's fiscal quarters (except the last fiscal quarter), a summary gross profit backlog statement showing the total backlog of Borrower and its Business Units as of the end of each such fiscal quarter and (ii) as soon as practicable and in any event within one hundred (100) days after the end of each of Borrower's fiscal years, a summary gross profit backlog statement showing the total backlog of Borrower and its Business Units as of the end of each such fiscal year;



(e) contemporaneously with delivering the financial statements referred to in Sections 6.1(a) and (b), a schedule of Non-Recourse Investments and Non-Recourse Debt containing a breakdown of the portion of Consolidated EBITDA, Consolidated Equity and Consolidated Debt attributable thereto which has been excluded from the calculations of the financial covenants, in form and substance satisfactory to the Administrative Agent and signed by a Responsible Officer of Borrower;

(f) promptly after request, such information and documentation as reasonably requested by the Administrative Agent or any Bank for purposes of compliance with applicable “know your customer” and anti-money-laundering rules and regulations, including the PATRIOT Act and the Beneficial Ownership Regulation; and

(g) promptly after request, such other information respecting the condition, financial or otherwise, or operations of Borrower and its Subsidiaries as the Administrative Agent or any Bank (through the Administrative Agent) may reasonably request.

**6.3 Prompt Notice.** Immediately (unless otherwise provided below) give written notice to the Administrative Agent of:

(a) all litigation affecting the Borrower or any Subsidiary as a defendant and where the amount claimed in a single litigation action, not fully covered by insurance, is in excess of \$25,000,000;

(b) any draw of \$10,000,000 or more under any Outside Letter of Credit;

(c) any Default or Event of Default, which notice shall specify the nature and period of existence thereof and what action Borrower proposes to take with respect thereto;

(d) as to any Plan (i) promptly and in no event more than 10 days after Borrower knows or has reason to know of the occurrence of a Reportable Event with respect to a Plan, a copy of any materials required to be filed with the PBGC with respect to such Reportable Event together with a statement of the chief financial officer of Borrower setting forth details as to such Reportable Event and the action which Borrower proposes to take with respect thereto; (ii) at least 10 days prior to the filing by any plan administrator of a Plan of a notice of intent to terminate such Plan, a copy of such notice; (iii) promptly and in no event more than 10 days after the filing thereof with the Internal Revenue Service, copies of each annual report which is filed on Form 5500, together with certified financial statements for the Plan (if any) as of the end of such year and actuarial statements on Schedule SB to such Form 5500, if any; (iv) promptly and in no event more than 10 days after Borrower knows or has reason to know of any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, a statement of a Responsible Officer of Borrower describing such event or condition; (v) promptly and in no event more than 10 days after receipt thereof by Borrower or an ERISA Affiliate, each notice received by Borrower or an ERISA Affiliate concerning the imposition of any withdrawal liability under Section 4202 of ERISA; (vi) promptly after receipt thereof a copy of any notice Borrower or any ERISA Affiliate may receive from PBGC or the Internal Revenue Service with respect to any Plan or Multiemployer Plan; provided, however, that this clause (vi) shall not apply to notices of general

application promulgated by the PBGC or the Internal Revenue Service; (vii) promptly and in any event within 10 days after Borrower knows or has reason to know of any condition existing with respect to a Plan which presents a material risk of termination of the Plan, or imposition of an excise tax, requirement to provide security to the Plan, or incurrence of other liability by Borrower or any ERISA Affiliate, such that the amount of such proposed excise tax, security or liability as determined in good faith by Borrower is in excess of \$5,000,000; and (viii) promptly and in no event more than 10 days after the filing thereof with the Secretary of the Treasury, a copy of any application by Borrower or any ERISA Affiliate for a waiver of the minimum funding standard under Section 412 of the Code;

(e) any breach or non-performance of, or any default under, any Contractual Obligation of Borrower or any of its Subsidiaries, and any dispute, litigation, investigation, proceeding or suspension which may exist at any time between Borrower or any of its Subsidiaries and any Governmental Authority, in each case which could reasonably be expected to constitute or cause a Material Adverse Change;

(f) any other matter which has resulted in, or could reasonably be expected to constitute or cause, a Material Adverse Change; and

(g) promptly, such other data and information as from time to time may be reasonably requested by the Administrative Agent or any Bank (through the Administrative Agent).

**6.4 Covenant to Secure Obligations Equally.** If Borrower or any Subsidiary shall create or assume any Lien upon any of its Property, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 7.1 (unless prior written consent to the creation or assumption thereof shall have been obtained from the Requisite Banks), make or cause to be made effective a provision whereby the Guaranteed Obligations will be secured by such Lien equally and ratably with any and all other Debt thereby secured so long as any such other Debt shall be so secured; provided that, (a) notwithstanding the foregoing, this covenant shall not be construed as a consent by the Banks to any creation or assumption of any such Lien not permitted by the provisions of Section 7.1, and (b) other than (i) the Revolving Credit Agreement, (ii) any agreements pursuant to which any Permitted Private Placement Debt is issued and (iii) any agreements pursuant to which any Debt permitted pursuant to Section 7.2(j) is issued (so long as, in the case of the agreements referenced in this clause (iii), such prohibitions are no more restrictive than the corresponding provisions of this Agreement), neither Borrower nor any of its Subsidiaries shall be a party to any agreement prohibiting, or amend any agreement to prohibit, the creation or assumption of any Lien in favor of the Administrative Agent or any Bank upon its Property, whether now owned or hereafter acquired.

**6.5 Insurance.** Maintain, and cause each Subsidiary to maintain, with financially sound and reputable insurers, insurance with respect to their respective Property and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated; and, if requested by the Administrative Agent or any Bank, deliver evidence of such insurance coverage thereto, in reasonable detail.

**6.6 Maintenance of Property.** Maintain and keep, and cause each Subsidiary to maintain and keep, or cause to be maintained and kept, their respective Property in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section 6.6 shall not prevent Borrower or any Subsidiary from discontinuing the operation and the maintenance of any of its Property if such discontinuance is desirable in the conduct of its business and Borrower has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to constitute or cause a Material Adverse Change.

**6.7 Payment of Obligations, Taxes and Claims.** Pay, and cause each Subsidiary to pay, all obligations, including tax claims, when due, and file, and cause each Subsidiary to file, all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their Property, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, and all claims for which sums have become due and payable that have or might become a Lien on Property of Borrower or any Subsidiary, provided, that neither Borrower nor any Subsidiary need pay any such obligation, tax, assessment, charge, levy or claim if and to the extent that (a) the amount, applicability or validity thereof is being contested by Borrower or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and Borrower or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of Borrower or such Subsidiary (the foregoing described in this clause (a) being hereafter referred to as a “*Good Faith Contest*”) or (b) the nonpayment of all such obligations, taxes, assessments, charges, levies and claims of the Borrower and its Subsidiaries in the aggregate could not reasonably be expected to constitute or cause a Material Adverse Change.

**6.8 Compliance with Laws.** Comply, and cause each Subsidiary to comply, with all applicable Laws, including (a) any Laws that apply to parties that enter into, perform or receive payment under contracts with, or otherwise provide services to, the United States government or its departments and agencies (including compliance with requirements resulting from audits conducted by the General Accounting Office), (b) ERISA, (c) Regulations T, U and X of the Board of Governors of the Federal Reserve System, (d) Hazardous Materials Laws and (e) all domestic Laws (including Executive Orders of the President of the United States of America) and all foreign Laws not in conflict with or in violation of domestic Laws, relating to the conduct of business activities by domestic corporations within and/or outside the United States of America, with respect to which noncompliance could reasonably be expected to constitute or cause a Material Adverse Change; maintain in effect and enforce policies and procedures designed to ensure compliance by Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions; and, without limiting the generality of the foregoing, comply, and cause its Subsidiaries to comply, to the extent applicable with the provisions of the following Laws and all Executive Orders and regulations promulgated under those Laws, to the extent that the noncompliance with the same could reasonably be expected to constitute or cause a Material Adverse Change: (i) Foreign Corrupt Practices Act, 15 U.S.C. § 78 et seq.; (ii) Currency and Foreign Transactions Reporting Act, 31 U.S.C. § 5316; (iii) Trading with the Enemy Act, 42 U.S.C. App. § 1-44; (iv) Cuban Democracy Act, 22 U.S.C. § 6001-6010; (v) The Foreign Assistance Act of 1961, 22 U.S.C. § 2370(a); (vi) International Emergency Economic Powers Act, 50 U.S.C. § 1701-1706; (vii)

National Emergencies Act, 50 U.S.C. § 1601-1651; (viii) United Nations Participation Act of 1945, 22 U.S.C. § 287c; (ix) International Security and Development Cooperation Act, 22 U.S.C. 2349aa-8, 2349aa-9; (x) Cuban Liberty and Democratic Solidarity Act, 22 U.S.C. § 6021-6091; (xi) Antiterrorism and Effective Death Penalty Act of 1996, 18 U.S.C. § 2332d; and (xii) The Export Administration Act of 1979, 50 U.S.C. App. § 2407.

**6.9 Maintenance of Existence.** Preserve and maintain, and cause its Subsidiaries to preserve and maintain, their legal existence and all rights, privileges and franchises necessary or desirable in the ordinary conduct of their business; and not become (a) a “public utility” within the meaning of the Federal Power Act or (b) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, or an “investment adviser” within the meaning of the Investment Advisers Act of 1940.

**6.10 Guaranties of New Principal Subsidiaries; Stock Pledge of Foreign Subsidiaries; Addition of Guarantor Subsidiaries.**

(a) Cause any Person (including any existing Subsidiary) that becomes a Principal Subsidiary, within 45 days after the Guarantor Determination Date with respect thereto (unless extended by the Administrative Agent in its sole discretion), to (i) become a Guarantor Subsidiary under the Master Subsidiary Guaranty and (ii) deliver to the Administrative Agent (with copies for each Bank) (A) those documents required pursuant to Section 4.1(a)(iv), as such documents pertain to such Guarantor Subsidiary, (B) a favorable opinion of counsel, designated by Borrower and reasonably acceptable to the Administrative Agent, with respect to such Guarantor Subsidiary in form and substance satisfactory to the Administrative Agent and (C) such other documents, agreements and instruments as the Administrative Agent may reasonably request; provided, however, with respect to any foreign Subsidiary that becomes a Principal Subsidiary, Borrower may, solely in lieu of such foreign Subsidiary becoming a Guarantor Subsidiary under the Master Subsidiary Guaranty, (1) cause the number of whole shares of capital stock closest to but not exceeding 65% of the issued and outstanding capital stock of such foreign Subsidiary directly owned by Borrower or any domestic Subsidiary to be subject at all times to a first-priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of such security documents as the Administrative Agent shall reasonably request, and (2) cause such foreign Subsidiary to deliver to the Administrative Agent the documents referenced in clause (ii) above with respect to such foreign Subsidiary; provided further, however, that (i) in no event shall any Subsidiary be required to be a Guarantor Subsidiary to the extent that doing so would result in a material adverse tax consequence to the Borrower and its Subsidiaries as a result of the operation of Section 956 of the Code, including by reason of such Subsidiary being (A) a foreign Subsidiary, (B) a direct or indirect domestic Subsidiary of a foreign Subsidiary or of a Disregarded Domestic Person (as defined below) or (C) a wholly owned domestic Subsidiary (1) substantially all of the assets of which constitute the equity of one or more foreign Subsidiaries or (2) that is treated as a disregarded entity for U.S. federal income tax purposes and that holds equity of one or more foreign Subsidiaries (each of (1) and (2), a “*Disregarded Domestic Person*”), and (ii) in no event shall any such Lien be required that would result in a material adverse tax consequence to the Borrower and its Subsidiaries as a result of the operation of Section 956 of the Code; and provided further that, in the event that Code Section 956 is materially revised or is replaced with a new section of the Code that materially differs from Section 956 as in effect on the Closing Date and either the Borrower or

the Requisite Banks shall so request, the Administrative Agent, the Banks and the Borrower shall negotiate in good faith to amend this Section 6.10 to reflect such revision to Code Section 956 or such successor provision of the Code, as applicable, so as to require Principal Subsidiaries to become Guarantor Subsidiaries or to have their stock pledged as collateral for the Guaranteed Obligations to the maximum extent that doing so would not result in a material adverse tax consequence to the Borrower and its Subsidiaries; and

(b) If the Administrative Agent determines, based upon its review of any of the annual financial statements described in Section 6.1(b) and any of the annual statements described in Section 6.2(c), that the Guarantor Subsidiaries, in the aggregate, do not have revenues constituting at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower reflected in such annual statements, then within 45 days after its receipt of notice from the Administrative Agent of such determination (unless extended by the Administrative Agent in its sole discretion), cause such additional Subsidiaries, irrespective of whether Principal Subsidiaries, to (i) become Guarantor Subsidiaries under the Master Subsidiary Guaranty so that, after giving effect to such additional guaranties, the Guarantor Subsidiaries in the aggregate have revenues constituting at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower and (ii) deliver to the Administrative Agent (with copies for each Bank) each of the items required by clause (a)(ii) of this Section 6.10; provided, however, that, for purposes of making the calculations set forth above, each foreign Subsidiary whose stock is pledged pursuant to clause (a) above or otherwise shall be considered a Guarantor Subsidiary.

**6.11 Licenses, Permits etc.** Preserve, protect and maintain, and cause its Subsidiaries to, preserve, protect and maintain, all licenses, permits, authorizations, approvals, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are necessary or desirable in the ordinary conduct of the business of Borrower and its Subsidiaries, including all such items that are required or appropriate in order for Borrower or any of its Subsidiaries to enter into, perform and receive payment under contracts with, or otherwise provide services to, the United States government and its departments and agencies.

