UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-07782

PARSONS

Parsons Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-3232481**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5875 Trinity Parkway #300 Centreville, Virginia	**20120**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 988-8500

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value	PSN	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of July 19, 2023, the registrant had 104,885,334 shares of common stock, $1.00 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share information)

	June 30, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents (including $83,101 and $53,193 Cash of consolidated joint ventures)	$ 178,589	$ 262,539
Accounts receivable, net (including $266,312 and $217,419 Accounts receivable of consolidated joint ventures, net)	949,493	717,345
Contract assets (including $9,983 and $11,313 Contract assets of consolidated joint ventures)	712,413	634,033
Prepaid expenses and other current assets (including $15,546 and $7,913 Prepaid expenses and other current assets of consolidated joint ventures)	139,713	105,866
Total current assets	1,980,208	1,719,783
Property and equipment, net (including $3,345 and $2,543 Property and equipment of consolidated joint ventures, net)	95,266	96,050
Right of use assets, operating leases (including $6,596 and $6,315 Right of use assets, operating leases of consolidated joint ventures)	166,797	155,090
Goodwill	1,692,725	1,661,850
Investments in and advances to unconsolidated joint ventures	118,861	107,425
Intangible assets, net	240,300	254,127
Deferred tax assets	144,782	137,709
Other noncurrent assets	68,568	66,108
Total assets	$ 4,507,507	$ 4,198,142
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (including $49,508 and $49,078 Accounts payable of consolidated joint ventures)	$ 237,229	$ 201,428
Accrued expenses and other current liabilities (including $144,256 and $102,417 Accrued expenses and other current liabilities of consolidated joint ventures)	693,662	630,193
Contract liabilities (including $45,552 and $40,654 Contract liabilities of consolidated joint ventures)	292,404	213,064
Short-term lease liabilities, operating leases (including $3,197 and $2,552 Short-term lease liabilities, operating leases of consolidated joint ventures)	57,085	59,144
Income taxes payable	14,521	4,290
Total current liabilities	1,294,901	1,108,119
Long-term employee incentives	18,142	17,375
Long-term debt	744,777	743,605
Long-term lease liabilities, operating leases (including $3,399 and $3,763 Long-term lease liabilities, operating leases of consolidated joint ventures)	128,634	111,417
Deferred tax liabilities	20,024	12,471
Other long-term liabilities	110,263	109,220
Total liabilities	2,316,741	2,102,207
Contingencies (Note 12)		
Shareholders' equity:		
Common stock, $1 par value; authorized 1,000,000,000 shares; 146,311,866 and 146,132,016 shares issued; 43,665,289 and 40,960,845 public shares outstanding; 61,217,557 and 63,742,151 ESOP shares outstanding	146,312	146,132
Treasury stock, 41,429,020 shares at cost	(844,936)	(844,936)
Additional paid-in capital	2,721,402	2,717,134
Retained earnings	111,513	43,089
Accumulated other comprehensive loss	(14,860)	(17,849)
Total Parsons Corporation shareholders' equity	2,119,431	2,043,570
Noncontrolling interests	71,335	52,365
Total shareholders' equity	2,190,766	2,095,935
Total liabilities and shareholders' equity	$ 4,507,507	$ 4,198,142

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except per share information)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue	$ 1,356,486	$ 1,008,721	$ 2,529,952	$ 1,957,790
Direct cost of contracts	1,068,220	781,772	1,985,408	1,515,672
Equity in (losses) earnings of unconsolidated joint ventures	75	5,613	(5,765)	11,211
Selling, general and administrative expenses	211,897	199,932	411,205	385,009
Operating income	76,444	32,630	127,574	68,320
Interest income	306	171	1,099	236
Interest expense	(7,299)	(4,525)	(13,757)	(8,463)
Other income (expense), net	543	236	1,857	381
Total other income (expense)	(6,450)	(4,118)	(10,801)	(7,846)
Income before income tax expense	69,994	28,512	116,773	60,474
Income tax expense	(15,223)	(5,732)	(26,726)	(13,851)
Net income including noncontrolling interests	54,771	22,780	90,047	46,623
Net income attributable to noncontrolling interests	(11,530)	(4,485)	(21,253)	(7,661)
Net income attributable to Parsons Corporation	$ 43,241	$ 18,295	$ 68,794	$ 38,962
Earnings per share:				
Basic	$ 0.41	$ 0.18	$ 0.66	$ 0.38
Diluted	$ 0.38	$ 0.17	$ 0.61	$ 0.35

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income including noncontrolling interests	$ 54,771	$ 22,780	$ 90,047	$ 46,623
Other comprehensive income, net of tax				
Foreign currency translation adjustment, net of tax	3,152	(5,383)	2,975	(2,509)
Pension adjustments, net of tax	16	(47)	17	(25)
Comprehensive income including noncontrolling interests, net of tax	57,939	17,350	93,039	44,089
Comprehensive income attributable to noncontrolling interests, net of tax	(11,533)	(4,482)	(21,256)	(7,659)
Comprehensive income attributable to Parsons Corporation, net of tax	$ 46,406	$ 12,868	$ 71,783	$ 36,430

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands) (Unaudited)

	For the Six Months Ended	
	June 30, 2023	June 30, 2022
Cash flows from operating activities:		
Net income including noncontrolling interests	$ 90,047	$ 46,623
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	57,048	61,090
Amortization of debt issue costs	1,414	1,302
Loss (gain) on disposal of property and equipment	43	(96)
Provision for doubtful accounts	91	(3)
Deferred taxes	(5,220)	(2,149)
Foreign currency transaction gains and losses	230	1,461
Equity in losses (earnings) of unconsolidated joint ventures	5,765	(11,211)
Return on investments in unconsolidated joint ventures	9,313	19,434
Stock-based compensation	15,978	8,358
Contributions of treasury stock	29,167	26,544
Changes in assets and liabilities, net of acquisitions and newly consolidated joint ventures:		
Accounts receivable	(227,756)	(109,681)
Contract assets	(78,254)	(17,866)
Prepaid expenses and other assets	(40,899)	(3,521)
Accounts payable	35,043	(8,079)
Accrued expenses and other current liabilities	33,336	(7,314)
Contract liabilities	76,522	13,360
Income taxes	10,309	3,107
Other long-term liabilities	1,809	3,977
Net cash provided by operating activities	13,986	25,336
Cash flows from investing activities:		
Capital expenditures	(17,956)	(13,588)
Proceeds from sale of property and equipment	65	251
Payments for acquisitions, net of cash acquired	(42,273)	(379,272)
Investments in unconsolidated joint ventures	(24,507)	(11,228)
Return of investments in unconsolidated joint ventures	72	-
Proceeds from sales of investments in unconsolidated joint ventures	381	-
Net cash used in investing activities	(84,218)	(403,837)
Cash flows from financing activities:		
Proceeds from borrowings	187,400	347,100
Repayments of borrowings	(187,400)	(147,100)
Payments for acquired warrants	-	(11,243)
Contributions by noncontrolling interests	200	2,827
Distributions to noncontrolling interests	(2,487)	(10,344)
Repurchases of common stock	(8,000)	(15,548)
Taxes paid on vested stock	(6,838)	(5,963)
Proceeds from issuance of common stock	2,940	2,724
Net cash (used in) provided by financing activities	(14,185)	162,453
Effect of exchange rate changes	467	(963)
Net decrease in cash, cash equivalents, and restricted cash	(83,950)	(217,011)
Cash, cash equivalents and restricted cash:		
Beginning of year	262,539	343,883
End of period	$ 178,589	$ 126,872

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the Three Months Ended June 30, 2023 and June 30, 2022
(In thousands)
(Unaudited)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Parsons Equity	Noncontrolling Interests	Total
Balance at March 31, 2023	$ 146,244	$ (844,936)	$ 2,712,167	$ 68,429	$ (18,025)	$ 2,063,879	$ 61,651	$ 2,125,530
Comprehensive income								
Net income	-	-	-	43,241	-	43,241	11,530	54,771
Foreign currency translation gain, net	-	-	-	-	3,149	3,149	3	3,152
Pension adjustments, net	-	-	-	-	16	16	-	16
Distributions	-	-	-	-	-	-	(1,849)	(1,849)
Issuance of equity securities, net of retirements	114	-	2,203	(157)	-	2,160	-	2,160
Repurchases of common stock	(46)	-	(1,954)	-	-	(2,000)	-	(2,000)
Stock-based compensation	-	-	8,986	-	-	8,986	-	8,986
Balance at June 30, 2023	$ 146,312	$ (844,936)	$ 2,721,402	$ 111,513	$ (14,860)	$ 2,119,431	$ 71,335	$ 2,190,766
Balance at March 31, 2022	$ 146,348	$ (867,391)	$ 2,678,761	$ (32,858)	$ (6,673)	$ 1,918,187	$ 32,438	$ 1,950,625
Comprehensive income								
Net income	-	-	-	18,295	-	18,295	4,485	22,780
Foreign currency translation loss, net	-	-	-	-	(5,380)	(5,380)	(3)	(5,383)
Pension adjustments, net	-	-	-	-	(47)	(47)	-	(47)
Contributions	-	-	-	-	-	-	1,601	1,601
Distributions	-	-	-	-	-	-	(2,035)	(2,035)
Issuance of equity securities, net of retirements	102	-	2,566	(2)	-	2,666	-	2,666
Repurchases of common stock	(276)	-	(9,724)	-	-	(10,000)	-	(10,000)
Stock-based compensation	-	-	4,460	-	-	4,460	-	4,460
Balance at June 30, 2022	$ 146,174	$ (867,391)	$ 2,676,063	$ (14,565)	$ (12,100)	$ 1,928,181	$ 36,486	$ 1,964,667

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the six Months Ended June 30, 2023 and June 30, 2022
(In thousands)
(Unaudited)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Parsons Equity	Noncontrolling Interests	Total
Balance at December 31, 2022	$ 146,132	$ (844,936)	$ 2,717,134	$ 43,089	$ (17,849)	$ 2,043,570	$ 52,365	$ 2,095,935
Comprehensive income								
Net income	-	-	-	68,794	-	68,794	21,253	90,047
Foreign currency translation gain, net	-	-	-	-	2,972	2,972	3	2,975
Pension adjustments, net	-	-	-	-	17	17	-	17
Contributions	-	-	-	-	-	-	200	200
Distributions	-	-	-	-	-	-	(2,487)	(2,487)
Issuance of equity securities, net of retirement	365	-	(3,895)	(370)	-	(3,900)	-	(3,900)
Repurchases of common stock	(185)	-	(7,815)	-	-	(8,000)		(8,000)
Stock-based compensation	-	-	15,978	-	-	15,978	-	15,978
Balance at June 30, 2023	$ 146,312	$ (844,936)	$ 2,721,402	$ 111,513	$ (14,860)	$ 2,119,431	$ 71,335	$ 2,190,766
Balance at December 31, 2021	$ 146,277	$ (867,391)	$ 2,684,979	$ (53,529)	$ (9,568)	$ 1,900,768	$ 36,344	$ 1,937,112
Comprehensive income								
Net income	-	-	-	38,962	-	38,962	7,661	46,623
Foreign currency translation loss, net	-	-	-	-	(2,507)	(2,507)	(2)	(2,509)
Pension adjustments, net	-	-	-	-	(25)	(25)	-	(25)
Contributions	-	-	-	-	-	-	2,827	2,827
Distributions	-	-	-	-	-	-	(10,344)	(10,344)
Issuance of equity securities, net of retirement	324	-	(2,153)	2	-	(1,827)	-	(1,827)
Repurchases of common stock	(427)	-	(15,121)	-	-	(15,548)	-	(15,548)
Stock-based compensation	-	-	8,358	-	-	8,358	-	8,358
Balance at June 30, 2022	$ 146,174	$ (867,391)	$ 2,676,063	$ (14,565)	$ (12,100)	$ 1,928,181	$ 36,486	$ 1,964,667

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Operations

Organization

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.

2. Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements and related notes of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the interim period reporting requirements of Form 10-Q. They do not include all of the information and footnotes required by GAAP for complete financial statements and, therefore, should be read in conjunction with our consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

In the opinion of management, the consolidated financial statements reflect all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year or for future years.

This Quarterly Report on Form 10-Q includes 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 a significant influence, the Company applies the equity method of accounting (see “Note 14 – Investments in and Advances to Joint Ventures" for further discussion). Intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in accordance with 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; useful lives of property and equipment and intangible assets; valuation of goodwill, intangible assets and net assets acquired from business acquisitions; valuation of deferred income tax assets and uncertain tax positions, among others. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” and “Note 2—Summary of Significant Accounting Policies” in the notes to our consolidated financial statements included in the Company’s Form 10-K for the year ended December 31, 2022, for a discussion of the significant estimates and assumptions affecting our consolidated financial statements. Estimates of costs to complete contracts 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, the Company records a positive or negative adjustment to the consolidated statement of income.

3. New Accounting Pronouncements

In the first quarter of 2022, the Company early adopted ASU No. 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”. The new guidance requires that the approach of ASC 606, Revenue from Contracts with Customers, should be used to measure an acquired revenue contract in a business combination. This guidance is to be applied (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The early adoption of ASU 2021-08 did not have a material impact on the consolidated financial statements.

4. Acquisitions

IPKeys Power Partners

On April 13, 2023, the Company entered into a merger agreement to acquire a 100% ownership interest in IPKeys Power Partners ("IPKeys"), a privately-owned company, for $43.4 million from cash on hand. The merger brings IPKeys' established customer base, expanding Parsons' presence in two rapidly growing end markets: grid modernization and cyber resiliency for critical infrastructure. Headquartered in Tinton Falls, New Jersey, IPKeys is a trusted provider of enterprise software platform solutions that is actively delivering cyber and operational security to hundreds of electric, water, and gas utilities across North America. In connection with this acquisition, the Company recognized $0.4 million and $0.7 million of acquisition-related expenses in "Selling, general and administrative expense" in the consolidated statements of income for the three and six months ended June 30, 2023, respectively, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed based on the preliminary purchase price allocation as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	$ 126
Accounts receivable	3,937
Contract assets	823
Other current assets	464
Property and equipment	142
Right of use asset	129
Goodwill	25,008
Intangible assets	22,300
Accounts payable	(543)
Accrued expenses and other current liabilities	(1,821)
Contract liabilities	(1,936)
Deferred tax liabilities	(5,257)
Net assets acquired	$ 43,372

Of the total purchase price, the following values were preliminarily assigned to intangible assets (in thousands, except for years):

	Gross Carrying Amount	Amortization Period
		(in years)
Customer relationships (1)	$ 15,400	16
Developed technologies	6,800	11
Other	100	1

(1) The acquired business is a SaaS commercial business. Backlog for this type of business is included as customer relationships.

Amortization expense of $0.4 million related to these intangible assets was recorded for the three and six months ended June 30, 2023. The entire value of goodwill was assigned to the Critical Infrastructure reporting unit and represents synergies expected to be realized from this business combination. $1.0 million of goodwill is deductible for tax purposes.

The amount of revenue generated by IPKeys and included within consolidated revenues is $2.6 million for the three and six months ended June 30, 2023. 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.

The Company is still in the process of finalizing its valuation of the net assets acquired.

Supplemental Pro Forma Information (Unaudited)

Supplemental information of unaudited pro forma operating results assuming the IPKeys acquisition had been consummated as of the beginning of fiscal year 2022 (in thousands) is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Pro forma Revenue	$ 1,356,486	$ 1,011,689	$ 2,532,807	$ 1,963,865
Pro forma Net Income including noncontrolling interests	56,355	22,052	$ 91,730	$ 44,338

Xator Corporation

On May 31, 2022, the Company acquired a 100% ownership interest in Xator Corporation (“Xator”), a privately-owned company, for $387.5 million in cash. The Company borrowed $300 million under the Credit Agreement, as described in “Note 10 – Debt and Credit Facilities”, to partially fund the acquisition. Xator expands Parsons’ customer base and brings differentiated technical capabilities in critical infrastructure protection, counter-unmanned aircraft systems (cUAS), intelligence and cyber solutions, biometrics, and global threat assessment and operations. In connection with this acquisition, the Company recognized $7.7 million of acquisition-related expenses in “Selling, general and administrative expense” in the consolidated statements of income for the year ended December 31, 2022, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed based on the purchase price allocation as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	$ 8,935
Accounts receivable	7,393
Contract assets	24,332
Prepaid expenses and other current assets	3,615
Property and equipment	1,699
Right of use assets, operating leases	7,517
Goodwill	257,934
Investments in and advances to unconsolidated joint ventures	698
Intangible assets	123,500
Other noncurrent assets	9,156
Accounts payable	(6,626)
Accrued expenses and other current liabilities	(31,309)
Contract liabilities	(2,631)
Short-term lease liabilities, operating leases	(2,371)
Long-term lease liabilities, operating leases	(5,146)
Other long-term liabilities	(9,156)
Net assets acquired	$ 387,540

Of the total purchase price, the following values were assigned to intangible assets (in thousands, except for years):

	Gross Carrying Amount	Amortization Period
		(in years)
Customer relationships	$ 37,000	15
Backlog	81,000	6
Trade name	4,000	1
Developed technologies	1,000	3
Non-compete agreements	500	3

Amortization expense of $4.8 million and $9.9 million related to these intangible assets was recorded for the three and six months ended June 30, 2023, respectively and $1.6 million for both the three and six months ended June 30, 2022. The entire value of goodwill was assigned to the Federal Solutions reporting unit and represents synergies expected to be realized from this business combination. Goodwill in its entirety is deductible for tax purposes.