**6.12 Hazardous Materials.** Keep and maintain, and cause its Subsidiaries to keep and maintain, all real Property in which Borrower or a Subsidiary has any ownership or leasehold interest ("**Real Property**") in compliance with all Hazardous Materials Laws; provided that Borrower shall not be in violation of this covenant to the extent that such non-compliance creates no material risk to occupants of such Real Property, material damage to such Real Property or material threat to the environment for which, in the case of leased Real Property, Borrower or any of its Subsidiaries is liable and to the extent that any fines, penalties or other assessments in respect of such non-compliance do not exceed \$1,000,000 in the aggregate; and not, and not permit any of its Subsidiaries to, use, generate, manufacture, store or dispose of on, under or about any Real Property, or transport to or from any Real Property, any flammable explosives, radioactive materials, hazardous wastes or toxic substances, including any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable Laws (collectively referred to herein as "**Hazardous Materials**") except for the Hazardous Materials (a) listed on Schedule 6.12 (and, to the extent such listing includes "trade name" substances, substitutions for such trade name

substances containing the same component hazardous material), or (b) used by Borrower, its Subsidiaries and other occupants of the Real Property in connection with their respective business operations or for general maintenance of such Real Property and in material compliance with Hazardous Materials Laws, in no greater than commercially reasonable quantities, in both cases for which disposal has been or will be arranged in accordance with applicable Laws; provided that Borrower shall indemnify, defend and hold harmless the Indemnitees from and against (which indemnity shall survive the repayment of the Obligations) any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, transportation, disposal, or presence of Hazardous Materials (including asbestos) on, under or about the any Real Property, including: (i) the costs of any required or necessary repair, cleanup or detoxification of any Real Property, and the preparation and implementation of any closure, remedial or other required plans and (ii) all reasonable costs and expenses incurred by the Indemnitees in connection with clause (i), including all reasonable Attorney Costs.

**6.13 Use of Proceeds.** Use the proceeds of the Loans for general corporate purposes, including to fund certain fees and expenses associated with the closing of the transactions contemplated hereunder and for Permitted Acquisitions; provided, however, that (a) no part of the proceeds of the Loans will be used, directly or indirectly, in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any applicable Anti-Corruption Law, (b) the Borrower will not, directly or indirectly, use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that at the time of such funding is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Loans, whether as underwriter, advisor, investor or otherwise), and (c) the Borrower will maintain in effect policies and procedures designed to promote compliance by the Borrower, its Subsidiaries, and their respective directors, officers, employees and agents with all applicable Anti-Corruption Laws.

**6.14 Books and Records.** Maintain, and cause its Subsidiaries to maintain, adequate books, accounts and records in accordance with GAAP, and permit employees or agents of the Banks at any reasonable time and as often as may reasonably be desired to inspect its Property, and to examine or audit its books, accounts and records and make copies and memoranda thereof and to discuss with its officers the business, operations, Property and financial condition of it and its Subsidiaries.

**6.15 Operation of ESOP.** Cause the ESOP to be operated and administered as a qualified Plan under Section 401(a) of the Code and, to the extent applicable, Sections 409 and 4975(e)(7) of the Code and to be in material compliance with all applicable requirements of ERISA (including Titles I and II) and the Code and regulations thereunder as from time to time in effect and applicable to the ESOP.

**6.16 Further Assurances.** Ensure that all written information, exhibits and reports furnished to the Administrative Agent and the Banks do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and promptly disclose to the Administrative Agent and correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgment or recordation thereof, thereby curing any such defect or error.

## SECTION 7 NEGATIVE COVENANTS

So long as any Loan remains unpaid, or any other Obligations remain unpaid or unperformed, or any portion of the Commitments remains in force, Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly:

**7.1 Lien Restrictions.** Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien upon any of their respective Property, whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Obligations in accordance with the provisions of Section 6.4), except for the following:

(a) Liens for taxes, assessments or other governmental levies or charges that are not yet delinquent, may be paid without penalty or are being actively contested in a Good Faith Contest;

(b) statutory Liens of landlords, and Liens of carriers, warehousemen, mechanics and materialmen, incurred in the ordinary course of business for sums that are not yet delinquent, may be paid without penalty or are subject to a Good Faith Contest;

(c) Liens on Property of a Subsidiary to secure obligations of such Subsidiary to Borrower;

(d) Liens (other than any Lien imposed by ERISA) incurred, or deposits made, in the ordinary course of business such as workers' compensation Liens or statutory or legal obligation Liens or deposits to support an insurance program, provided, however, that such Liens or deposits were not incurred or made in connection with the borrowing of money, or the obtaining of advances or credit;

(e) minor survey exceptions or minor encumbrances, easements or reservations, and related Liens and incidental Liens, that are necessary for the conduct of the operations of Borrower and its Subsidiaries but were not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not in the aggregate materially detract from the value of the Property of Borrower or its Subsidiaries or materially impair the use thereof in the operation of the businesses of Borrower and its Subsidiaries;

(f) Liens on contract advances and other related advances for which deposits have been received before services have been rendered;

(g) Liens incurred in connection with Non-Recourse Debt;

(h) cash deposited with issuing banks as collateral for Outside Letters of Credit that are permitted under Section 7.13 so long as the aggregate amount of such cash deposits does not exceed the Consolidated Equity limitation set forth in Section 7.13;

(i) Liens on assets consisting of interests in joint ventures or partnerships held by Borrower or its Subsidiaries and the underlying assets in such joint ventures or partnerships granted to the other party in any such joint venture or partnership where Borrower or such Subsidiary holds an interest in such joint venture or partnership of less than 50% so long as (i) no Default or Event of Default has occurred and is continuing, (ii) the aggregate value of all assets subject to such Liens does not exceed 10% of Consolidated Equity and (iii) Borrower or such Subsidiary is granted a Lien on the joint venture or partnership interests and underlying assets held by the other party or parties in such joint venture or partnership;

(j) Liens existing on property at the time of its acquisition pursuant to a Permitted Acquisition or existing on the property of any Person at the time such Person becomes a Subsidiary or is merged into or consolidated with Borrower or any Subsidiary pursuant to a Permitted Acquisition; provided that (i) such Lien was not created in contemplation of such Permitted Acquisition and (ii) the aggregate outstanding principal amount of Debt secured by all such Liens does not exceed \$30,000,000 at any time;

(k) Liens in favor of sureties issued for the benefit of Borrower or any of its Subsidiaries in the ordinary course of their business;

(l) Liens securing Debt not to exceed \$50,000,000 permitted under Section 7.2;

(m) Liens on the capital stock of foreign Subsidiaries granted to the Administrative Agent, for the benefit of the Banks, to secure the Guaranteed Obligations in accordance with the requirements of Section 6.10;

(n) Liens on the capital stock of foreign Subsidiaries granted to (i) the holders of the "Guaranteed Obligations" under the Revolving Credit Agreement (or an agent or representative for the benefit of such holders) to secure the repayment of such "Guaranteed Obligations," (ii) the holders of Permitted Private Placement Debt (or an agent or representative for the benefit of such holders) to secure the repayment of such Permitted Private Placement Debt and (iii) the holders of any Debt permitted pursuant to Section 7.2(j) (or an agent or representative for the benefit of such holders) to secure the repayment of such Debt; provided that the Administrative Agent, for the benefit of the Banks, holds a Lien on the same capital stock and the priority of the Lien on such capital stock held by the Administrative Agent is senior to or *pari passu* with the Lien of such holders and the priority thereof is governed by an intercreditor agreement in form and substance satisfactory to the Administrative Agent;

(o) Liens permitted under Section 7.5; and

(p) Liens on "Cash Collateral" required to be pledged under the Revolving Credit Agreement in respect of letters of credit issued thereunder.



**7.2 Debt.** Create, incur, assume or suffer to exist any Debt, except for:

(a) Debt under this Agreement and the other Loan Documents;

(b) inter-company indebtedness between Borrower and a Subsidiary or between any two or more Subsidiaries so long as any such inter-company indebtedness owed by Borrower or a Principal Subsidiary to a Principal Subsidiary is subordinated to the Loans pursuant to a subordination agreement in the form of Exhibit J;

(c) any Non-Recourse Debt;

(d) Debt arising under any Hedge Agreements permitted under Section 7.15;

(e) any Permitted Private Placement Debt and any guaranty thereof made by any Guarantor Subsidiary in favor of the holders of such Permitted Private Placement Debt;

(f) direct or contingent obligations under Outside Letters of Credit that are Financial Letters of Credit in an amount not to exceed \$25,000,000 at any time;

(g) unsecured liabilities of Borrower arising from the bond or undertaking required under Section 6.17;

(h) any Debt deemed to exist with respect to any transaction permitted pursuant to Section 7.5;

(i) the "Guaranteed Obligations" under the Revolving Credit Agreement, provided that the "Outstanding Obligations" thereunder do not exceed \$700,000,000 in principal amount outstanding at any time, and any guaranty thereof made by any Guarantor Subsidiary in favor of the holders of such "Guaranteed Obligations"; and

(j) Debt not otherwise permitted under clauses (a) through (i) above in a principal amount not to exceed \$150,000,000 outstanding at any time that is either secured (as permitted under Section 7.1) or unsecured and any guaranty thereof made by any Guarantor Subsidiary in favor of the holders of such Debt.

**7.3 Loans, Advances and Investments.** Make or permit to remain outstanding, or permit any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any stock, assets, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, except for:

(a) Permitted Investments;

(b) loans, advances and investments existing on the date hereof, as described on Schedule 7.3;

(c) loans and advances (i) between Borrower and its domestic Wholly-Owned Subsidiaries (except Non-Guarantor Subsidiaries) or (ii) between domestic Wholly-Owned Subsidiaries (except Non-Guarantor Subsidiaries);

(d) loans and advances from Borrower to Wholly-Owned Subsidiaries that are Non-Guarantor Subsidiaries or to foreign Wholly-Owned Subsidiaries, the proceeds of which are used by such Subsidiaries solely for working capital and to purchase fixed assets and not to acquire any stock, obligations or securities of, or any other investment in, or make any capital contribution or loan advance to, any Person;

(e) stock of Subsidiaries;

(f) loans and advances to, and investments in, joint ventures, partnerships, and other Persons engaged in the Line of Business, provided that Borrower, a Subsidiary or an Affiliate of Borrower is currently providing, or is contractually obligated to provide, material services to such joint venture, partnership or other Person;

(g) deferred compensation deposits and similar deposits made in the ordinary course of business;

(h) travel advances and related employee expense advances made in the ordinary course of business;

(i) Permitted Acquisitions;

(j) Hedge Agreements permitted under Section 7.15;

(k) loans, advances or extensions of credit to the ESOP Trust for the purchase of shares of stock of Borrower so long as Borrower's Consolidated Equity is at least \$650,000,000 after giving effect to any such loan, advance or extension of credit;

(l) any investment made in connection with any transaction permitted pursuant to Section 7.5; and

(m) other investments that do not exceed \$75,000,000 in the aggregate outstanding at any time.

Notwithstanding the foregoing, neither Borrower nor any of its Subsidiaries shall make any investment pursuant to clause (f) above if such investment would result in an Acquisition that is not a Permitted Acquisition.

**7.4 Merger and Sale of Assets.** Merge with or into or consolidate with, or permit any of its Subsidiaries to merge with or into or consolidate with, any other Person, or sell, lease, transfer or otherwise dispose of any assets if the book value or Fair Market Value (whichever is greater) of all Asset Dispositions by Borrower and its Subsidiaries in any 12-month period exceeds 10% of Consolidated Equity, calculated as of the end of the most recently ended fiscal quarter, except that:

(a) any Subsidiary may merge with Borrower (provided that Borrower shall be the continuing or surviving corporation) or with or into any domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary, except that a Non-Guarantor Subsidiary may merge with or into another Non-Guarantor Subsidiary, and provided that such domestic Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to Borrower or a domestic Wholly-Owned Subsidiary other than a Non-Guarantor Subsidiary;

(c) Borrower or any Subsidiary may dispose of (i) any assets which in the good faith judgment of Borrower are obsolete or otherwise unproductive or (ii) any permitted investment of the type set forth in Section 7.3(a) or (l);

(d) Borrower may merge with another domestic corporation so long as Borrower is the surviving corporation, no Default or Event of Default exists or would result after giving effect to the completion of such merger and such merger would otherwise qualify as a Permitted Acquisition; and

(e) Dispositions of notes and accounts receivable permitted pursuant to Section 7.5 shall be permitted.

If the Net Proceeds Amount for any Transfer is, within 365 days after such Transfer, (i) applied to a Debt Prepayment Application, (ii) applied to or would otherwise constitute a Property Reinvestment Application or (iii) applied to any combination of the foregoing clauses (i) and (ii), then such Transfer, for the purpose of determining compliance with this Section 7.4, shall be deemed not to be an Asset Disposition.

**7.5 Sale of Receivables.** Sell, or cause or allow any Lien to attach to, any of its notes or accounts receivable, or permit any of its Subsidiaries to do so, except for such sales not exceeding \$150,000,000 in the aggregate in any fiscal year that are (a) at fair-market value (determined by the Borrower in the exercise of its reasonable business judgment) or at a market discount of not more than 20% and (b) without recourse to the Borrower and its Subsidiaries (other than a direct or indirect Wholly-Owned Subsidiary formed for the sole purpose of engaging in such sales and that engages in no business activities other than such sales (any such Wholly-Owned Subsidiary, an “**SPV**”)).

**7.6 Subsidiary Restrictions.** Permit any Subsidiary (other than an SPV) to incur or permit to exist any restriction (except statutory and regulatory restrictions imposed by foreign governmental authorities) on such Subsidiary’s ability to pay dividends to Borrower or its Subsidiaries or to otherwise transfer earnings or assets to Borrower or its Subsidiaries.

**7.7 Line of Business.** Engage, or permit any of its Subsidiaries to engage, in any business activities or operations substantially different from or unrelated to the Line of Business.

**7.8 ESOP Changes.** (a) Except for amendments required by applicable Laws, permit the modification or waiver of, or any change in, any of the provisions of the ESOP if such modification, waiver or change could reasonably be expected to constitute or cause a Material Adverse Change or (b) fail to give prior notice to the Administrative Agent of each material modification or change in, or material waiver of, any of the provisions of the ESOP.

**7.9 Compliance with ERISA.** Do or permit any of its ERISA Affiliates to do any of the following, without Bank's prior written consent: (a) terminate or withdraw from any Plan so as to result in any material liability to the PBGC; (b) engage in or permit any Person to engage in any Prohibited Transaction involving any Plan which would subject Borrower to any material tax, penalty or other liability; (c) fail to satisfy the minimum funding standard (as defined in Section 302 of ERISA and Section 412 of the Code) involving any Plan, whether or not a waiver of such standard or an extension of an amortization period has been sought or granted; (d) allow or suffer to exist any event or condition, which presents a material risk of incurring a material liability to the PBGC; (e) amend any Plan so as to cause any funding-based limitations to be imposed under Section 436 of the Code; or (f) fail to make payments required under Section 412 of the Code and Section 302 of ERISA which would subject Borrower to any material tax, penalty or other liability. For the purpose of this Section only, a tax, penalty or other liability shall be considered material to Borrower if it is determined in good faith by Bank to be in excess of \$5,000,000 and such tax, penalty or liability of Borrower is not covered in full, for the benefit of Borrower, by insurance.

**7.10 Leverage Ratio.** Permit the Leverage Ratio as of the end of any Measurement Period ending as of the last day of any fiscal quarter of the Borrower, or at any other time, to exceed 3.00 to 1.00; provided, however, that, if in any fiscal quarter thereof the Borrower completes one or more Permitted Acquisitions whose total purchase consideration (including earnout payments and other deferred payments but excluding transaction costs and expenses) is \$75,000,000 or higher, then the maximum Leverage Ratio for such quarter and the next three succeeding fiscal quarters of the Borrower shall be 3.25 to 1.00 and shall thereafter revert to 3.00 to 1.00. For the avoidance of doubt, the period during which the maximum Leverage Ratio shall be increased as described above shall be extended if one or more additional Permitted Acquisitions as described in the foregoing proviso occur after the Permitted Acquisition(s) first giving rise to such increase.

**7.11 Consolidated Fixed Charge Coverage Ratio.** Permit the ratio of (a) the sum of Consolidated EBITDA plus Consolidated Lease Expense to (b) the sum of Consolidated Interest Expense less the portion of Consolidated Interest Expense attributable to Non-Recourse Debt less any non-cash interest charges related to the MTA Judgment taken after the fiscal quarter in which the final MTA Judgment is entered by the court plus Consolidated Lease Expense, in each case as of the end of any Measurement Period ending as of the last day of any fiscal quarter of the Borrower, or at any other time, to be less than 1.50 to 1.00, subject to the application of Section 1.2(c).

**7.12 Restricted Payments.** As to Borrower, (a) declare or pay any dividend on any class of its stock, (b) make any other distribution on any class of its stock, (c) redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock now or hereafter outstanding, (d) make any distribution of assets to its stockholders as such, (e) permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of Borrower, or (f) permit any of its Subsidiaries to make any distribution of cash, stock or any other assets to any stockholder other than Borrower or a domestic Wholly-Owned Subsidiary (all of the foregoing herein called "**Restricted Payments**"); provided, however, that Restricted Payments may be made up to an aggregate amount of \$350,000,000 during any fiscal year of Borrower so long as, after giving effect to each such Restricted Payment, Borrower's Consolidated Equity is at least \$550,000,000.

**7.13 Cash-Secured Outside Letter of Credit Usage.** Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, Outside Letter of Credit Usage with respect to cash-secured Outside Letters of Credit in excess of 5% of Consolidated Equity; provided, however, that if Borrower has at least \$50,000,000 of cash or Permitted Investments that are not subject to any Liens or any other restrictions on use after giving effect to the issuance of any cash-secured Outside Letter of Credit, the foregoing percentage may be increased from 5% to 10%.

**7.14 Transactions with Affiliates.** Enter into any transaction of any kind with any Affiliate of Borrower other than (a) salary, bonus, employee stock option and other compensation arrangements with, and advances to, employees, directors or officers in the ordinary course of business, (b) transactions that are fully disclosed to the board of directors (or the executive committee thereof) of Borrower and expressly authorized by a resolution of the board of directors (or such executive committee) of Borrower which is approved by a majority of the directors (or such executive committee) not having an interest in the transaction, (c) other transactions (including between or among Borrower and its Subsidiaries) on overall terms that are at least as favorable to Borrower and the Guarantor Subsidiaries as would be the case in an arm's-length transaction between unrelated parties of equal bargaining power and (d) transactions expressly permitted under this Agreement. Without limiting the generality of the preceding sentence, in no event shall Borrower pay, or permit any of its Subsidiaries to pay, management fees or fees for services to any Affiliate of Borrower without the prior written approval of the Administrative Agent. For the avoidance of doubt, the sharing of general corporate overhead and other administrative expenses shall not be deemed to constitute a management or service fee.

**7.15 Hedge Agreements.** Enter into any Hedge Agreement, except (a) Hedge Agreements entered into to hedge or mitigate risks to which Borrower or any Subsidiary has actual or anticipated exposure and (b) Hedge Agreements (i) entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of Borrower or any Subsidiary or (ii) that consist of forward currency exchange agreements, forward rate currency options and related "hedging" transactions against fluctuations of commodity prices, exchange rates or forward rates and are entered into in the ordinary course of business and not for speculative purposes.

## SECTION 8 EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

**8.1 Events of Default.** The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an "**Event of Default**":

(a) **Non-Payment.** (i) Borrower shall fail to pay within five days of when due any interest payable under this Agreement or any fee payable under Section 2.6, or (ii) any Loan Party shall fail to pay when due any principal, expenses, indemnity (or any other amount payable to any Indemnitee) or other amount payable thereby under this Agreement or any other Loan Document, whether at maturity on a specified date, on demand, upon acceleration or otherwise; or

(b) **Misrepresentations.** Any representation or warranty made or deemed made by any Loan Party hereunder or under any other Loan Document, instrument or certificate in connection with any transaction contemplated hereby or in any financial statement furnished to the Administrative Agent or any Bank shall prove to have been false or misleading in any material respect when made or when deemed to have been made; or

(c) **Certain Covenants.** Borrower shall fail to perform or observe any covenant contained in Section 6.3, 6.4, 6.9, 6.10, 6.13 or 6.14 or Section 7; or

(d) **Reporting Covenants.** Borrower shall fail to perform or observe any covenant contained in Section 6.1 or 6.2, and such failure shall not be remedied within five Business Days after the occurrence thereof; or

(e) **Other Covenants.** Any Loan Party shall fail to perform or observe any other agreement, term or condition contained in any Loan Document, and such failure shall not be remedied within 30 days after the occurrence thereof; or

(f) **Cross-Default.** Any breach or default shall occur under any other agreement or agreements involving the borrowing of money, the extension of credit or the leasing of Property, or under one or more Hedge Agreements, where the principal amount outstanding under such agreement or agreements is in the amount of \$25,000,000 or more in the aggregate, and under which Borrower or any Subsidiary may be obligated as borrower, guarantor or lessee, if such default consists of the failure to pay any Debt beyond any period of grace provided with respect thereto or if such default permits or causes the acceleration of any Debt or the termination of any commitment to lend; or

(g) **Debtor Relief Laws.** Borrower or any of its Subsidiaries institutes or consents to the institution of any proceeding under a Debtor Relief Law relating to it or to all or any material part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed for Borrower or any of its Subsidiaries without the application or consent of that Person, and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under a Debtor Relief Law relating to Borrower or any of its Subsidiaries or to all or any part of its Property is instituted without the consent of that Person and continues undischarged or unstayed for 60 calendar days; or

(h) **Litigation.** A final judgment or judgments, not fully covered by insurance, in an aggregate amount in excess of \$40,000,000, or having the potential to exceed \$40,000,000, is rendered against Borrower or any Subsidiary and, within 60 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged; or

(i) **Condemnation.** All, or such as in the opinion of the Requisite Banks constitutes substantially all, of the Property of Borrower shall be condemned, seized or appropriated; or

(j) **ERISA.** (i) Any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified Borrower or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$5,000,000, (iv) Borrower or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) Borrower or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) Borrower or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of Borrower or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to constitute or cause a Material Adverse Change; or

(k) **Invalidity of Loan Documents.** Any material provision of any Loan Document shall for any reason cease to be valid and binding on or enforceable against any Loan Party that is a party thereto, or any Loan Party shall so state in writing or bring an action to limit its obligations or liabilities under any Loan Document to which it is party; or

(l) **Order Decreeing Dissolution of Borrower or any Subsidiary.** Any order, judgment or decree is entered in any proceedings against Borrower or any of its Subsidiaries decreeing the dissolution of Borrower or any of its Subsidiaries and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(m) **Order Decreeing Split-Up of Borrower.** Any order, judgment or decree is entered in any proceedings against Borrower or any Subsidiary decreeing a split-up of Borrower or such Subsidiary which requires the divestiture of assets representing a substantial part, or the divestiture of the stock of a Subsidiary whose assets represent a substantial part, of the consolidated assets of Borrower and its Subsidiaries (determined in accordance with GAAP) or which requires the divestiture of assets, or stock of a Subsidiary, which shall have contributed a substantial part of the consolidated net income of Borrower and its Subsidiaries (determined in accordance with GAAP) for any of the three fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 60 days; or

(n) **Default under Master Subsidiary Guaranty.** Any Guarantor Subsidiary shall default in the performance or observance of any term or agreement contained in the Master Subsidiary Guaranty; or

(o) **Ownership of Borrower.** The ESOP Trust shall no longer own beneficially and of record at least 50.1% of the capital stock of Borrower; or the ESOP Trust shall no longer have the ability to elect a majority of the members of the board of directors of the Borrower; or

(p) **ESOP.** The ESOP shall fail to be operated and administered as a qualified plan under Section 401(a) of the Code and, to the extent applicable, Sections 409 and 4975(e)(7) of the Code and in compliance with all applicable requirements of ERISA and the Code and regulations thereunder as from time to time in effect; provided that no Event of Default shall be deemed to have occurred under this subsection (p) if such failure (i) does not result in disqualification of the ESOP under the Code or otherwise and (ii) could not reasonably be expected to constitute or cause a Material Adverse Change.

**8.2 Remedies upon Event of Default.** If any Event of Default occurs and is continuing, the Administrative Agent shall at the request, or may with the consent, of the Requisite Banks take any or all of the following actions:

(a) declare the Commitment of each Bank to make Loans hereunder to be terminated, whereupon such commitments and obligations shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon and all fees and other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;

(c) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable Laws;

provided, however, that, upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under any Debtor Relief Law, the obligation of each Bank to make Loans shall automatically terminate, and the unpaid principal amount of all outstanding Loans and all interest, fees and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Bank.

**8.3 Application of Funds.** After the exercise of remedies provided for in Section 8.2 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.2) or if at any time insufficient funds are received by and available to the Administrative Agent to pay fully all Guaranteed Obligations then due hereunder, any amounts received on account of the Guaranteed Obligations shall, subject to the provisions of Sections 2.11 and 2.12, be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Guaranteed Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Section 3) payable to the Administrative Agent in its capacity as such;



Second, to payment of that portion of the Guaranteed Obligations constituting fees, indemnities and other amounts (other than (i) principal, reimbursement obligations and interest and (ii) fees payable under Section 2.6) payable to the Banks (including fees, charges and disbursements of counsel to the respective Banks, including fees and time charges for attorneys who may be employees of any Bank) arising under the Loan Documents and amounts payable under Section 3, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Guaranteed Obligations constituting accrued and unpaid fees payable under Section 2.6 and interest on the Loans and on other Guaranteed Obligations arising under the Loan Documents, ratably among the Banks in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Guaranteed Obligations constituting unpaid principal of the Loans, ratably among the Banks in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the payment in full of all other Guaranteed Obligations, in each case ratably among the Administrative Agent and the Banks, based upon the respective aggregate amounts of all such Guaranteed Obligations owing to them in accordance with the respective amounts thereof then due and payable; and

Last, the balance, if any, after all of the Guaranteed Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

## **SECTION 9 AGENCY**

**9.1 Appointment and Authority.** Each of the Banks hereby irrevocably appoints MUFG to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as otherwise provided in Sections 9.6(a) and (b), the provisions of this Section 9 are solely for the benefit of the Administrative Agent and the Banks, and neither the Borrower nor any Guarantor Subsidiary shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Document (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Laws. Instead such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties.

**9.2 Rights as a Bank.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Bank as any other Bank and may exercise the same as though it were not the Administrative Agent, and the term “Bank” or “Banks” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Banks.

### 9.3 Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder and thereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Requisite Banks (or such other number or percentage of the Banks as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Laws, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Bank in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Requisite Banks (or such other number or percentage of the Banks as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances provided in Sections 8 and 10.2) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing the same is given to the Administrative Agent in writing by the Borrower or a Bank.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Section 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) The Administrative Agent shall not be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Disqualified Institutions. Without limiting the generality of the foregoing, the Administrative Agent shall not (i) be obligated to ascertain, monitor or inquire as to whether any Bank or Participant or prospective Bank or Participant is a Disqualified Institution or (ii) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, to any Disqualified Institution.

**9.4 Reliance by Administrative Agent.** The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Bank, the Administrative Agent may presume that such condition is satisfactory to such Bank unless the Administrative Agent shall have received notice to the contrary from such Bank prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**9.5 Delegation of Duties.** The Administrative Agent may perform any or all of its duties and exercise any or all of its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any or all of their respective duties and exercise any or all of their respective rights and powers by or through their respective Related Parties. The exculpatory provisions of this Section 9 shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facility hereunder as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agent except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

**9.6 Resignation of Administrative Agent.**

(a) The Administrative Agent may at any time give notice of its resignation to the Banks and the Borrower. Upon receipt of any such notice of resignation, the Requisite Banks shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in New York, New York, or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Requisite Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent

gives notice of its resignation (or such earlier day as shall be agreed by the Requisite Banks) (the “**Resignation Effective Date**”), then the retiring Administrative Agent may (but shall not be obligated to), on behalf of the Banks, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that in no event shall any such successor Administrative Agent be a Defaulting Bank or a Disqualified Institution. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent is a Defaulting Bank pursuant to clause (d) of the definition thereof, the Requisite Banks may, to the extent permitted by applicable Laws, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Requisite Banks and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Requisite Banks) (the “**Removal Effective Date**”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable), (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents, and (ii) except for any indemnity payments owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Bank directly, until such time, if any, as the Requisite Banks appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring or removed Administrative Agent (other than any rights to indemnity payments owed to the retiring or removed Administrative Agent), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent’s resignation or removal hereunder and under the other Loan Documents, the provisions of this Section 9 and Section 10.3 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

**9.7 Non-Reliance on Administrative Agent and Other Banks.** Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

**9.8 No Other Duties, Etc.** Anything herein to the contrary notwithstanding, none of the Arrangers, Syndication Agent and Documentation Agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Bank.