The amount of revenue generated by Xator and included within consolidated revenues is $193.7 million and $306.2 million for the three and six months ended June 30, 2023, respectively and $20.8 million for both the three and six months ended June 30, 2022. 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.

Supplemental Pro Forma Information (Unaudited)

Supplemental information of unaudited pro forma operating results assuming the Xator acquisition had been consummated as of the beginning of fiscal year 2021 (in thousands) is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Pro forma Revenue	$ 1,356,486	$ 1,048,894	$ 2,529,952	$ 2,064,966
Pro forma Net Income including noncontrolling interests	56,452	31,591	94,026	58,890

5. 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):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Fixed-Price	$ 440,094	$ 279,408	$ 781,106	$ 519,982
Time-and-Materials	324,033	271,330	642,348	534,645
Cost-Plus	592,359	457,983	1,106,498	903,163
Total	$ 1,356,486	$ 1,008,721	$ 2,529,952	$ 1,957,790

See "Note 18 – Segments Information" for the Company's revenues by business lines.

Contract Assets and Contract Liabilities

Contract assets and contract liabilities balances at June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	December 31, 2022	$ change	% change
Contract assets	$ 712,413	$ 634,033	$ 78,380	12.4 %
Contract liabilities	292,404	213,064	79,340	37.2 %
Net contract assets (liabilities) (1)	$ 420,009	$ 420,969	$ (960)	-0.2 %

(1) Total contract retentions included in net contract assets (liabilities) were $71.6 million as of June 30, 2023, of which $36.5 million are not expected to be paid in the next 12 months. Total contract retentions included in net contract assets (liabilities) were $73.5 million as of December 31, 2022. Contract assets at June 30, 2023 and December 31, 2022 include $107.5 million and $95.7 million, respectively, related to net claim recovery estimates. For the three and six months ended June 30, 2023 and June 30, 2022, there were no material losses recognized related to the collectability of claims, unapproved change orders, and requests for equitable adjustment.

During the three months ended June 30, 2023 and June 30, 2022, the Company recognized revenue of $29.6 million and $18.6 million, respectively, and $107.7 million and $81.7 million during the six months ended June 30, 2023 and June 30, 2022, respectively, that was included in the corresponding contract liability balances at December 31, 2022 and December 31, 2021, respectively. Certain changes in contract assets and contract liabilities consisted of the following:

	June 30, 2023	December 31, 2022
Acquired contract assets	$ (242)	$ 25,397
Acquired contract liabilities	2,487	2,080

There was no significant impairment of contract assets recognized during the six months ended June 30, 2023 and June 30, 2022.

Revisions in estimates, such as changes in estimated claims or incentives, related to performance obligations partially satisfied in previous periods that individually had an impact of $5 million or more on revenue resulted in the following changes in revenue:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue impact, net	$ 20,168	$ -	$ 20,339	$ -

In addition to the revenue impacts in the table above, there was a change in estimate impact to direct costs of contracts of $24.7 million for both the three and six months ended June 30, 2023, related to a write-down on a contract in the Critical Infrastructure segment. This same contract had a $4.0 million revenue impact for a net $20.7 million impact. These cost and revenue adjustments decreased operating income by $0.6 million and $1.1 million, net income by $0.5 million and $0.8 million and diluted earnings per share of $0.00 and $0.01 for the three and six months ended June 30, 2023, respectively.

Accounts Receivable, net

Accounts receivable, net consisted of the following as of June 30, 2023 and December 31, 2022 (in thousands):

	2023	2022
Billed	$ 649,866	$ 502,411
Unbilled	303,730	218,945
Total accounts receivable, gross	953,596	721,356
Allowance for doubtful accounts	(4,103)	(4,011)
Total accounts receivable, net	$ 949,493	$ 717,345

Billed accounts receivable represents amounts billed to clients that have not been collected. Unbilled accounts receivable represents amounts where the Company has a present contractual right to bill but an invoice has not been issued to the customer at the period-end date.

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.

Transaction Price Allocated to the Remaining Unsatisfied Performance Obligations

The Company's remaining unsatisfied performance obligations ("RUPO") as of June 30, 2023 represent a measure of the total dollar value of work to be performed on contracts awarded and in-progress. The Company had $6.0 billion in RUPO as of June 30, 2023.

RUPO will increase with awards of new contracts and decrease as the Company performs work and recognizes 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 Indefinite Delivery/Indefinite Quantity ("IDIQ") contracts included in backlog for which delivery orders have not been issued.

RUPO is 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.

The Company expects to satisfy its RUPO as of June 30, 2023 over the following periods (in thousands):

Period RUPO Will Be Satisfied	Within One Year	Within One to Two Years	Thereafter
Federal Solutions	$ 1,453,480	$ 330,069	$ 316,720
Critical Infrastructure	1,846,139	964,377	1,123,973
Total	$ 3,299,619	$ 1,294,446	$ 1,440,693

6. Leases

The Company has operating and finance leases for corporate and project office spaces, vehicles, heavy machinery and office equipment. Our leases have remaining lease terms of one to nine years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases after the third year.

The components of lease costs for the three and six months ended June 30, 2023 and June 30, 2022 are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Operating lease cost	$ 17,129	$ 16,574	$ 33,754	$ 32,750
Short-term lease cost	3,396	3,610	7,059	7,090
Amortization of right-of-use assets	670	602	1,186	1,150
Interest on lease liabilities	65	22	98	43
Sublease income	(1,239)	(968)	(2,363)	(2,003)
Total lease cost	$ 20,021	$ 19,840	$ 39,734	$ 39,030

Supplemental cash flow information related to leases for the six months ended June 30, 2023 and June 30, 2022 is as follows (in thousands):

	Six Months Ended	
	June 30, 2023	June 30, 2022
Operating cash flows for operating leases	$ 35,076	$ 34,727
Operating cash flows for finance leases	98	43
Financing cash flows from finance leases	1,166	1,054
Right-of-use assets obtained in exchange for new operating lease liabilities	43,398	10,583
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 3,412	$ 631

Supplemental balance sheet and other information related to leases as of June 30, 2023 and December 31, 2022 are as follows (in thousands):

	June 30, 2023	December 31, 2022
Operating Leases:		
Right-of-use assets	$ 166,797	$ 155,090
Lease liabilities:		
Current	57,085	59,144
Long-term	128,634	111,417
Total operating lease liabilities	$ 185,719	$ 170,561
Finance Leases:		
Other noncurrent assets	$ 6,222	$ 3,965
Accrued expenses and other current liabilities	$ 2,232	$ 1,746
Other long-term liabilities	$ 3,963	$ 2,246
Weighted Average Remaining Lease Term:		
Operating leases	4.1 years	3.6 years
Finance leases	3 years	2.6 years
Weighted Average Discount Rate:		
Operating leases	3.9 %	3.4 %
Finance leases	4.0 %	2.8 %

As of June 30, 2023, the Company has no operating leases that have not yet commenced.