**9.9 Administrative Agent May File Proofs of Claim.** In the case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relating to the Borrower or any Guarantor Subsidiary, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Guaranteed Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Banks and the Administrative Agent and their respective agents and counsel and all other amounts due the Banks and the Administrative Agent under Section 10.3) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Banks, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel and any other amounts due the Administrative Agent under Section 10.3.

**9.10 Collateral and Guaranty Matters.**

(a) Each Bank (and any other Person for which the Administrative Agent may be acting under the Loan Documents) irrevocably authorizes the Administrative Agent, at its option and in its discretion,

(i) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (A) upon termination of all Commitments and payment in full of all Guaranteed Obligations (other than contingent indemnification obligations), (B) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted under the Loan Documents or (C) subject to Section 10.2, if approved, authorized or ratified in writing by the Requisite Banks; and

(ii) to release any Guarantor Subsidiary from its obligations under the Master Subsidiary Guaranty if such Person ceases to be a Guarantor Subsidiary as a result of a transaction permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Requisite Banks will confirm in writing the Administrative Agent's authority to release its interest in particular types or items of property, or to release any Guarantor Subsidiary from its obligations under the Master Subsidiary Guaranty pursuant to this Section 9.

(b) The Administrative Agent shall not be responsible for, or have a duty to ascertain or inquire into, any representation or warranty regarding the existence, value or collectability of any collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon or any certificate prepared by the Borrower or any Guarantor Subsidiary in connection therewith, nor shall the Administrative Agent be responsible or liable to the Banks for any failure to monitor or maintain any portion of the collateral.

## SECTION 10 MISCELLANEOUS

**10.1 Cumulative Remedies; No Waiver.** The rights, powers, privileges and remedies of the Administrative Agent and the Banks provided herein or in other Loan Documents are cumulative and not exclusive of any right, power, privilege or remedy provided by law or equity. No failure or delay on the part of the Administrative Agent or any Bank in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Section 4 are inserted for the sole benefit of the Administrative Agent and the Banks; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan without prejudicing the Administrative Agent's or the Banks' rights to assert them in whole or in part in respect of any other Loan.

**10.2 Amendments; Consents.** No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent hereunder or thereunder, and no consent to any departure by Borrower therefrom, may in any event be effective unless in a writing signed by the Requisite Banks (and, in the case of any amendment, modification or supplement of or to any Loan Document to which Borrower is a party, signed by Borrower and, in the case of any amendment, waiver or consent affecting the rights or duties of the Administrative Agent under this Agreement or any other Loan Document, signed by the Administrative Agent), and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all Banks affected thereby, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To reduce the amount of principal, principal prepayment or the rate of interest payable on, any Loan, the amount of the Commitment or the Pro Rata Share of any Bank (other than pursuant to an assignment pursuant to Section 10.8) or the amount of any fee or other amount payable to any Bank under the Loan Documents, or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any fee;

- (b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on any Loan;
- (c) To extend the term of the Commitments or increase the maximum amount of the Commitments;
- (d) To terminate the Master Subsidiary Guaranty, or to release any Guarantor Subsidiary from liability under the Master Subsidiary Guaranty (except as permitted under Section 10.23);
- (e) To amend the definition of "Requisite Banks", Section 4, Section 9, this Section 10.2 or Section 10.10;
- (f) To amend any provision of this Agreement that expressly requires the consent or approval of all the Banks; or
- (g) To amend or waive Section 10.8 to allow an assignment by Borrower of its obligations hereunder.

Any amendment, modification, supplement, termination, waiver or consent with respect to clauses (c) through (g) above shall be deemed to affect all Banks.

If any Bank does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Bank and that has been approved by the Requisite Banks, the Borrower may replace such Non-Consenting Bank in accordance with Section 3.7(b); provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section shall apply equally to, and shall be binding upon, all the Banks and the Administrative Agent. Notwithstanding anything to the contrary herein, no Defaulting Bank shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Banks or each affected Bank may be effected with the consent of the applicable Banks other than Defaulting Banks), except that (x) the Commitment of any Defaulting Bank may not be increased or extended without the consent of such Bank and (y) any waiver, amendment or modification requiring the consent of all Banks or each affected Bank that by its terms affects any Defaulting Bank more adversely than other affected Banks shall require the consent of such Defaulting Bank.

Notwithstanding anything to the contrary herein the Administrative Agent may, with the prior written consent of the Borrower only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency; provided that in each case such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Requisite Banks to the Administrative Agent within ten Business Days following receipt of notice thereof.

### 10.3 Expenses; Indemnity; Damage Waiver.

(a) **Costs and Expenses.** The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Administrative Agent, in connection with the syndication of the credit facility provided hereunder, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Bank (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Bank), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Bank, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring, proceeding under any Debtor Relief Law or negotiations in respect of such Loans.

(b) **Indemnification by the Borrower.** The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Bank and each Related Party of any of the foregoing Persons (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or any Guarantor Subsidiary) arising out of, in connection with or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any Property owned or operated by the Borrower or any of its Subsidiaries, or any environmental liability related thereto, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any Guarantor Subsidiary, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (B) result from a claim brought by the Borrower or any Guarantor Subsidiary against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction or (C) result from a claim not involving an act or omission of the Borrower or any Subsidiary and that is brought by an Indemnitee against another Indemnitee (other than against an Arranger or the Administrative Agent in its capacity as such). This Section 10.3(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.



(c) **Reimbursement by Banks.** To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or any Related Party thereof, each Bank severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Bank's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Bank's Pro Rata Share at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Bank); provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party thereof acting for the Administrative Agent (or any such sub-agent), in connection with such capacity. The obligations of the Banks under this paragraph (c) are subject to the provisions of Section 10.4.

(d) **Waiver of Consequential Damages, Etc.** To the fullest extent permitted by applicable Laws, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan, or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) **Payments.** All amounts due under this Section shall be payable not later than 10 days after demand therefor.

(f) **Survival.** Each party's obligations under this Section shall survive the termination of the Loan Documents and payment of the Obligations.

**10.4 Nature of Banks' Obligations.** The obligations of the Banks hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Administrative Agent or the Banks or any of them pursuant hereto or thereto may, or may be deemed to, make the Banks a partnership, an association, a joint venture or other entity, either among themselves or with Borrower or any Affiliate of Borrower. Each Bank's obligation to make any Loan pursuant hereto is several and not joint or joint and several, and in the case of the initial Loan only is conditioned upon the performance by all other Banks of their obligations to make initial Loans. A default by any Bank will not increase the Pro Rata Share attributable to any other Bank. Any Bank not in default may, if it desires, assume in such proportion as the non-defaulting Banks agree the obligations of any Bank in default, but is not obligated to do so.

**10.5 Survival of Representations and Warranties.** All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of Borrower or any of its Subsidiaries, will survive the making of the Extensions of Credit hereunder and the execution and delivery of any Notes, and have been or will be relied upon by the Administrative Agent and each Bank, notwithstanding any investigation made by the Administrative Agent or any Bank or on their behalf.

**10.6 Notices.** Except as otherwise expressly provided in the Loan Documents, all notices, requests, demands, directions and other communications provided for therein shall be given by Requisite Notice and shall be effective as follows:

<u>Mode of Delivery</u>	<u>Effective on earlier of actual receipt and:</u>
Courier	On scheduled delivery date
Facsimile	When transmission complete
Mail	Fourth Business Day after deposit in U.S. mail
Personal delivery	When received
Telephone	When answered

provided, however, that notice to the Administrative Agent pursuant to Section 2 or 9 shall not be effective until actually received by the Administrative Agent. The Administrative Agent and any Bank shall be entitled to rely and act on any notice purportedly given by or on behalf of Borrower even if such notice (a) was not made in a manner specified herein, (b) was incomplete, (c) was not preceded or followed by any other notice specified herein, or (d) the terms of such notice as understood by the recipient varied from any subsequent related notice provided for herein. Borrower shall indemnify the Administrative Agent and any Bank from any loss, cost, expense or liability as a result of relying on any notice permitted herein.

**10.7 Execution of Loan Documents.** Unless the Administrative Agent otherwise specifies with respect to any Loan Document, (a) this Agreement and any other Loan Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument and (b) execution of any such counterpart may be evidenced by a telecopier transmission of the signature of such party. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

**10.8 Successors and Assigns.**

(a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Bank, and no Bank may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph

(b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, express or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Banks) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) **Assignments by Banks.** Any Bank may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (in each case with respect to any Facility) any such assignment shall be subject to the following conditions:

(i) **Minimum Amounts.**

(A) in the case of an assignment of the entire remaining amount of the assigning Bank's Commitment and/or the Loans at the time owing to it or an assignment to a Bank or an Affiliate of a Bank, no minimum amount need be assigned; and

(B) in any case not described in clause (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Bank subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) **Proportionate Amounts.** Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned.

(iii) **Required Consents.** No consent shall be required for any assignment except to the extent required by clause (b)(i)(B) of this Section, and in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment, or (2) such assignment is to a Bank or an Affiliate of a Bank; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice thereof; and provided, further, that the Borrower's consent shall not be required during the primary syndication of the credit facility provided hereunder; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for an assignment to a Person that is not a Bank or an Affiliate of a Bank.

(iv) **Assignment and Assumption.** The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; provided that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Bank, shall deliver to the Administrative Agent an Administrative Questionnaire in the form supplied by the Administrative Agent.

(v) **No Assignment to Certain Persons.** No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries or (B) to any Defaulting Bank or any of its Subsidiaries or any Person that, upon becoming a Bank hereunder, would constitute a Defaulting Bank or a Subsidiary thereof.

(vi) **No Assignment to Natural Persons.** No such assignment shall be made to a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person).

(vii) **Certain Additional Payments.** In connection with any assignment of rights and obligations of any Defaulting Bank hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Bank, to each of which the applicable assignee and assignor hereby irrevocably consent), to (A) pay and satisfy in full all payment liabilities then owed by such Defaulting Bank to the Administrative Agent and each other Bank hereunder (and interest accrued thereon) and (B) acquire (and fund as appropriate) its full pro rata share of all Loans in accordance with its Pro Rata Share. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Bank hereunder shall become effective under applicable Laws without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Bank for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3, 10.3 and 10.11 with respect to facts

and circumstances occurring prior to the effective date of such assignment; provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Bank will constitute a waiver or release of any claim of any party hereunder arising from that Bank's having been a Defaulting Bank. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) **Register.** The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in New York, New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Bank pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Banks shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(d) **Participations.** Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than to a natural Person or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person or to the Borrower or any of the Borrower's Affiliates) (each a "**Participant**") in all or a portion of such Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) the Borrower, the Administrative Agent and the Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. For the avoidance of doubt, each Bank shall be responsible for the indemnity under Section 10.3(c) without regard to the existence of any participations.

Any agreement or instrument pursuant to which a Bank sells such a participation shall provide that such Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Bank will not, without the consent of the Participant, agree to any amendment, modification or waiver described in Section 10.2 that requires the unanimous consent of the Banks and affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2 and 3.5 (subject to the requirements and limitations therein, including the requirements under Section 3.1(g) (it being understood that the documentation required under Section 3.1(g) shall be delivered to the participating Bank)) to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (i) agrees to be subject to the provisions of Section 3.7 as if it were an assignee under paragraph (b) of this Section; and (ii) shall not be entitled to receive any greater payment under Section 3.1 or 3.2, with respect to any participation, than its participating Bank would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law

that occurs after the Participant acquired the applicable participation. Each Bank that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 3.7(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.9 as though it were a Bank; provided that such Participant agrees to be subject to Section 10.10 as though it were a Bank. Each Bank that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); provided that no Bank shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Bank shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) **Certain Pledges.** Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

(f) **Disqualified Institutions.** (i) No assignment or participation shall be made to any Person that was a Disqualified Institution as of the date (the "**Trade Date**") on which the assigning Bank entered into a binding agreement to sell and assign all or a portion of its rights and obligations under this Agreement to such Person (unless the Borrower has consented to such assignment in writing in its sole and absolute discretion, in which case such Person will not be considered a Disqualified Institution for the purpose of such assignment or participation). For the avoidance of doubt, with respect to any assignee that becomes a Disqualified Institution after the applicable Trade Date (including as a result of the delivery of a notice pursuant to, and/or the expiration of the notice period referred to in, the definition of "Disqualified Institution"), (A) such assignee shall not retroactively be disqualified from becoming a Bank, and (B) the execution by the Borrower of an Assignment and Assumption with respect to such assignee will not by itself result in such assignee no longer being considered a Disqualified Institution. Any assignment in violation of this clause (f)(i) shall not be void, but the other provisions of this clause (f) shall apply.

(ii) If any assignment or participation is made to any Disqualified Institution without the Borrower's prior written consent in violation of clause (i) above, or if any Person becomes a Disqualified Institution after the applicable Trade Date, the Borrower may, at its sole expense and effort, upon notice to the applicable Disqualified Institution and the Administrative Agent, (A) terminate the Commitment of such Disqualified Institution and repay

all obligations of the Borrower owing to such Disqualified Institution in connection with such Commitment and/or (B) require such Disqualified Institution to assign, without recourse (in accordance with and subject to the restrictions contained in this Section 10.8), all of its interest, rights and obligations under this Agreement to one or more Eligible Assignees at the lesser of (1) the principal amount thereof and (2) the amount that such Disqualified Institution paid to acquire such interests, rights and obligations, in each case plus accrued interest, accrued fees and all other amounts (other than principal amounts) payable to it hereunder.

(iii) Notwithstanding anything to the contrary contained in this Agreement, Disqualified Institutions (A) will not (1) have the right to receive information, reports or other materials provided to Banks by the Borrower, the Administrative Agent or any other Bank, (2) attend or participate in meetings attended by the Banks and the Administrative Agent or (3) access any electronic site established for the Banks or confidential communications from counsel to or financial advisors of the Administrative Agent or the Banks, and (B) (1) for purposes of any consent to any amendment, waiver or modification of, or any action under, and for the purpose of any direction to the Administrative Agent or any Bank to undertake any action (or refrain from taking any action) under this Agreement or any other Loan Document, each Disqualified Institution will be deemed to have consented in the same proportion as the Banks that are not Disqualified Institutions consented to such matter, and (2) for purposes of voting on any plan of reorganization or plan of liquidation pursuant to any Debtor Relief Law (a "**Debtor Relief Plan**"), each Disqualified Institution party hereto hereby agrees (a) not to vote on such Debtor Relief Plan, (b) if such Disqualified Institution does vote on such Debtor Relief Plan notwithstanding the restriction in the foregoing clause (a), such vote will be deemed not to be in good faith and shall be "designated" pursuant to Section 1126(e) of the U.S. Bankruptcy Code (or any similar provision in any other Debtor Relief Laws), and such vote shall not be counted in determining whether the applicable class has accepted or rejected such Debtor Relief Plan in accordance with Section 1126(c) of the U.S. Bankruptcy Code (or any similar provision in any other Debtor Relief Laws) and (c) not to contest any request by any party for a determination by the Bankruptcy Court (or other applicable court of competent jurisdiction) effectuating the foregoing clause (b).

(iv) The Administrative Agent shall have the right, and the Borrower hereby expressly authorizes the Administrative Agent, to (A) post the list of Disqualified Institutions provided by the Borrower and any updates thereto from time to time (collectively the "**DQ List**") on any electronic site established for the Banks, including that portion of such site that is designated for "public side" Banks and/or (B) provide the DQ List to each Bank requesting the same.

**10.9 Right of Setoff.** If an Event of Default shall have occurred and be continuing, each Bank and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Laws, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held, and other obligations (in whatever currency) at any time owing, by such Bank or any such Affiliate to or for the credit or the account of the Borrower or any Guarantor Subsidiary against any and all of the obligations of the Borrower or such Guarantor Subsidiary now or hereafter existing under this Agreement or any other Loan Document to such Bank or any of its Affiliates, irrespective of whether or not such Bank or Affiliate shall have made any demand under this Agreement or any

other Loan Document and although such obligations of the Borrower or such Guarantor Subsidiary may be contingent or unmatured or are owed to a branch, office or Affiliate of such Bank different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness; provided that, in the event that any Defaulting Bank shall exercise any such right of setoff, (a) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.11 and, pending such payment, shall be segregated by such Defaulting Bank from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Banks, and (b) such Defaulting Bank shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Guaranteed Obligations owing to such Defaulting Bank as to which it exercised such right of setoff. The rights of each Bank and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Bank or its Affiliates may have. Each Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

**10.10 Sharing of Payments by Banks.** If any Bank shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any of its Loans or other obligations hereunder resulting in such Bank receiving payment of a proportion of the aggregate amount of its Loans, or other obligations hereunder greater than its Pro Rata Share thereof as provided herein, then the Bank receiving such greater proportion shall (a) notify the Administrative Agent of such fact and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Banks, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Banks ratably in accordance with the aggregate amount of principal and such other obligations owing to them; provided that:

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(b) the provisions of this paragraph shall not be construed to apply to (i) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Bank or Disqualified Institution) or (ii) any payment obtained by a Bank as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this paragraph shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable Laws, that any Bank acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Bank were a direct creditor of the Borrower in the amount of such participation.



**10.11 Nonliability of the Banks.** Borrower acknowledges and agrees that:

(a) Any inspections of any Property of Borrower made by or through the Administrative Agent or the Banks are for purposes of administration of the Extensions of Credit only and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to the Administrative Agent or the Banks pursuant to the Loan Documents, neither the Administrative Agent nor the Banks shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Administrative Agent or the Banks;

(c) The relationship between Borrower and the Administrative Agent and the Banks is, and shall at all times remain, solely that of borrowers and lenders; neither the Administrative Agent nor the Banks shall under any circumstance be construed to be partners or joint venturers of Borrower or its Affiliates; neither the Administrative Agent nor the Banks shall under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; neither the Administrative Agent nor the Banks undertake or assume any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their Property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Administrative Agent or the Banks in connection with such matters is solely for the protection of the Administrative Agent and the Banks and neither Borrower nor any other Person is entitled to rely thereon; and

(d) The Administrative Agent and the Banks shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property caused by the actions, inaction or negligence of Borrower and/or its Affiliates and Borrower hereby indemnifies and holds the Administrative Agent and the Banks harmless from any such loss, damage, liability or claim.

**10.12 No Third Parties Benefited.** This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower, the Administrative Agent and the Banks in connection with the Loans, and is made for the sole benefit of Borrower, the Administrative Agent and the Banks, and the Administrative Agent's and the Banks' successors and assigns. Except as otherwise expressly provided herein, no other Person shall have any rights of any nature hereunder or by reason hereof.

**10.13 Confidentiality.** Each Bank agrees to hold any confidential information that it may receive from Borrower pursuant to this Agreement in confidence, except for disclosure: (a) to a Bank's Affiliates; (b) to other Banks and their Affiliates; (c) to legal counsel and accountants for Borrower or any Bank; (d) to other professional advisors to Borrower or any Bank, provided that the recipient has accepted such information subject to a confidentiality agreement

substantially similar to this Section; (e) to regulatory officials having jurisdiction over that Bank; (f) as required by law or legal process or in connection with any legal proceeding to which that Bank and Borrower are adverse parties; (g) to another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that Bank's interests hereunder or a participation interest in its Loans; (h) to any credit insurance provider or direct, indirect, actual or prospective counterparty (and its advisor) to any swap, derivative or securitization transaction related to the Obligations under this Agreement; and (i) as Borrower may otherwise agree in writing; provided that the recipient under clause (g) or (h) above has agreed to treat such information confidentially on a basis similar to the foregoing. For purposes of the foregoing, "confidential information" shall mean any information respecting Borrower or its Subsidiaries reasonably considered by Borrower to be confidential, other than (i) information previously filed with any Governmental Authority and available to the public, (ii) information previously published in any public medium from a source other than, directly or indirectly, that Bank, and (iii) information previously disclosed by Borrower to any Person not associated with Borrower without a confidentiality agreement or obligation substantially similar to this Section. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of the Administrative Agent or the Banks to Borrower.

**10.14 Further Assurances.** Borrower and its Subsidiaries shall, at their expense and without expense to the Banks or the Administrative Agent do, execute and deliver such further acts and documents as any Bank or the Administrative Agent from time to time reasonably requires to assure and confirm the rights hereby created or intended or to carry out the intention or to facilitate the performance of the terms of any Loan Document.

**10.15 Integration.** This Agreement, together with the other Loan Documents and any letter agreements referred to herein, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Banks in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

**10.16 Failure to Charge Not Subsequent Waiver.** Any decision by the Administrative Agent or any Bank not to require payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of the Administrative Agent's or such Bank's right to require full payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

### 10.17 Governing Law; Jurisdiction; Etc.

(a) **Governing Law.** This Agreement and the other Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of New York.

(b) **Jurisdiction.** The Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Administrative Agent, any Bank or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of New York sitting in New York County and the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York state court or, to the fullest extent permitted by applicable Laws, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent or any Bank may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(c) **Waiver of Venue.** The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable Laws, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Laws, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) **Service of Process.** Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 10.6. Nothing in this Agreement shall affect the right of any party hereto to serve process in any other manner permitted by applicable Laws.

**10.18 Severability of Provisions.** Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable. Without limiting the foregoing provisions of this Section 10.18, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Banks shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

**10.19 Headings.** Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

**10.20 Time of the Essence.** Time is of the essence of the Loan Documents.

**10.21 Waiver of Right to Trial by Jury.** EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

**10.22 Purported Oral Amendments.** BORROWER EXPRESSLY ACKNOWLEDGES THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 10.2. BORROWER AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE ADMINISTRATIVE AGENT OR ANY BANK THAT DOES NOT COMPLY WITH SECTION 10.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

**10.23 Release of Guarantors.** Upon receipt of a Request for Release duly executed by Borrower and otherwise in form and substance acceptable to the Administrative Agent, certifying that (a) a Guarantor Subsidiary has ceased to be a Principal Subsidiary, (b) no Default or Event of Default has occurred and is then continuing, (c) the Guarantor Subsidiaries (other than the Guarantor Subsidiary referred to in clause (a) hereof), together with any foreign Subsidiaries whose stock is pledged pursuant to Section 6.10, have revenues in the aggregate constituting at least seventy-five percent (75%) of the consolidated revenues of Borrower and its Subsidiaries for the preceding four fiscal quarters of Borrower, for which financial statements have been delivered pursuant to Section 6.1, and (d) that the representations and warranties of Borrower contained in Section 5 hereof are true and correct in all material respects, the Administrative Agent may, by executing and delivering a Release to Borrower, release such Guarantor Subsidiary from its obligations under the Master Subsidiary Guaranty.

**10.24 USA PATRIOT Act Notice.** Each of the Banks that is subject to the PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies Borrower that, pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify Borrower in accordance with the PATRIOT Act.

## 10.25 Certain ERISA Matters.

(a) Each Bank represents and warrants, as of the date such Person became a Bank party hereto, to, and covenants, from the date such Person became a Bank party hereto to the date such Person ceases being a Bank party hereto, for the benefit of, the Administrative Agent, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any Guarantor, that at least one of the following is and will be true:

(i) such Bank is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Bank’s entrance into, participation in, administration of and performance of the Loans, the Commitments or this Agreement;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Bank’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement;

(iii) (A) such Bank is an investment fund managed by a “Qualified Professional Asset Manager” (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Bank to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfy the requirements of sub-sections (b) through (g) of Part I of PTE 84-14, and (D) to the best knowledge of such Bank, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Bank’s entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement; or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Bank.

(b) In addition, unless either sub-clause (i) in the immediately preceding clause (a) is true with respect to a Bank or a Bank has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Bank further represents and warrants, as of the date such Person became a Bank party hereto, to, and covenants, from the date such Person became a Bank party hereto to the date such Person ceases being a Bank party hereto, for the benefit of, the Administrative Agent, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any Guarantor, that the

Administrative Agent is not a fiduciary with respect to the assets of such Bank involved in such Bank's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

**10.26 Intercreditor Agreement.** Each Bank (a) acknowledges that, in connection with Borrower's incurrence or maintenance of Permitted Private Placement Debt that is or becomes secured, an intercreditor agreement will be entered into among the Administrative Agent (on behalf of the Banks), the holders of the Permitted Private Placement Debt (or an agent or representative on their behalf), the holders of "Guaranteed Obligations" under the Revolving Credit Agreement (or an agent or representative on their behalf), Borrower and the Guarantor Subsidiaries providing that the right to payment and lien priority in any collateral will be *pari passu* as between the Banks, with respect to the Guaranteed Obligations, and all such holders, with respect to the Permitted Private Placement Debt and such "Guaranteed Obligations" (each an "**Intercreditor Agreement**"), (b) shall receive and have an opportunity to review and approve such Intercreditor Agreement prior to its becoming effective, (c) agrees that it will be bound by and will take no actions contrary to the provisions of such Intercreditor Agreement, (d) authorizes and instructs the Administrative Agent to enter into such Intercreditor Agreement as the Administrative Agent and on behalf of such Bank and (e) consents to the *pari passu* ranking of its right to payment and lien priority with the Permitted Private Placement Debt on the terms set forth in such Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of any such Intercreditor Agreement and this Agreement, the provisions of such Intercreditor Agreement shall control.

**10.27 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any of the parties hereto, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority, and each party hereto also agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder that may be payable to such party by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all or a portion of such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking or a bridge institution that may be issued to such party or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; and

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

**10.28 Judgment Currency.**

If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any under any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of each Loan Party in respect of any such sum due from it to the Administrative Agent or any Bank hereunder or under any other Loan Document shall, notwithstanding any judgment in a currency (the "**Judgment Currency**") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "**Agreement Currency**"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Bank, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Bank, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Bank from any Loan Party in the Agreement Currency, such Loan Party agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Bank, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Bank in such currency, the Administrative Agent or such Bank, as the case may be, agrees to return the amount of any excess to such Loan Party (or to any other Person that may be entitled thereto under applicable Laws).

*[Rest of page intentionally left blank; signature pages follow.]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**PARSONS CORPORATION**, a Delaware corporation

By: /s/ Shelley D. Green

Name: Shelley D. Green

Title: Vice President-Treasury and Risk  
Management



**MUFG UNION BANK, N.A.,**  
as the Administrative Agent

By: /s/ Katie Cunningham  
Name: Katie Cunningham  
Title: Director

**MUFG UNION BANK, N.A.,** as a Bank

By: /s/ Katie Cunningham  
Name: Katie Cunningham  
Title: Director

**THE BANK OF NOVA SCOTIA**, as  
the Syndication Agent and a Bank

By: /s/ Michael Grad

Name: Michael Grad

Title: Director

**BANK OF AMERICA, N.A.,** as  
a Bank

By: /s/ Mukesh Singh

Name: Mukesh Singh

Title: Director

S-4

**BNP PARIBAS**, as  
a Bank

By: /s/ Pierre Nicholas Rogers

Name: Pierre Nicholas Rogers

Title: Managing Director

By: /s/ Andrew W. Straw

Name: Andrew W. Straw

Title: Managing Director

**JPMORGAN CHASE BANK, N.A.,**  
as a Bank

By: /s/ Ling Li  
Name: Ling Li  
Title: Executive Director

**U.S. BANK NATIONAL ASSOCIATION, as  
a Bank**

By: /s/ Glenn Leyrer

Name: Glenn Leyrer

Title: Vice President

S-7

By: /s/ Mark B. Felker

Name: Mark B. Felker

Title: Managing Director

**CONFIDENTIAL SEPARATION AGREEMENT  
AND RELEASE OF ALL CLAIMS**

This Confidential Separation Agreement and Release and Waiver of Claims (“Agreement”) is entered into this 14th day of February, 2019 by and between Michael W. Johnson (“Employee”) on the one hand, and Parsons Corporation and its parents, subsidiaries, affiliates, officers, directors, employees and agents on the other hand (collectively the “Company”) (Employee and Company are referred to collectively hereafter as the “Parties”).