A maturity analysis of the future undiscounted cash flows associated with the Company's operating and finance lease liabilities as of June 30, 2023 is as follows (in thousands):

	Operating Leases	Finance Leases
2023 (remaining)	$ 33,551	$ 1,290
2024	56,056	2,234
2025	43,696	1,771
2026	27,856	1,128
2027	16,243	181
Thereafter	24,134	-
Total lease payments	201,536	6,604
Less: imputed interest	(15,817)	(409)
Total present value of lease liabilities	$ 185,719	$ 6,195

7. Goodwill

The following table summarizes the changes in the carrying value of goodwill by reporting segment from December 31, 2022 to June 30, 2023 (in thousands):

	December 31, 2022	Acquisitions	Foreign Exchange	June 30, 2023
Federal Solutions	$ 1,591,563	$ 4,744	$ -	$ 1,596,307
Critical Infrastructure	70,287	25,008	1,123	96,418
Total	$ 1,661,850	$ 29,752	$ 1,123	$ 1,692,725

The Company performed a qualitative triggering analysis and determined there was no triggering event indicating a potential impairment to the carrying value of its goodwill at June 30, 2023 and concluded there has not been an impairment.

8. Intangible Assets

The gross amount and accumulated amortization of intangible assets with finite useful lives included in "Intangible assets, net" on the consolidated balance sheets are as follows (in thousands except for years):

	June 30, 2023			December 31, 2022			Weighted Average Amortization Period *(in years)*
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Backlog	$ 142,200	$ (62,852)	$ 79,348	$ 142,200	$ (45,903)	$ 96,297	4
Customer relationships	313,720	(165,825)	147,895	293,730	(146,032)	147,698	9
Leases	120	(97)	23	120	(87)	33	1
Developed technology	23,400	(13,054)	10,346	16,600	(11,560)	5,040	6
Trade name	-	-	-	5,000	(3,083)	1,917	1
Non-compete agreements	3,350	(2,581)	769	3,350	(2,074)	1,276	3
In process research and development	1,800	-	1,800	1,800	-	1,800	n/a
Other intangibles	330	(211)	119	275	(209)	66	10
Total intangible assets	$ 484,920	$ (244,620)	$ 240,300	$ 463,075	$ (208,948)	$ 254,127	

The aggregate amortization expense of intangible assets for the three months ended June 30, 2023 and June 30, 2022 was $18.1 million and $19.7 million, respectively, and $36.1 million and $39.8 million for the six months ended June 30, 2023 and June 30, 2022, respectively.

Estimated amortization expense for the remainder of the current fiscal year, each of the next four years and beyond is as follows (in thousands):

	June 30, 2023
2023	$ 33,448
2024	36,970
2025	31,377
2026	27,797
2027	26,880
Thereafter	82,028
Total	$ 238,500

9. Property and Equipment, Net

Property and equipment consisted of the following at June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022	Useful life (years)
Buildings and leasehold improvements	$ 105,671	$ 103,071	1-15
Furniture and equipment	87,552	85,088	3-10
Computer systems and equipment	162,823	152,511	3-10
Construction equipment	5,361	5,271	5-7
Construction in progress	21,833	21,952	
	383,240	367,893	
Accumulated depreciation	(287,974)	(271,843)	
Property and equipment, net	$ 95,266	$ 96,050	

Depreciation expense for the three months ended June 30, 2023 and June 30, 2022 was $9.5 million and $9.9 million, respectively, and $18.9 million and $19.6 million for the six months ended June 30, 2023 and June 30, 2022, respectively.

10. Debt and Credit Facilities

Debt consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Long-Term Debt:		
Delayed draw term loan	$ 350,000	$ 350,000
Convertible senior notes	400,000	400,000
Revolving credit facility	-	-
Debt issuance costs	(5,223)	(6,395)
Total	$ 744,777	$ 743,605

Delayed Draw Term Loan

In September 2022, the Company entered into a $350 million unsecured Delayed Draw Term Loan with an increase option of up to $150 million (the “2022 Delayed Draw Term Loan”). Proceeds of the 2022 Delayed Draw Term Loan Agreement may be used (a) to pay off in full, or partially payoff, the Company’s existing Senior Notes, (b) to prepay revolving loans outstanding under the Revolving Credit Agreement (as defined below), or (c) for working capital, capital expenditures and other lawful corporate purposes. The Company drew $350.0 million from the 2022 Delayed Draw Term Loan in November 2022. The Company incurred $0.9 million of debt issuance costs in connection with the delayed draw term loan as of December 31, 2022. These costs are presented as a direct deduction from long-term debt on the face of the balance sheet. Interest expense related to the Delayed Draw Term Loan was $5.6 million and $10.7 million for the three and six months ended June 30, 2023, respectively. The amortization of debt issuance costs and interest expense is recorded in “Interest expense” on the consolidated statements of income. As of June 30, 2023 and December 31, 2022, there was $350.0 million outstanding under the Delayed Draw Term Loan. The interest rates on June 30, 2023 and December 31, 2022 were 6.5% and 5.7%, respectively.

The 2022 Delayed Draw Term Loan has a three-year maturity and permits the Company to borrow in U.S. dollars. The 2022 Delayed Draw Term Loan does not require any amortization payments by the Company. Depending on the Company’s consolidated leverage ratio (or debt rating after such time as the Company has such rating), borrowings under the 2022 Delayed Draw Term Loan Agreement will bear interest at either an adjusted Term SOFR benchmark rate plus a margin between 0.875% and 1.500% or a base rate plus a margin of between 0% and 0.500% and will initially bear interest at the middle of this range. The Company will pay a ticking fee on unused term loan commitments at a rate of 0.175% commencing with the date that is ninety (90) days after the Closing Date. Amounts outstanding under the 2022 Delayed Draw Term Loan Agreement may be prepaid at the option of the Company without premium or penalty, subject to customary breakage fees in connection with the prepayment of benchmark rate loans.

Convertible Senior Notes

In August 2020, the Company issued an aggregate $400.0 million of 0.25% Convertible Senior Notes due 2025, including the exercise of a $50.0 million initial purchasers’ option. The Company received proceeds from the issuance and sale of the Convertible Senior Notes of $389.7 million, net of $10.3 million of transaction fees and other third-party offering expenses. The Convertible Senior Notes accrue interest at a rate of 0.25% per annum, payable semi-annually on February 15 and August 15 of each year beginning on February 15, 2021, and will mature on August 15, 2025, unless earlier repurchased, redeemed or converted.

The Convertible Senior Notes are the Company’s senior unsecured obligations and will rank senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of the Company’s unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company’s secured indebtedness, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of the Company’s subsidiaries

Each $1,000 of principal of the Notes will initially be convertible into 22.2913 shares of our common stock, which is equivalent to an initial conversion price of $44.86 per share, subject to adjustment upon the occurrence of specified events. On or after March 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date of the Convertible Senior Notes, holders may convert all or a portion of their Convertible Senior Notes, regardless of the conditions below.

Prior to the close of business on the business day immediately preceding March 15, 2025, the Notes will be convertible at the option of the holders thereof only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, if the last reported sale price of the Company's common stock for at least 20 trading days, whether or not consecutive, during a period of 30 consecutive trading days ending on, and including the last trading day of the immediately preceding calendar quarter, is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day period after any five consecutive trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of Convertible Senior Notes for such trading day was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;

- if the Company calls such Convertible Senior Notes for redemption; or

- upon the occurrence of specified corporate events described in the Indenture.

The Company may redeem all or any portion of the Convertible Senior Notes for cash, at its option, on or after August 21, 2023 and before the 51st scheduled trading day immediately before the maturity date at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for a specified period of time. In addition, calling any Convertible Senior Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Convertible Senior Note, in which case the conversion rate applicable to the conversion of that Convertible Senior Note will be increased in certain circumstances if it is converted after it is called for redemption.

Upon the occurrence of a fundamental change prior to the maturity date of the Convertible Senior Notes, holders of the Convertible Senior Notes may require the Company to repurchase all or a portion of the Convertible Senior Notes for cash at a price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Upon conversion, the Company may settle the Convertible Senior Notes for cash, shares of the Company's common stock, or a combination thereof, at the Company's option. If the Company satisfies its conversion obligation solely in cash or through payment and delivery of a combination of cash and shares of the Company's common stock, the amount of cash and shares of common stock due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 50-trading day observation period.

The Company recognized interest expense of approximately $0.7 million for both the three months ended June 30, 2023 and June 30, 2022 and $1.5 million for both the six months ended June 30, 2023 and June 30, 2022. As of June 30, 2023 and December 31, 2022, the carrying value of the Notes was $400.0 million.