The Parties have entered into this Agreement to effect an orderly and mutually satisfactory transition regarding the ending of Employee’s employment with Company. In consideration of the mutual execution of this Agreement, and the covenants, promises and releases herein, the Parties agree as follows:

1. Separation of Employment. Employee’s last day of employment with Company was February 1, 2019 (the “Separation Date”).
2. Payments/Benefits.

(a) Consulting Agreement. In consideration for signing this Agreement and complying with its terms, Company agrees to engage Employee as a Consultant, pursuant to the terms of the Consulting Services Agreement attached hereto as Exhibit A.

(b) Benefits. The Company acknowledges that Employee will be notified of election of continuation of medical and dental insurance coverage under the Consolidated Omnibus Budget Reconciliation Act, as amended (“COBRA”), in accordance with its terms.

(c) Incentive Compensation. The Company agrees that it will pay the following as incentive compensation due to the Employee through the Termination Date:

(i) 2018 Management Incentive Plan award will be paid in March 2019 based on actual performance through the end of 2018 totaling \$498,000.

(ii) Long term incentive compensation due to the Employee for the entire performance cycle for the Long Term Growth Plan (2,379 units), Share Value Plan (19,052 units) and Restricted Award Unit Plan (2,379 units) 2016-2018 performance cycles. The value of the units is outlined in the plan documents. Payments are payable in March following the end of each performance cycle based on actual performance.

Employee acknowledges that Employee has no entitlement to the Consulting Service Agreement and Incentive Compensation provided for in Paragraphs 2(a) and 2(c) above, except in return for entering into this Agreement.

(d) Sole Entitlement. Employee acknowledges and agrees that no other monies or benefits other than (1) those set forth in this Agreement and the Consulting Services Agreement and (2) Parsons Corporation Retirement Savings Plan [401(k)] and Employee Stock Ownership Plan benefits, if any, are owing to Employee.



(e) **Taxes.** Employee has had an opportunity to seek advice from an attorney or tax advisor regarding the tax consequences of the payments and benefits provided for in this paragraph and has not relied on any representations by the Company regarding the tax consequences of such payments and benefits. Employee agrees that Employee is responsible for all applicable taxes, if any, as a result of the receipt of these monies. Employee agrees to indemnify Company and hold Company harmless for all taxes, penalties and interest, withholding or otherwise, for which Company may be found liable as a consequence of having paid monies to Employee pursuant to this Agreement. It is expressly agreed that if Company is required to provide payments for taxes or interest or penalties to any taxing authority, Employee shall reimburse Company for such payments within ten (10) days after Company notifies Employee, in writing, via certified mail, return receipt requested, that it has incurred such liability.

3. **General Release.** Employee releases all disputes relating to or arising out of any state, municipal, or federal statute, ordinance, regulation, order, or common law, including, but not limited to, the Uniformed Service Employment and Reemployment Rights Act of 1994, 38 U.S.C. Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000(e), *et seq.*; the Civil Rights Act of 1866, as amended, 42 U.S.C. Sections 1981, *et seq.*; the Equal Pay Act, as amended, 29 U.S.C. § 206(d); the Fair Labor Standards Act of 1939, as amended, 29 U.S.C. § 201, *et seq.*; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701, *et seq.*; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12100, *et seq.*; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601, *et seq.*; the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1001, *et seq.*; the National Labor Relations Act, as amended, 29 U.S.C. § 151, *et seq.*, the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act, 29 U.S.C. § 621, *et seq.*, and any action based on contract, quasi-contract, *quantum meruit*, implied contract, tort, wrongful or constructive discharge, breach of the covenant of good faith and fair dealing, defamation, libel, slander, immigration issues, infliction of emotional distress, assault, battery, conspiracy, discrimination on any basis prohibited by statute or public policy, negligence, any interference with business opportunity or with contract, etc.

This release extends to all claims of every nature and kind, known or unknown, suspected or unsuspected, vested or contingent, past, present, or future, arising from or attributable to any alleged act or omission of the Company, their past, present and future officers, directors, partners, agents, servants, lawyers, employees, assigns, insurers, predecessors-in-interest, successors-in-interest, underwriters, and all their parent, affiliated and subsidiary entities occurring prior to the execution of this Release, and that any and all rights granted Employee under Section 1542 of the California Civil Code or any analogous law or regulation affecting any other jurisdiction are hereby waived. Said Section 1542 of the California Civil Code reads in full as follows:

**Section 1542. General Release.** *A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.*

The parties intend that the disputes released herein be construed as broadly as possible. Employee does not waive any vested rights under Parsons Employee Stock Ownership Plan or the Parsons Retirement Savings Plan; the Company will meet its obligations, if any, under such plans. This release does not release claims that cannot be released as a matter of law, including, but not limited to, claims under Division 3, Article 2 of the California Labor Code, which includes indemnification rights.

Employee affirms that Employee is not a party to, and that Employee has not filed or caused to be filed, any claim, complaint, or action against any of the Released Parties in any forum or form. Both Parties acknowledge that nothing in this Section 3, or elsewhere in this Agreement, prevents or prohibits Employee from filing a claim with a government agency, such as the U.S. Equal Employment Opportunity Commission, that is responsible for enforcing a law on behalf of the government. However, Employee understands that, because Employee is waiving and releasing all claims for monetary damages and any other form of personal relief, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover any individual monetary relief or other individual remedies.

4. Other Contractual Obligations. Nothing in this Agreement effects or extinguishes Employee's obligations under the Employee Agreement and Acknowledgement of Obligation, executed by Employee on June 28, 2017, including without limitation Employee's continuing obligation to protect Company's Confidential Information, including without limitation Confidential Information relating to Project Lightyear and Project Intrepid, from unauthorized disclosure to third parties or appropriate Confidential Information for Employee's own personal use.

Employee acknowledges that the obligation to maintain the secrecy of Company's Confidential Information does not prohibit Employee from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the US Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Employee does not need the prior authorization of the Law Department to make any such reports or disclosures and is not required to notify the Company that such reports or disclosures have been made.

Pursuant to 18 USC § 1833(b), an individual may not be held criminally or civilly liable under any federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

5. No Admission of Liability or Wrongdoing. Nothing contained in this Agreement shall be construed as an admission of any wrongdoing or liability by either the Employee or the Company.

6. Non-Disparagement. Employee agrees not to orally or in writing, publicly or privately, make or express any comment, view or opinion critical or disparaging of the Company,

its parents, subsidiaries or affiliates, or of any of their employees or to authorize any agent or representative to make or express such comment, view or opinion; provided, however, that nothing in this Separation Agreement shall prohibit Employee from providing truthful information or testimony in response to any court order, subpoena, litigation, deposition, or government investigation.

7. Return of Company Property. By signing this Agreement, Employee affirms that he/she has returned any and all property, including without limitation all copies or duplicates thereof, belonging to Company, including but not limited to keys, security cards, equipment, computers, laptops, cell phones, Blackberries, i-Phones, credit cards, records, supplies, customer lists and customer information, trade secrets, and any other Company Confidential Information.

8. Cooperation. Subject to Employee's personal and professional obligations and on reasonable notice and at reasonable times, Employee will cooperate with Company and its counsel in connection with any investigation, administrative or regulatory proceeding or litigation relating to any matter in which Employee was involved or of which Employee has knowledge as a result of Employee's employment with Company.

9. No Solicitation. Employee will not disrupt, damage, impair or interfere with Company's business whether by way of interfering with or raiding its employees or otherwise.

10. Confidentiality. (a) Employee agrees to hold confidential and not to make public or communicate orally or in writing with any person or entity, directly or indirectly, the terms of this Agreement, the amount of the payment described in paragraph 2 above, or any matters set forth herein except (1) to Employee's spouse, if any; (2) to individuals (such as accountants or lawyers) who reasonably must be informed of its terms; (3) as may be necessary to enforce this Agreement; (4) as may be compelled by lawful discovery or court order; (5) as may be necessary to accomplish the filing of income tax returns or claims for refund; or (6) as may be agreed to in writing by the Parties. Employee agrees to instruct any such individual provided with information concerning this Agreement, not to make public or to communicate orally or in writing to any person or entity, directly or indirectly, the terms of this Agreement or the amounts of any payments hereunder. Nothing in this Agreement precludes disclosure of factual information related to claims filed in civil courts or administrative agencies involving sexual assault or abuse, sexual harassment, and workplace harassment or discrimination based on sex. Nothing in this Agreement precludes disclosure of factual information related to claims filed in civil courts or administrative agencies involving sexual assault, sexual abuse, sexual harassment, and workplace harassment or discrimination based on sex.

(b) Employee understands and agrees that any breach of this confidentiality provision will result in irreparable harm to the Company, which may be difficult to quantify or ascertain. Potential damages that could result from a breach of this confidentiality provision include, for example, the filing of unwarranted claims against the Company, attorneys' fees and costs to defend against those unwarranted claims, and unwarranted payments which may be necessary to reduce litigation costs to defend those unwarranted claims. In the event Employee violates this confidentiality provision, Employee shall pay the Company the amount of \$125,000 as liquidated damages.

(c) The Parties intend that this confidentiality provision be construed as broadly as possible, in a manner consistent with its terms, in order to provide maximum confidentiality. Employee shall consult Company's counsel regarding any uncertainties Employee may have about whether the information Employee might disclose is confidential information within the meaning of this provision and the Employee Agreement and Acknowledgment of Obligation.

11. References for Prospective Employers. Employee agrees to direct any potential employers to contact Debra Fiori who will confirm dates of employment and positions Employee held.

12. No Future Employment With the Company. Employee acknowledges that because of circumstances that are unique to Employee, Released Parties do not have any obligation, contractual or otherwise, to hire, re-hire or re-employ Employee in the future.

13. No Pending or Future Actions. Except with respect to enforcing rights created or preserved under this Agreement or any vested benefits Employee may have with respect to any benefit plan sponsored by the Company, Employee hereby covenants not to commence suit against Company, or to initiate any action or proceeding against Company or against any person or entity released in this Agreement, or to participate in same, individually or as a member of a class, under any contract, law or regulation, federal, state or local, pertaining in any manner whatsoever to Employee's employment with Company, including, but not limited to, the ending thereof.

14. Arbitration. If a dispute arises regarding the meaning or application of this Agreement, an alleged breach, or any alleged misrepresentation, the Parties agree to resolve the dispute through final and binding arbitration by a single arbitrator in Florida in accordance with the American Arbitration Association's ("AAA") then existing National Employment Dispute Resolution Rules. The Parties expressly waive any and all rights to a jury trial with respect to any statutory or other claims between them as set forth above. The arbitrator shall be selected by the parties from a list of arbitrators provided by the AAA. The party requesting arbitration shall contact the AAA for a list of five retired or former jurists with substantial professional experience in employment matters. The Company shall pay all costs unique to arbitration that the Employee would not incur if the dispute had been filed in a court. The arbitrator shall issue a written decision, revealing the essential findings and conclusions on which the award is based. Judgment upon any arbitration award may be entered in any state or federal court having jurisdiction thereof. The Parties have the right to move to compel arbitration, to enforce the arbitration award, to vacate the arbitration award, and to oppose such requests in a court of competent jurisdiction. In the event of any arbitration or litigation to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its reasonable costs and attorneys' fees in addition to any other remedy authorized by law. Any controversy over whether a dispute is an arbitrable dispute or as to the interpretation or enforceability of this paragraph with respect to such arbitration shall be determined by the arbitrator. The parties agree to consider mediation before arbitrating any dispute.

15. No Transfer or Assignment/Binding on Parties and Representatives. Employee represents and warrants that no other person or entity has or has had any interest in the matters covered by this Agreement, and that Employee has the sole right and exclusive authority to execute this Agreement and receive the sums specified in it; and that Employee has not sold, assigned,

transferred, conveyed or otherwise disposed of any claims, demands, obligations, or causes of action released herein. This Agreement shall be binding upon Employee, Employee's heirs, administrators, representatives, executors, successors, and assigns, and shall inure to the benefit of Released Parties and each of them, and to their heirs, administrators, representatives, executors, successors and assigns.

16. Entire Agreement. This Agreement constitutes a single integrated contract expressing the entire agreement of the Parties hereto, with the sole exception of the Employee Agreement and Acknowledgment of Obligation, the attached Consulting Services Agreement, and any benefit plan documents, such as 401K, pension, and Employee Stock Ownership Program (collectively "Other Agreements"). There are no agreements, written or oral, express or implied, between the Parties hereto concerning the subject matter hereof, except the provisions set forth in this Agreement and the Other Agreements. This Agreement supersedes all previous understandings, whether written or oral, with the sole exception of the Other Agreements.

17. Invalid Provisions. The Parties agree not to challenge this Agreement as illegal, invalid, or unenforceable. If any provision of this Agreement is determined to be invalid or unenforceable, all of the other provisions shall remain valid and enforceable notwithstanding, unless the provision found to be unenforceable is of such material effect that this Agreement cannot be performed in accordance with the intent of the Parties in the absence thereof.

18. Governing Law. This Agreement shall be governed by the substantive law of the State of the Florida.

19. Attorney Review. Each party has had a full and complete opportunity to review this Agreement, and make suggestions or changes and seek legal advice. Accordingly, each party understands that this Agreement is deemed to have been drafted jointly by the parties and agrees that the common-law principles of construing ambiguities against the drafter shall have no application hereto. It should be construed fairly and not in favor of or against one party as the drafter hereof.

20. Execution in Counterparts and by Facsimile. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same document. Counterparts may be exchanged by facsimile directed to counsel for the parties. Each counterpart, whether an original signature or a facsimile copy, shall be deemed an original as against any party who signed it.

21. Amendments/Modifications. This Agreement can be amended, modified, or terminated only by a writing executed by each of the Parties.

22. **Knowing, Voluntary, and Competent Decision to Sign Agreement**. **Employee states that Employee is in good health and fully competent to manage Employee's business affairs, Employee has carefully read this Agreement, Employee fully understand its final and binding effect, the only promises made to Employee to sign this Agreement are those stated and contained in this Agreement, and Employee is signing this Agreement knowingly and voluntarily.**

EMPLOYEE IS ADVISED THAT EMPLOYEE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO CONSIDER THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE. EMPLOYEE ALSO IS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EMPLOYEE SIGNING THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE.

EMPLOYEE MAY REVOKE THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE FOR A PERIOD OF SEVEN (7) CALENDAR DAYS FOLLOWING THE DAY EMPLOYEE SIGNS THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED, IN WRITING, TO LEANNE RODGERS AND STATE, "I HEREBY REVOKE MY ACCEPTANCE OF OUR CONFIDENTIAL AGREEMENT AND GENERAL RELEASE." THE REVOCATION MUST BE PERSONALLY DELIVERED TO LEANNE RODGERS OR HER DESIGNEE, OR MAILED TO LEANNE RODGERS AT PARSONS, 100 WEST WALNUT STREET, PASADENA, CA 91124 AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE.

EMPLOYEE AGREES THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE, DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL UP TO TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS CONFIDENTIAL AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST RELEASEES.

**The Parties knowingly and voluntarily sign this Confidential Separation Agreement and General Release as of the date(s) set forth below:**

Dated: February 14, 2019

/s/ Michael W. Johnson

\_\_\_\_\_  
Michael W. Johnson

PARSONS CORPORATION

Dated: February 14, 2019

/s/ Debra Fiori

\_\_\_\_\_  
Debra Fiori

## CONSULTING SERVICES AGREEMENT

THIS AGREEMENT (along with all exhibits and attachment hereto, this “**Agreement**”), made and entered into this 1st day of February, 2019, (the “**Effective Date**”) by and between Parsons Corporation, a Delaware corporation, with an address at 100 West Walnut Street, Pasadena, California, (hereinafter “**Parsons**”), and Michael W. Johnson an individual, with an address at 2250 Mckenzie Court, FL, 33765 (hereinafter “**Consultant**”):

### Section 1 SCOPE OF SERVICES

- 1.1 Services. Consultant agrees to provide, and Parsons agrees to accept, strategic communications and public relations services (“**Services**”) including but not limited to the following:  
Consultant shall provide transition assistance and support finalizing the relationship development plan and key customer engagements and transitions of executive sponsorship as required.
- 1.2 Conduct of Services. Consultant shall provide those Services with the level of care and skill ordinarily exercised by members of the Consultant’s profession practicing in the same locality of the project under similar conditions.
- 1.3 Publicity Releases. All publicity releases or releases of reports, papers, articles, maps, or other documents in any way concerning this Agreement, which the Consultant desires to make for purposes of publication in whole or in part, shall be forwarded to Parsons for review and approval prior to release, which approval may be withheld by Parsons in its sole and absolute discretion.
- 1.4 Reporting. Parsons and Consultant shall use commercially reasonable efforts to develop appropriate administrative procedures for coordinating with each other.

### Section 2 TERM AND TERMINATION

- 2.1 Term. The term of this Agreement shall commence on the date set forth above and shall end on July 31, 2019. If the parties mutually decide to extend the term of this agreement,
- 2.2 Termination. This Agreement may be terminated by either party for any reason or no reason upon thirty (30) days written notice.
- 2.3 Remaining Payments. Within thirty (30) days of termination of this Agreement for any reason, Consultant shall submit to Parsons an itemized invoice for any fees or expenses theretofore accrued under this Agreement.



Section 3  
EXPENSES AND PAYMENT

- 3.1 Monthly Retainer. The consultant shall be paid a monthly retainer of \$40,000 for this Agreement. Consultant shall submit a monthly invoice no later than the 15<sup>th</sup> of the month for the preceding month's retainer.
- 3.2 Reimbursement of Expenses. In addition to the foregoing, Parsons shall pay Consultant actual out-of-pocket expenses as reasonably incurred by Consultant in furtherance of performance hereunder. Consultant agrees to provide Parsons with access to such receipts, ledgers, and other records as may be reasonably appropriate for Parsons or its accountants to verify the amount and nature of any such expenses.
- Any photocopying, postage, telephone including mobile phone, facsimile transmissions, article reprints, copying, courier/freight charges, travel, meals, mileage and other out-of-pocket expenditures will be billed separately. Travel must be approved in advance by Parsons. Consultant shall be reimbursed for business class if at least one flight of trip exceeds six (6) hours. Consultant may bill Parsons when expenses have been incurred, and these expenses shall be reimbursed to Consultant within thirty (30) days after receipt of Consultant's invoice.

Section 4  
RESPONSIBILITIES OF CONSULTANT FOR TAXES AND OTHER MATTERS

- 4.1 Taxes. As an independent contractor, Consultant is responsible and shall pay and report all federal, and state taxes applicable to Consultant. Consultant shall not be entitled to participate in health or disability insurance, retirement benefits, or other welfare or pension benefits (if any) to which employees of Parsons may be entitled except for any benefits outlines in the executive benefits upon termination attachment.

Section 5  
CONFIDENTIALITY

- 5.1 Restrictions. Consultant acknowledges that in order to perform the services called for in this Agreement, it shall be necessary for Parsons to disclose to Consultant Confidential Information (as defined in Section 5.2) of Parsons or its subsidiaries or its clients. Consultant agrees that it shall not disclose, transfer, use, copy, or allow access to any such Confidential Information to/by any third parties, except as authorized by Parsons, or as may be necessary to perform any work pursuant to this Agreement.
- 5.2 Confidential Information. Each party (the "**Receiving Party**") will treat as confidential and properly safeguard any and all information, documents, papers, programs and ideas relating to the other party (the "**Disclosing Party**"), its operations, finances and products, disclosed to the Receiving Party and designated by the Disclosing Party as confidential or which should be reasonably understood to be confidential ("**Confidential Information**"). Consultant's pricing and its media contacts shall be considered Confidential Information. All information provided by the Disclosing Party hereunder shall be considered confidential and proprietary, and shall not be reproduced, transmitted, used or disclosed to

a third party without the written consent of the Disclosing Party, except as may be necessary the Receiving Party to fulfill its obligations hereunder; provided that the limitation shall not apply to information or any portion thereof that was within the public domain at the time of its disclosure or was previously known to the Receiving Party, or is required to be produced in response to subpoena, court order or other legal proceeding and the Receiving Party provides immediate notice to the Disclosing Party of such request and provides Disclosing Party an opportunity to seek a protective order of the Confidential Information or otherwise oppose the subpoena or other form of legal process. The requirements of this provision shall survive the termination of this Agreement. **Both Parties acknowledge that the other may suffer irreparable harm in the event of a breach of the provisions of this paragraph and, thus, either Party is entitled to seek injunctive relief in the event of a breach of these Confidentiality obligations.**

5.3 Exclusions to Confidential Information. For purposes of this Agreement, Confidential Information shall not include, and the obligations set forth in Sections 5.1 and 5.2 shall not apply to, information that:

- (a) is now or subsequently becomes generally available to the public through no fault of Consultant;
- (b) Consultant can demonstrate was rightfully in his possession prior to disclosure to Consultant by Parsons, its subsidiaries, or its clients at any time;
- (c) is independently developed by Consultant without the use of any Confidential Information provided by Parsons, its subsidiaries, or its clients;
- (d) Consultant rightfully obtains from a third party without restriction and without breach of this Agreement and who has the right, without obligation to Parsons, its subsidiaries, or its clients, to transfer or disclose such information;
- (e) is released or approved for release by Parsons without restriction;
- (f) Consultant is required to disclose to any governmental entity or in any legal proceeding to enforce, preserve or defend Consultant's rights under this Agreement.

To the extent Parsons discloses, or provides for the disclosure of, Confidential Information of a third party or client, that third party shall be a third-party beneficiary with respect to the confidentiality provisions of this Agreement and shall be entitled to enforce such provisions directly against Consultant as the third party's interests may warrant.

#### Section 6 RESTRICTIVE COVENANTS

6.1 Non-Solicitation of Customers. During the six (6) month period beginning on the Effective Date, (the "**Restricted Period**"), Consultant shall not directly or indirectly: (a) solicit or accept business from any customer or partners of Parsons Corporation or its subsidiaries, affiliates or joint ventures (collectively "**the Company**") or (b) solicit any such customer

to discontinue or otherwise modify any part of its business with the Company. These restrictions shall apply only with respect to those customers and partners for whom the Consultant has performed work as a result of his employment or other relationship with the Company, to whom the Consultant was introduced or with whom the Consultant otherwise had contact as a result of his employment or other relationship with the Company, or with respect to whom the Consultant has had access to confidential information that would assist in the Consultant's solicitation of such customer.

- 6.2 Non-Competition. During the Restricted Period, Consultant shall not, directly or indirectly, (1) engage in any activity that creates an actual or potential conflict of interest with the enterprise or operations of Parsons or its subsidiaries, affiliates or joint ventures, (2) engage in any business involving products or services that compete with any element of the business (whether as an owner, employee, agent, partner, independent contractor or otherwise), (3) provide any services, whether with or without compensation, to any individual or entity (other than the Company) which relate in any material way to the products or services of such individual or entity that compete with any element of the Company's business, or (4) invest in or become interested in, as a lender, partner, member, shareholder, principal or otherwise, any entity (other than the Company) whose products or services compete with any element of the Company's business.
- 6.3 Non-Solicitation of Employees. Consultant acknowledges and reaffirms his obligations as set forth in the Employee Agreement and Acknowledgement of Obligation executed on June 28, 2017 which continue in full force and effect, as follows:

During the term of my employment and for a period of twenty-four (24) months (except for employees located in Missouri only, for which this period shall be twelve (12) months), following the termination of my employment for any reason, I agree that I will not, either on my own behalf or on behalf of any other person or entity, directly or indirectly, induce, solicit or encourage to leave the employ of PARSONS or any of its subsidiaries or affiliates (or assist any other person or entity in inducing, soliciting or encouraging) any employee of PARSONS or any of its subsidiaries or affiliates, with whom I worked or became aware of during my employment with PARSONS.

## Section 7 INTELLECTUAL PROPERTY RIGHTS

- 7.1 Right to Work Product. Parsons shall have unlimited, unconditional, irrevocable, and fully assignable intellectual property rights and moral rights, which vest upon creation, in all drawings, designs, specifications, notes and other work, regardless of format, electronic or otherwise, developed by the Consultant in the performance of the Services ("**Work Product**"). Parsons grants the Consultant a license to use and modify the Work Product for purposes of performing the Services. Consultant agrees that copies of all reports, drawings, studies, specifications, survey notes, estimates, maps, computations, test results, and other data including electronic media and data such as programs, simulations, studies, reports, and the like, prepared by or for the Consultant shall be delivered to Parsons upon completion of the work (or upon the earlier termination of this Agreement). Parsons shall have the right to use same without restrictions or limitation and without compensation to the Consultant other than that provided for the hours worked by the Consultant under this Agreement.

- 7.2 **Pre-existing Intellectual Property Rights.** Pre-existing Intellectual Property Rights are not affected by this Agreement. However, each Party hereby grants to the other a non-exclusive, royalty-free license to use the other's Pre-Existing Intellectual Property solely for purposes of (a) obtaining the benefit of the Services (in the case of Parsons) and (b) performing or providing the Services (in the case of the Consultant). For purposes of this clause, "**Pre-Existing Intellectual Property Rights**" in respect of a Party means intellectual property rights owned by that party which are in existence at the date of this Agreement or come into existence after the date of this Agreement otherwise than in connection with this Agreement or work performed hereunder.
- 7.3 **Third Party IP Rights.** If the Consultant provides information or data to Parsons that is subject to rights of a third party, the Consultant warrants that the Consultant has sufficient rights to that information and data such that they can be used for their intended purpose without infringing on any right in the information or data held by such third party and the Consultant hereby transfers the rights held by the Consultant to Parsons.

Section 8  
ASSURANCES

- 8.1 **No Conflict.** Consultant represents and warrants that Consultant has no obligations to any third party which will in any way limit or restrict Consultant's ability to perform consulting services to Parsons hereunder, except obligations to render related services to third parties in the ordinary course of Consultant's business. Consultant agrees that Consultant will not disclose to Parsons, nor make use in the performance of any work hereunder, any trade secrets or other proprietary information of any third party, unless Consultant may do so without Consultant or Parsons incurring any obligation (past or future) to such third party for such work or any future application thereof.
- 8.2 **Project Data.** Parsons shall be responsible for: (a) the accuracy and completeness of information concerning Parsons' organization, products, services, whether provided to Consultant by Parsons or by a third party authorized by Parsons; (b) any directions given by Parsons to the Consultant, whether provided to Consultant by Parsons or by a third party authorized by Parsons; (c) rights, licenses and permissions to use materials furnished to Consultant by Parsons or by a third party on Parsons' behalf; (d) compliance with all laws and regulations applicable to Parsons' business (including all securities laws); and (e) the content of any press releases or other public relations, advertising or marketing materials approved in writing by Parsons. The Consultant is responsible for obtaining data and information necessary for the proper and complete execution of the Services, and by executing each Task Order, the Consultant acknowledges that it reviewed all contract documents and project documents relating to that Task Order that were reasonably available (through Parsons or otherwise) and that it has satisfied itself that there are no areas of ambiguity, confusion or conflict with respect to the performance of the Services required by that Task Order.

Section 9  
NON-INFRINGEMENT/ INDEMNIFICATION

- 9.1 Governing Law. This Agreement shall be governed and construed in all respects in accordance with the laws of the State of Florida, with the exception of its conflicts of law provisions.
- 9.2 Indemnification. Consultant shall be responsible for and shall defend, protect, indemnify and hold harmless Parsons, its affiliated entities, and their employees, offices and agents from and against any and all liabilities, claims, demands, causes of action, penalties, loss, cost, damage and expenses, including reasonable attorney's fees, expert and consultant's fees (collectively, "**Liability**") asserted by a third party and:
- (a) arising from, connected with, or relating to, the gross negligence or willful misconduct of the Consultant or anyone for whom the Consultant is legally responsible for under the terms of this Agreement (collectively, the "**Consultant's Parties**"),
  - (b) to the extent caused by the negligent acts or omissions of one or more of the Consultant's Parties in connection with or related to the Services, a Task Order and/or this Agreement, as long as such act or omission was not due to information provided or omitted by Parsons, or
  - (c) arising from, connected with, or otherwise relating to the Consultant's breach of this Agreement, unless such breach is based upon the professional negligence of the Consultant Parties, in which case, the indemnity obligation in clause (b) above shall apply.