Revolving Credit Facility

In June 2021, the Company entered into a $650 million unsecured revolving credit facility (the "Credit Agreement"). The Company incurred $1.9 million of costs in connection with this Credit Agreement. The 2021 Credit Agreement replaced an existing Fifth Amended and Restated Credit Agreement dated as of November 15, 2017. Under the new agreement, the Company's revolving credit facility was increased from $550 million to $650 million. The credit facility has a five-year maturity, which may be extended up to two times for periods determined by the Company and the applicable extending lenders, and permits the Company to borrow in U.S. dollars, certain specified foreign currencies, and each other currency that may be approved in accordance with the 2021 Facility. The borrowings under the Credit Agreement bear interest at either the Term SOFR rate plus a margin between 1.0% and 1.625% or a base rate (as defined in the Credit Agreement) plus a margin of between 0% and 0.625%. The rates on June 30, 2023 and December 31, 2022 were 8.5% and 5.7%, respectively. Borrowings under this Credit Agreement are guaranteed by certain Company operating subsidiaries. Letters of credit commitments outstanding under this agreement aggregated to $43.9 million and $44.5 million at March 31, 2023 and December 31, 2022, respectively, which reduced borrowing limits available to the Company. Interest expense related to the Credit Agreement was $0.3 million and $0.8 million for the three months ended June 30, 2023 and June 30, 2022, respectively and $0.5 million and $0.9 million for the six months ended June 30, 2023 and June 30, 2022, respectively. There were no loan amounts outstanding under the Credit Agreement at June 30, 2023.

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. The Company was in compliance with these covenants at June 30, 2023 and December 31, 2022.

Letters of Credit

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 $243.0 million and $222.5 million at June 30, 2023 and December 31, 2022, respectively.

Convertible Note Hedge and Warrant Transactions

In connection with the sale of the Convertible Senior Notes, the Company purchased a bond hedge designed to mitigate the potential dilution from the conversion of the Convertible Senior Notes. Under the five-year term of the bond hedge, upon a conversion of the bonds, the Company will receive the number of shares of common stock equal to the remaining common stock deliverable upon conversion of the Convertible Senior Notes if the conversion value exceeds the principal amount of the Notes. The aggregate number of shares that the Company could be obligated to issue upon conversion of the Convertible Senior Notes is approximately 8.9 million shares. The cost of the convertible note hedge transactions was $55.0 million.

The cost of the convertible note hedge was partially offset by the Company’s sale of warrants to acquire approximately 8.9 million shares of the Company’s common stock. The warrants were initially exercisable at a price of at least $66.46 per share and are subject to customary adjustments upon the occurrence of certain events, such as the payment of dividends. The Company received $13.8 million in cash proceeds from the sales of these warrants.

The bond hedge and warrant transactions effectively increased the conversion price associated with the Convertible Senior Notes during the term of these transactions from 35%, or $44.86, to 100%, or $66.46, at their issuance, thereby reducing the dilutive economic effect to shareholders upon actual conversion.

The bond hedges and warrants are indexed to, and potentially settled in, shares of the Company’s common stock. The net cost of $41.2 million for the purchase of the bond hedges and sale of the warrants was recorded as a reduction to additional paid-in capital in the consolidated balance sheets.

At issuance, the Company recorded a deferred tax liability of $16.2 million related to the Convertible Senior Notes debt discount and the capitalized debt issuance costs. The Company also recorded a deferred tax asset of $16.5 million related to the convertible note hedge transactions and the tax basis of the capitalized debt issuance costs through additional paid-in capital. The deferred tax liability and deferred tax asset were included net in “Deferred tax assets” on the consolidated balance sheets. Upon adoption of ASU 2020-06, the Company reversed the deferred tax liability of $13.9 million that the Company had recorded at issuance related to the Convertible Senior Note debt discount and recorded an additional deferred tax liability of $0.4 million related to the capitalized debt issuance costs. In addition, the Company recorded a $0.9 million adjustment to the deferred tax asset through retained earnings related to the tax effect of book accretion recorded in 2020 and reversed upon adoption.

11. Income Taxes

The Company’s effective tax rate was 21.8% and 20.1% and income tax expense was $15.2 million and $5.7 million for the three months ended June 30, 2023 and June 30, 2022, respectively. The change in the effective tax rate was due primarily to an increase in foreign withholding taxes, partially offset by tax benefits related to increases in the foreign-derived intangible income (FDII) deduction, and untaxed income attributed to noncontrolling interests. The Company’s effective tax rate was 22.9% for both the six months ended June 30, 2023 and June 30, 2022 and income tax expense was $26.7 million and $13.9 million for the six months ended June 30, 2023 and June 30, 2022, respectively. The most significant items contributing to the change in the effective tax rate relate to an increase in tax benefits related to increases in the FDII deduction, and untaxed income attributed to noncontrolling interests, offset by an increase in foreign withholding taxes. The difference between the effective tax rate and the statutory U.S. Federal income tax rate of 21% for the three and six months ended June 30, 2023 primarily relates to state income taxes and foreign withholding taxes, partially offset by benefits related to untaxed income attributable to noncontrolling interests, earnings in lower tax jurisdictions, the FDII deduction, and the federal research tax credit.

As of June 30, 2023, the Company's deferred tax assets were subject to a valuation allowance of $28.7 million primarily related to foreign net operating loss carryforwards, foreign tax credit carryforwards, and capital losses that the Company has determined are not more-likely-than-not to be realized. The factors used to assess the likelihood of realization include: the past performance of the entities, forecasts of future taxable income, future reversals of existing taxable temporary differences, and available tax planning strategies that could be implemented to realize the deferred tax assets. The ability or failure to achieve the forecasted taxable income in these entities could affect the ultimate realization of deferred tax assets.

As of June 30, 2023 and December 31, 2022, the liability for income taxes associated with uncertain tax positions was $22.1 million and $22.8 million, respectively. It is reasonably possible that the Company may realize a decrease in our uncertain tax positions of approximately $1.5 million during the next 12 months as a result of concluding various tax audits and closing tax years.

Although the Company believes its reserves for its tax positions are reasonable, the final outcome of tax audits could be materially different, both favorably and unfavorably. It is reasonably possible that certain audits may conclude in the next 12 months and that the unrecognized tax benefits the Company has recorded in relation to these tax years may change compared to the liabilities recorded for these periods. However, it is not currently possible to estimate the amount, if any, of such change.

12. Contingencies

The Company is subject to certain lawsuits, claims and assessments that arise in the ordinary course of 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. Management believes that any significant costs relating to these claims will be reimbursed by applicable insurance and, although there can be no assurance that these matters will be resolved favorably, management believes that the ultimate resolution of any of these claims will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows. A liability is recorded when it is both probable that a loss has been incurred and the amount of loss or range of loss can be reasonably estimated. When using a range of loss estimate, the Company records the liability using the low end of the range unless some amount within the range of loss appears at that time to be a better estimate than any other amount in the range. The Company records a corresponding receivable for costs covered under its insurance policies. 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 the consolidated results of operations or the Company's financial position.

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. Dispositive and/or pre-trail motions have been filed. A hearing date has not yet been scheduled for hearing such motions. Depending upon the court's rulings upon such motions, a trial will may be scheduled in 2023 or 2024.

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 Cost Accounting Standards ("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 2013 have been closed, and years thereafter remain open.

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.

13. Retirement Benefit Plan

The Company's principal retirement benefit plan is the Parsons Employee Stock Ownership Plan ("ESOP"), a stock bonus plan, established in 1975 to cover eligible employees of the Company and certain affiliated companies. Contributions of treasury stock to the 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 three years of credited service, or in the event(s) of reaching age 65, death or disability while an active employee of the Company. As of June 30, 2023 and December 31, 2022, total shares of the Company's common stock outstanding were 104,882,846 and 104,702,996, respectively, of which 61,217,557 and 63,742,151, respectively, were held by the ESOP.

A participant's interest in their ESOP account is redeemable 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. Distributions from the ESOP of participants' interests are made in the Company's common stock based on quoted prices of a share of the Company's common stock on the NYSE. A participant will be able to sell such shares of common stock in the market, subject to any requirements of the federal securities laws.

Total ESOP contribution expense was $14.7 million and $13.5 million for the three months ended June 30, 2023 and June 30, 2022, respectively and $29.2 million and $26.5 million for the six months ended June 30, 2023 and June 30, 2022, respectively. The expense is recorded in "Direct costs of contracts" and "Selling, general and administrative expense" in the consolidated statements of income. The fiscal 2023 ESOP contribution has not yet been made. The amount is currently included in accrued liabilities.

14. 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 Variable Interest Entity ("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.

Letters of credit outstanding described in "Note 10 – Debt and Credit Facilities" that relate to project ventures are $116.7 million and $106.8 million at June 30, 2023 and December 31, 2022.

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):

	June 30, 2023	December 31, 2022
Current assets	$ 374,942	$ 289,837
Noncurrent assets	10,401	9,961
Total assets	385,343	299,798
Current liabilities	242,530	194,701
Noncurrent liabilities	3,399	3,763
Total liabilities	245,929	198,464
Total joint venture equity	$ 139,414	$ 101,334

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue	$ 167,253	$ 108,089	$ 328,737	$ 203,623
Costs	143,808	98,761	285,406	187,603
Net income	$ 23,445	$ 9,328	$ 43,331	$ 16,020
Net income attributable to noncontrolling interests	$ 11,530	$ 4,485	$ 21,253	$ 7,661

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.

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 (losses) earnings of unconsolidated joint ventures" in the consolidated statements of income. The Company's maximum exposure to loss as a result of its investments in unconsolidated joint ventures is typically limited to the aggregate of the carrying value of the investment and future funding commitments.

The following represents the financial information of the Company's unconsolidated joint ventures as presented in their unaudited financial statements (in thousands):

	June 30, 2023	December 31, 2022
Current assets	$ 1,470,305	$ 1,610,246
Noncurrent assets	492,597	491,658
Total assets	1,962,902	2,101,904
Current liabilities	1,032,758	1,255,297
Noncurrent liabilities	518,762	468,056
Total liabilities	1,551,520	1,723,353
Total joint venture equity	$ 411,382	$ 378,551
Investments in and advances to unconsolidated joint ventures	$ 118,861	$ 107,425

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue	$ 530,467	$ 594,959	$ 879,624	$ 979,540
Costs	534,555	564,239	893,950	937,525
Net income	$ (4,088)	$ 30,720	$ (14,326)	$ 42,015
Equity in (losses) earnings of unconsolidated joint ventures	$ 75	$ 5,613	$ (5,765)	$ 11,211

The Company had net contributions to its unconsolidated joint ventures for the three and six months ended June 30, 2023 of $9.9 million and $14.7 million, respectively and received net distributions from its unconsolidated joint ventures for the three and six months ended June 30, 2022 of $5.4 million and $8.2 million, respectively.

For the three and six months ended June 30, 2023, the Company recorded $7.0 million and $17.0 million of adjustments, respectively on two unconsolidated joint ventures in the Critical Infrastructure segment, one from lower margin change orders in the first quarter resulting in profits being delayed to future periods and the other from a write-off. For the three and six months ended June 30, 2023, this adjustment decreased operating income by $7.0 million and $17.0 million, respectively, net income by $5.1 million and $12.6 million, respectively, and decreased diluted earnings per share by $0.05 and $0.11, respectively.

15. Related Party Transactions

The Company often provides services to unconsolidated joint ventures and revenues include amounts related to recovering costs for these services. Revenues related to services the Company provided to unconsolidated joint ventures for the three months ended June 30, 2023 and June 30, 2022 were $55.4 million and $51.8 million, respectively and $106.3 million and $99.1 million for the six months ended June 30, 2023 and June 30, 2022, respectively.

For the three months ended June 30, 2023 and June 30, 2022, the Company incurred $39.8 million and $37.2 million, respectively, and for the six months ended June 30, 2023 and June 30, 2022 incurred $78.9 million and $71.0 million, respectively, of reimbursable costs. Amounts included in the consolidated balance sheets related to services the Company provided to unconsolidated joint ventures are as follows (in thousands):

	June 30, 2023	December 31, 2022
Accounts receivable	$ 65,134	$ 40,320
Contract assets	38,378	30,578
Contract liabilities	13,945	14,906

16. 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 June 30, 2023 and December 31, 2022, 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.

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 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.

Refer to Notes to Consolidated Financial Statements included in the Company's Form 10-K for the year ended December 31, 2022 for a more complete discussion of the various items within the consolidated financial statements measured at fair value and the methods used to determine fair value.

17. Earnings Per Share

The following tables reconcile the denominator and numerator used to compute basic earnings per share ("EPS") to the denominator and numerator used to compute diluted EPS for the three and six months ended June 30, 2023 and June 30, 2022. Basic EPS 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 income available to shareholders is adjusted to add back interest expense, after tax, related to the Convertible Senior Note, and the weighted average number of shares outstanding is adjusted to reflect the dilutive effects of stock-based awards and shares underlying the Convertible Senior Note.

Convertible Senior Note dilution impact is calculated using the if-converted method. In connection with the offerings of the Notes, the Company entered into a convertible note hedge and warrants (see Note 10 Debt and Credit Facilities); however, the convertible note hedge is not considered when calculating dilutive shares given its impact is anti-dilutive. The impact of the bond hedge would offset the dilutive impact of the shares underlying the Convertible Senior Note. The warrants have a strike price above our average share price during the period and are out of the money and not included in the tables below.

Dilutive potential common shares include, when circumstances require, shares the Company could be obligated to issue from its Convertible Senior Notes and warrants (see Note 10 for further discussion) and stock-based awards. Shares to be provided to the Company from its bond hedge purchased concurrently with the issuance of Convertible Senior Notes are anti-dilutive and are not included in its diluted shares. Anti-dilutive stock-based awards excluded from the calculation of earnings per share for the three months ended June 30, 2023 and June 30, 2022 were 3,837 and 11,502, respectively and for the six months ended June 30, 2023 and June 30, 2022 were 1,265 and 8,019, respectively.

The weighted average number of shares used to compute basic and diluted EPS were:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Basic weighted average number of shares outstanding	104,907,505	103,675,373	104,856,350	103,722,004
Stock-based awards	883,224	658,198	940,810	729,223
Convertible senior notes	8,916,530	8,916,530	8,916,530	8,916,530
Diluted weighted average number of shares outstanding	114,707,259	113,250,101	114,713,690	113,367,757

The net income available to shareholders to compute basic and diluted EPS were (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net income attributable to Parsons Corporation	$ 43,241	$ 18,295	68,794	38,962
Convertible senior notes if-converted method interest adjustment	554	542	1,106	1,082
Diluted net income attributable to Parsons Corporation	$ 43,795	$ 18,837	69,900	40,044

Share Repurchases

In August 2021, the Company's Board of Directors authorized a stock repurchase program to repurchase up to $100.0 million of shares of Common stock. Repurchases under this stock repurchase program commenced on August 12, 2021. Any and all shares of Common Stock purchased by the Company pursuant to the program shall be retired upon their acquisition and shall not become treasury shares but instead shall resume the status of authorized but unissued shares of Common Stock. The table below presents information on this repurchase program:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Total shares repurchased	46,077	275,652	185,475	427,088
Total shares retired	46,077	275,652	185,475	427,088
Average price paid per share	$ 43.40	$ 36.28	$ 43.13	$ 36.40

As of June 30, 2023, the Company has $48.3 million remaining under the stock repurchase program.

18. Segment Information

The Company operates in two reportable segments: Federal Solutions and Critical Infrastructure.

The Federal Solutions segment provides advanced technical solutions to the U.S. government, delivering timely, cost-effective hardware, software and services for mission-critical projects. The segment provides advanced technologies, supporting national security missions in cybersecurity, missile defense, and military facility modernization, logistics support, hazardous material remediation and engineering services.