Parsons shall be responsible for and shall defend, protect, indemnify and hold harmless Consultant from any Liability resulting from claims, actions or demands made or brought by any third party against Consultant, including, without limitation, any governmental entity, which arise out of or in connection with (i) information provided to Consultant by Parsons as a result of false information provided to Consultant by Parsons upon which Consultant reasonably relied; (ii) information or materials supplied, provided or approved by or on behalf of Parsons or a third party authorized by Parsons upon which the Consultant reasonably relied; (iii) any issue of safety, product liability or the nature, use or performance of Parsons's products, services or premiums; (iv) Parsons's failure to pay any and all amounts owed to third parties or any claims raised by third parties against Consultant related to Authorized Contracts; and (v) the implementation of a strategy or the issuance of a communication in direct contravention of a written recommendation provided to Parsons by the Consultant. Parsons's indemnity obligations shall include, without limitation, payment to Consultant for any and all personnel time incurred in connection with any such claim, suit, proceeding or subpoena based upon Consultant's then-current hourly rates. In matters in which Consultant is not a party, Parsons shall pay or reimburse Consultant for all reasonable attorneys' fees and expenses Consultant incurs in connection with Consultant's response to subpoenas, depositions, discovery demands, and other inquiries arising from suits, proceedings, legislative or regulatory hearings, investigations, or other civil or criminal proceedings in which Parsons is a party, subject, or target.

- 9.3 **Limitation of Liability.** In no event shall either party be liable for special, indirect, incidental, consequential, exemplary or punitive damages, including without limitation, lost profits or business or loss of data, even if such party has been advised of the possibility of or could have foreseen such loss or damages.

In no event shall the Consultant's aggregate liability under this agreement exceed the proceeds of any insurance policy that responds to the claim, or that would have responded had the Consultant procured the minimum insurance required by this Agreement, or the fees paid by Parsons under this Agreement, whichever is greater.

Section 10  
MISCELLANEOUS

- 10.1 **Dispute Resolution.** All claims, disputes and matters in question arising out of or relating to this Agreement or any breach thereof ("**Disputes**") shall be resolved in the following manner:
- (a) The parties will first attempt to settle the matter through amicable discussions. If no agreement can be reached the parties shall submit to non-binding mediation prior to commencing arbitration or an action in a judicial forum. The cost for a mediator will be shared equally by the parties.
  - (b) In the event of a Dispute where the amount in question equals or exceeds the amount of one million dollars (US \$1,000,000) either party may bring an action in a court of competent jurisdiction in California. In any such litigation, the parties agree to waive their rights to a jury trial on all issues.
  - (c) In the event of a Dispute where the amount in question is less than one million dollars (\$1,000,000) the Dispute shall be resolved by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association then in effect subject to the following conditions:
    - (i) arbitration to be held in Florida.
    - (ii) there will be a single arbitrator appointed by the American Arbitration Association from its National Panel in accordance with its normal procedures for selection of arbitrators.
    - (iii) the arbitrator will issue a detailed written decision setting forth the legal and factual basis of the decision. If there is more than one issue upon which a party's claim is based, the decision will separately address each issue.
    - (iv) the parties will produce documents as if the arbitration is governed by the Federal Rules of Civil Procedure.

- (v) the agreement to arbitrate does not apply to any claim for contribution or indemnity based upon a claim or action by a person who does not consent to become a party to arbitration with the parties.
  - (vi) the award rendered by the arbitrator shall be final and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction.
  - (vii) the parties agree to consolidate any arbitration initiated in accordance with this provision with any arbitration involving either party and arising out of a common question of fact or law.
- (d) Notwithstanding any provision(s) contained in this Agreement or any rule(s) of the American Arbitration Association which may provide or be construed to the contrary, the parties hereto agree that the arbitrator(s) shall have no authority to determine and dispose of any Dispute, or any part(s) thereof, pursuant to a motion for summary adjudication or any other such dispositive motion procedure.
- 10.2 Independent Contractors. The parties are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership, or joint venture between the parties. Nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between Parsons and either Consultant or any employee or agent of Consultant.
- 10.3 Remedies. It is agreed that the unauthorized use or disclosure of any Confidential Information by one party in violation of this Agreement will cause severe and irreparable damage to the other party and/or the other party's clients. In the event of any violation of this Agreement, each party agrees that the other party and/or the other party's clients shall be authorized and entitled to obtain from any court of competent jurisdiction preliminary and/or permanent injunctive relief, as well as any other relief permitted by applicable law. Each party agrees to waive any requirement that the other party or the other party's clients post bond as a condition for obtaining any such relief.
- Each party shall notify the other party immediately, and cooperate with the other party at the other party's reasonable request, upon such discovery of any loss or compromise of the other party's Confidential Information.
- 10.4 Minimum Insurance Coverage.
- Consultant shall procure and maintain the following insurance as set forth below:
- 10.5 Notices. All notices required or permitted hereunder shall be in writing addressed to the respective parties as set forth herein, unless another address shall have been designated, and shall be delivered either by (a) personal delivery, (b) a nationally-recognized, next day courier service, (c) first class registered or certified mail, postage prepaid, (d) by facsimile, or (e) by electronic mail. Notices shall be deemed to have been given (i) when delivered personally, (ii) the next Business Day, if sent by a nationally recognized overnight delivery service (unless the records of the delivery service indicate otherwise), (iii) three (3)

Business days after deposit in the United States mail, certified, and with proper postage prepaid, (iv) upon delivery if sent by electronic mail or facsimile during a Business Day (or on the next Business Day if sent by electronic mail or facsimile after the close of normal business hours or on a non-Business Day); provided, however, that notice by facsimile transmission shall be deemed delivered only if delivery is confirmed electronically, and notice by e-mail shall only be deemed delivered only if the recipient acknowledges receipt (with an automatic “read receipt” not constituting acknowledgment of an email for purposes of this section).

- 10.6 **Entire Agreement.** This Agreement, including all attachments and documents incorporated herein and made applicable by reference, constitutes the entire agreement of the parties hereto and supersedes all prior agreements, representations, understandings, and communications with the sole exception of the Confidential Separation Agreement And Release Of All Claims dated \_\_\_\_\_, the Employee Agreement and Acknowledgment of Obligation dated June 28, 2017 and any benefit plan documents, such as 401K, pension, and Employee Stock Ownership Program (collectively “**Other Agreements**”). This Agreement may be modified only in writing and shall be enforceable in accordance with its terms when signed by the party sought to be bound.
- 10.7 **Survival.** The provisions of this Section will survive this Agreement.
- 10.8 **No Waiver.** The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy.
- 10.9 **Contra Proferentem.** Each and every provision of this Agreement shall be construed as though both Parties participated equally in the drafting of the same, and any rule of construction that a document shall be construed against the drafting party, including without limitation the doctrine commonly known as *contra proferentem*, shall not be applicable to this Agreement.
- 10.10 **Invalidity of Agreement.** In the event that any one or more of the provisions of this Agreement shall be found to be illegal or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect, and such term or provision shall be deemed stricken to the extent necessary for compliance with applicable law.



IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives, on the date and year first written above.

Parsons Corporation

Consultant

By: /s/ Debra Fiori

By: /s/ Michael W. Johnson

Name: Debra Fiori

Name: Michael W. Johnson

Title:

Title:

Date: February 12, 2019

Date: February 12, 2019

Address for Correspondence:

100 West Walnut Street  
Pasadena, CA 91124

Address for Correspondence:

2250 McKenzie Court  
Clearwater, FL 33768

## LIST OF SUBSIDIARIES OF THE REGISTRANT

<u>Subsidiary</u>	<u>Registered Jurisdiction</u>
3D/International, Inc.	Texas
Argotek, Inc.	Virginia
Barton-Aschman Associates, Inc. of Ohio	Ohio
Bonifica S.P.A.	Italy
Bright Star For Engineering Services LLC	Iraq, Republic of
BSX Parsons LLC	Delaware
Centerra-Parsons Pacific, LLC	Florida
Chas. T. Main of Louisiana, Inc.	Louisiana
Chas. T. Main, Inc.	Massachusetts
Checkmark Vehicle Safety Services, Inc.	Delaware
De Leuw, Cather & Company	Illinois
De Leuw, Cather International Inc.	Illinois
De Leuw, Cather International Limited	Delaware
Delcan Corporation	Illinois
Delcan Ltée	Quebec
Delcan Professional Corporation	Michigan
Delcan Technologies, Inc.	Georgia
Delcather Limited Inc.	Illinois
DZSP 21 LLC	Delaware
EXi Parsons Telecom Inc.	Delaware
EXi Parsons Telecom LLC	Delaware
Finley McNary Engineers, Inc.	Florida
Fourth Dimension Engineering LLC	Delaware
Global Response Services LLC	Delaware
H . E. Hennigh, Inc.	Georgia
Holding S.r.L.	Italy
International Aviation Consultants, L.L.C.	Georgia
KP Leasing Company	Nebraska
Nateng Technology Group, Inc.	Illinois
OGS Holdings, Inc.	Delaware
OGSystems, LLC	Virginia
PARCAN, Inc.	Delaware
Parfinco, Inc.	California
Parsons Advanced Technologies Inc.	Delaware
Parsons Architectural Services of Illinois Inc.	Illinois
Parsons Architecture of Florida Inc.	Florida
Parsons Architecture of New Jersey P.C.	New Jersey
Parsons China Inc.	Nevada
Parsons Commercial Services Inc.	California
Parsons Construction Craft Services Inc.	Texas
Parsons Construction Group Inc.	Delaware
Parsons Constructors & Fabricators Inc.	Delaware
Parsons Constructors Inc.	Delaware
Parsons Corporation	Delaware
Parsons CTMain Projetos de Infraestrutura Sociedade Simples Ltda.	Brazil
Parsons Delcan Inc.	Delaware

Parsons Engineering Inc. of Michigan	Michigan
Parsons Engineering Limited	Cork
Parsons Engineering of New York, Inc.	New York
Parsons Engineering Science International, Inc.	Delaware
Parsons Engineering Science, Inc.	California
Parsons Enterprises, Inc.	Delaware
Parsons Environment & Infrastructure Group Inc.	Delaware
Parsons Federal Construction Inc.	California
Parsons Global Services, Ltd.	Cayman Islands (B.W.I.)
Parsons Government Services Inc.	Nevada
Parsons Government Services International Inc.	Delaware
Parsons Government Support Services Inc.	Texas
Parsons Group International Limited	United Kingdom
Parsons Hanford Fabricators Inc.	Washington
Parsons Inc.	Federally Chartered
Parsons Infrastructure & Technology Group Inc. of Ohio	Ohio
Parsons Infrastructure & Technology Group of Illinois P.C.	Illinois
Parsons Infrastructure & Technology Group of Michigan Inc.	Nevada
Parsons Infrastructure & Technology Group of New York Inc.	New York
Parsons Inspection & Maintenance Corporation	Delaware
Parsons International Limited	Delaware
Parsons International Limited	Nevada
Parsons Investments Corp.	Delaware
Parsons Italia S.r.L.	Italy
Parsons Main of New York, Inc.	New York
Parsons Main, Inc.	Massachusetts
Parsons Middle East Corporation	Nevada
Parsons Middle East Ltd.	Delaware
Parsons of North Carolina Inc.	North Carolina
Parsons of Puerto Rico Professional Engineers, P.S.C.	Puerto Rico
Parsons Overseas Company	Nevada
Parsons Overseas Limited Inc.	Delaware
Parsons PATCO Inc.	Delaware
Parsons Professional Corporation	District of Columbia
Parsons Professional Services Inc.	Ontario
Parsons Project Services, Inc.	California
Parsons RCI Inc.	Washington
Parsons S.I.P. Inc.	Delaware
Parsons Savannah Construction Company	South Carolina
Parsons Savannah Services Company	Delaware
Parsons Secure Solutions Inc.	Virginia
Parsons Services Company	Texas
Parsons SGTP GP Holdings Inc.	Ontario
Parsons Technical Services Inc.	Delaware
Parsons Technical Services International Inc.	Texas
Parsons Technical Support Inc.	Delaware
Parsons Technologies, LLC	Delaware
Parsons Telecommunication Services Inc.	Delaware
Parsons Transportation Architectural Services LLC	Delaware
Parsons Transportation Concessionaires LLC	Delaware
Parsons Transportation Group Inc.	Illinois

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Parsons Transportation Group Inc. of Michigan	Michigan
Parsons Transportation Group Inc. of Virginia	Virginia
Parsons Transportation Group of New York, Inc.	New York
Parsons Transportation Group, Professional Corporation	District of Columbia
Parsons Water & Infrastructure Inc.	Delaware
Parsons Water Resources, Inc.	California
Parsons-Granite LLC	Delaware
Parsons-Jurden International Corporation	Nevada
Parsons-Versar LLC	Delaware
Partnership for Temporary Housing LLC	Delaware
Polaris Alpha Advanced Systems, Inc.	Virginia
Polaris Alpha Cyber and Sigint, LLC	Delaware
Polaris Alpha Cyber Technologies, LLC	Delaware
Polaris Alpha Equity Holdings, LLC	Delaware
Polaris Alpha Holdings Parent, LLC	Delaware
Polaris Alpha, LLC	Delaware
PTG Construction Services Company	Delaware
PTSI Managed Services Inc.	California
Research and Development Solutions, LLC	Delaware
RMP Infrastructure Holdings Inc.	Ontario
S&P Geology Services P.C.	New York
S.I.P. Engineering, Inc.	Delaware
S.I.P., Inc .	Delaware
SGTP Highway Bypass GP Inc.	Saskatchewan
SGTP Highway Bypass Limited Partnership	Saskatchewan
Solidyn Solutions, LLC	Delaware
Steinman Boynton Gronquist & Birdsall	New York
Steinman Boynton Gronquist & Birdsall Inc.	New Jersey
Steinman Inc.	New York
T. J. Cross Engineers, Inc.	California
The C. T. Main Corporation	Massachusetts
The Ralph M. Parsons Company	Nevada
Wholesale Supply Co., Inc.	Nevada
Williams Electric Co., Inc.	Florida

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of Parsons Corporation of our report dated March 8, 2019, except for the effects of the revision discussed in Note 2 to the consolidated financial statements, as to which the date is March 22, 2019, relating to the financial statements and financial statement schedule of Parsons Corporation, which appears in this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers LLP  
Los Angeles, California  
April 12, 2019