The Critical Infrastructure segment provides integrated engineering and management services for complex physical and digital infrastructure around the globe. The Critical Infrastructure segment is a technology innovator focused on next generation digital systems and complex structures. Industry leading capabilities in engineering 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”), its Chair 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 revenue for the periods presented (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Federal Solutions revenue	$ 762,797	$ 537,556	$ 1,397,343	$ 1,029,185
Critical Infrastructure revenue	593,689	471,165	1,132,609	928,605
Total revenue	$ 1,356,486	$ 1,008,721	$ 2,529,952	$ 1,957,790

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 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, equity-based compensation, 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 reconciles business segment

Adjusted EBITDA attributable to Parsons Corporation to Net Income attributable to Parsons Corporation for the periods presented (in thousands):

	Three Months Ended		Six Months Ended	
Adjusted EBITDA attributable to Parsons Corporation	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Federal Solutions	$ 85,640	$ 47,645	$ 141,788	$ 90,283
Critical Infrastructure	20,936	25,160	45,293	53,475
Adjusted EBITDA attributable to Parsons Corporation	106,576	72,805	187,081	143,758
Adjusted EBITDA attributable to noncontrolling interests	11,730	4,609	21,616	7,904
Depreciation and amortization	(28,689)	(30,581)	(57,048)	(61,090)
Interest expense, net	(6,993)	(4,354)	(12,658)	(8,227)
Income tax expense	(15,223)	(5,732)	(26,726)	(13,851)
Equity-based compensation expense	(9,314)	(4,791)	(16,017)	(8,689)
Transaction-related costs (a)	(1,917)	(9,525)	(3,535)	(11,923)
Restructuring expense (b)	-	-	(546)	(213)
Other (c)	(1,399)	349	(2,120)	(1,046)
Net income including noncontrolling interests	54,771	22,780	90,047	46,623
Net income attributable to noncontrolling interests	11,530	4,485	21,253	7,661
Net income attributable to Parsons Corporation	$ 43,241	$ 18,295	$ 68,794	$ 38,962

(a) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, primarily fees paid for professional services and employee retention.
(b) Reflects costs associated with corporate restructuring initiatives.
(c) Includes a combination of gain/loss related to sale of fixed assets, software implementation costs, and other individually insignificant items that are non-recurring in nature.

Asset information by segment is not a key measure of performance used by the CODM.

The following tables present revenues and property and equipment, net by geographic area (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue				
North America	$ 1,136,290	$ 841,091	$ 2,085,005	$ 1,626,799
Middle East	219,253	161,335	436,651	319,398
Rest of World	943	6,295	8,296	11,593
Total Revenue	$ 1,356,486	$ 1,008,721	$ 2,529,952	$ 1,957,790

The geographic location of revenue is determined by the location of the customer (in thousands):

	June 30, 2023	December 31, 2022
Property and Equipment, Net		
North America	$ 88,813	$ 91,217
Middle East	6,453	4,833
Total Property and Equipment, Net	$ 95,266	$ 96,050

North America includes revenue in the United States for the three months ended June 30, 2023 and June 30, 2022 of $1.0 billion and $0.8 billion, respectively and for the six months ended June 30, 2023 and June 30, 2022 of $1.9 billion and $1.5 billion, respectively. North America property and equipment, net includes $82.2 million and $84.4 million of property and equipment, net in the United States at June 30, 2023 and December 31, 2022, respectively.

The following table presents revenues by business units (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue				
Defense and Intelligence	$ 381,328	$ 350,298	$ 745,688	$ 685,825
Engineered Systems	381,469	187,258	651,655	343,360
Federal Solutions revenues	762,797	537,556	1,397,343	1,029,185
Mobility Solutions	396,794	300,382	779,543	595,168
Connected Communities	196,895	170,783	353,066	333,437
Critical Infrastructure revenues	593,689	471,165	1,132,609	928,605
Total Revenue	$ 1,356,486	$ 1,008,721	$ 2,529,952	$ 1,957,790

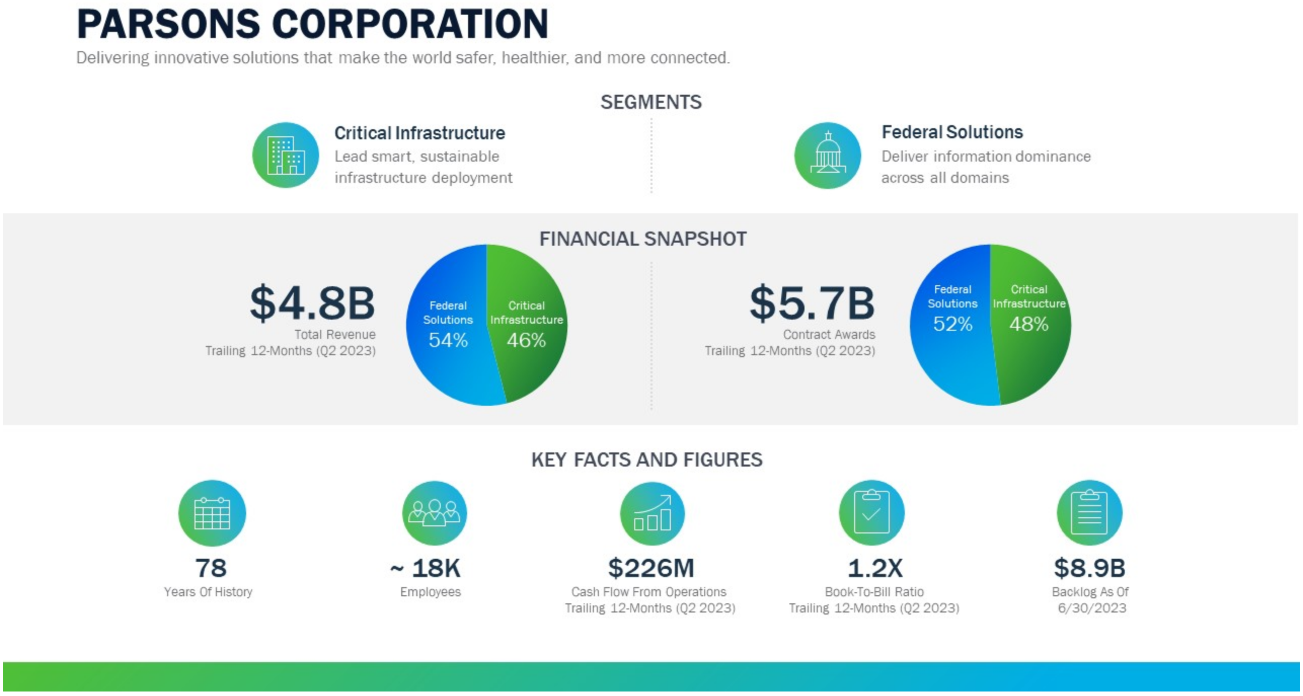
19. Subsequent Events

None

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

The following discussion and analysis is intended to help 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 Form 10-Q and in conjunction with the Company's Form 10-K for the year ended December 31, 2022.

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" in the Company's Form 10-K for the year ended December 31, 2022. We undertake no obligation to revise publicly any forward-looking statements. Actual results may differ materially from those contained in any forward-looking statements.



Overview

We are a leading provider of the integrated solutions and services required in today's complex security environment and a world of digital transformation. We deliver innovative technology-driven solutions to customers worldwide. We have developed significant expertise and differentiated capabilities in key areas of cybersecurity, intelligence, missile defense, C5ISR, space, transportation, water/wastewater and environmental remediation. By combining our talented team of professionals and advanced technology, we solve complex technical challenges to enable a safer, smarter, more secure and more connected world.

We operate in two reporting segments, Federal Solutions and Critical Infrastructure. Our Federal Solutions business provides advanced technical solutions to the U.S. government. Our Critical Infrastructure business provides integrated engineering and management 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 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 (in thousands, except Book-to-Bill):

	June 30, 2023	June 30, 2022
Awards (year to date)	$ 3,313,391	$ 1,908,767
Backlog (1)	$ 8,901,587	$ 8,227,636
Book-to-Bill (year to date)	1.3	1.0

(1) Difference between our backlog of $8.9 billion and our remaining unsatisfied performance obligations, or RUPO, of $6.0 billion, each as of June 30, 2023, is due to (i) unissued task 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 year to-date value of new awards for the periods presented below (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Federal Solutions	$ 1,182,127	$ 392,554	$ 1,877,771	$ 849,442
Critical Infrastructure	749,035	599,057	1,435,620	1,059,325
Total Awards	$ 1,931,162	$ 991,611	$ 3,313,391	$ 1,908,767

The change in new awards from year to year is generally 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. The increase in awards for the three months ended June 30, 2023 when compared to the corresponding period last year was primarily driven by significant awards in our Federal Solutions segments from the Federal Aviation Administration and the General Services Administration. The increase in awards for the six months ended June 30, 2023 when compared to the corresponding periods last year was primarily driven by the awards described above along with an award in the prior quarter in the Federal Solutions segment from the U.S. Department of State.

Backlog

We define backlog to include the following two components:

- Funded—Funded backlog represents future revenue anticipated from orders for services under existing contracts for which funding is appropriated or otherwise authorized.
- Unfunded—Unfunded backlog represents future revenue anticipated from orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.

Backlog includes (i) unissued task 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.

The following table summarizes the value of our backlog at the respective dates presented below (in thousands):

	June 30, 2023	June 30, 2022
Federal Solutions:		
Funded	$ 1,506,235	$ 1,329,695
Unfunded	3,709,288	3,756,452
Total Federal Solutions	5,215,523	5,086,147
Critical Infrastructure:		
Funded	3,615,955	3,080,338
Unfunded	70,109	61,151
Total Critical Infrastructure	3,686,064	3,141,489
Total Backlog (1)	$ 8,901,587	$ 8,227,636

(1) Difference between our backlog of $8.9 billion and our RUPO of $6.0 billion, each as of June 30, 2023, is due to (i) unissued task 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. 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 $3.3 billion of our funded backlog at June 30, 2023 as revenues in the following twelve months. However, our U.S. federal 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—Risk Relating to Our Business—We may not realize the full value of our backlog, which may result in lower than expected revenue” in the Company’s Form 10-K for the year ended December 31, 2022.

The changes in backlog in both the Federal Solutions and Critical Infrastructure segments were primarily from ordinary course fluctuations in our business and the impacts related to the Company’s awards discussed above.

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 the Company’s 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 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 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:

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Federal Solutions	1.5	0.7	1.3	0.8
Critical Infrastructure	1.3	1.3	1.3	1.1
Overall	1.4	1.0	1.3	1.0

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 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 U.S. 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

IPKeys Power Partners

On April 13, 2023, the Company entered into a merger agreement to acquire a 100% ownership interest in IPKeys Power Partners (“IPKeys”), a privately-owned company, for $43.4 million from cash on hand. The merger brings IPKeys' established customer base, expanding Parsons' presence in two rapidly growing end markets: grid modernization and cyber resiliency for critical infrastructure. Headquartered in Tinton Falls, New Jersey, IPKeys is a trusted provider of enterprise software platform solutions that is actively delivering cyber and operational security to hundreds of electric, water, and gas utilities across North America.

Xator Corporation

On May 31, 2022, the Company acquired Xator Corporation for $387.5 million. This strategic acquisition expands Parsons' presence within the U.S. Special Operations Command, the Intelligence Community, Federal Civilian customers, and global critical infrastructure markets, while providing new customer access at the Department of State. Xator also expands Parsons' customer base and brings differentiated technical capabilities in critical infrastructure protection, counter-unmanned aircraft systems (cUAS), intelligence and cyber solutions, biometrics, and global threat assessment and operations, increasing our addressable market in both the Federal Solutions and Critical Infrastructure segments. The financial results of Xator have been included in our consolidated results of operations from May 31, 2022 onward.

Seasonality

Our results may be affected by variances as a result of weather conditions and contract award seasonality impacts that we experience across our businesses. The latter issue 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 task orders 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.

Results of Operations

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 enter into the following types of contracts with our customers:

- 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 non-reimbursable under the terms of the contract.
- 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.
- Under fixed-price contracts, clients pay an agreed fixed-amount negotiated in advance for a specified scope of work.

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 Policies" in the notes to our consolidated financial statements included in the Company's Form 10-K for the year ended December 31, 2022 for a description of our policies on revenue recognition.

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

	Three Months Ended		Six Months Ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Fixed-price	32.4%	27.7%	30.9%	26.6%
Time-and-materials	23.9%	26.9%	25.4%	27.3%
Cost-plus	43.7%	45.4%	43.7%	46.1%

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 estimated cost or transaction price is determined to have an impact on contract profit, we record a positive or negative adjustment to revenue.

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 consolidated statements of income (including revenues and expenses attributable to noncontrolling interests). For the joint ventures we do not control, we recognize equity in (losses) earnings of unconsolidated joint ventures. Our revenues included amounts related to services we provided to our unconsolidated joint ventures for the three months ended June 30, 2023 and June 30, 2022 of $55.4 million and $51.8 million, respectively, and $106.3 million and $99.1 million for the six months ended June 30, 2023 and June 30, 2022, respectively.

Operating costs and expenses

Operating costs and expenses primarily include direct costs of contracts and selling, general and administrative expenses. Costs associated with compensation-related expenses for our people and facilities, which includes ESOP contribution expenses, are the most significant component of our operating expenses. Total ESOP contribution expense for the three months ended June 30, 2023 and June 30, 2022 was $14.7 million and $13.5 million, respectively, and for the six months ended June 30, 2023 and June 30, 2022 was $29.2 million and $26.5 million, respectively and is recorded in "Direct cost of contracts" and "Selling, general and administrative expenses."

Direct costs of contracts consist of direct labor and associated fringe benefits, indirect overhead, subcontractor and materials ("pass-through costs"), travel expenses and other expenses incurred to perform on contracts.

Selling, general and administrative expenses ("SG&A") 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 consist of interest income, interest expense and other income, net.

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, Convertible 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.

Adjusted EBITDA

The following table sets forth Adjusted EBITDA, Net Income Margin, and Adjusted EBITDA Margin for the three and six months ended June 30, 2023 and June 30, 2022.

	Three Months Ended		Six Months Ended	
(U.S. dollars in thousands)	**June 30, 2023**	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Adjusted EBITDA (1)	$ 118,306	$ 77,414	$ 208,697	$ 151,662
Net Income Margin (2)	4.0%	2.3%	3.6%	2.4%
Adjusted EBITDA Margin (3)	8.7%	7.7%	8.2%	7.7%

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

(2) Net Income Margin is calculated as net income 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.

	Three Months Ended		Six Months Ended	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
Net income attributable to Parsons Corporation	$ 43,241	$ 18,295	$ 68,794	$ 38,962
Interest expense, net	6,993	4,354	12,658	8,227
Income tax expense	15,223	5,732	26,726	13,851
Depreciation and amortization	28,689	30,581	57,048	61,090
Net income attributable to noncontrolling interests	11,530	4,485	21,253	7,661
Equity-based compensation	9,314	4,791	16,017	8,689
Transaction-related costs (a)	1,917	9,525	3,535	11,923
Restructuring (b)	-	-	546	213
Other (c)	1,399	(349)	2,120	1,046
Adjusted EBITDA	$ 118,306	$ 77,414	$ 208,697	$ 151,662

(a) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, primarily fees paid for professional services and employee retention.

(b) Reflects costs associated with our corporate restructuring initiatives.

(c) Includes a combination of gain/loss related to sale of fixed assets, software implementation costs, and other individually insignificant items that are non-recurring in nature.

Adjusted EBITDA is a supplemental measure of our operating performance 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 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, 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. Please see Segment Results below for a discussion of the factors impacting Adjusted EBITDA (in thousands):

	Three Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 85,640	$ 47,645	$ 37,995	79.7 %
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	20,936	25,160	(4,224)	-16.8 %
Adjusted EBITDA attributable to noncontrolling interests	11,730	4,609	7,121	154.5 %
Total Adjusted EBITDA	$ 118,306	$ 77,414	$ 40,892	52.8 %

	Six Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 141,788	$ 90,283	$ 51,505	57.0 %
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	45,293	53,475	(8,182)	-15.3 %
Adjusted EBITDA attributable to noncontrolling interests	21,616	7,904	13,712	173.5 %
Total Adjusted EBITDA	$ 208,697	$ 151,662	$ 57,035	37.6 %

The following table sets forth our results of operations for the three and six months ended June 30, 2023 and June 30, 2022 as a percentage of revenue.

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues	100 %	100 %	100 %	100 %
Direct costs of contracts	78.7 %	77.5 %	78.5 %	77.4 %
Equity in (losses) earnings of unconsolidated joint ventures	0.0 %	0.6 %	-0.2 %	0.6 %
Selling, general and administrative expenses	15.6 %	19.8 %	16.3 %	19.7 %
Operating income	5.6 %	3.2 %	5.0 %	3.5 %
Interest income	0.0 %	0.0 %	0.0 %	0.0 %
Interest expense	-0.5 %	-0.4 %	-0.5 %	-0.4 %
Other income, net	0.0 %	0.0 %	0.1 %	0.0 %
Total other income (expense)	-0.5 %	-0.4 %	-0.4 %	-0.4 %
Income before income tax expense	5.2 %	2.8 %	4.6 %	3.1 %
Income tax benefit (provision)	-1.1 %	-0.6 %	-1.1 %	-0.7 %
Net income including noncontrolling interests	4.0 %	2.3 %	3.6 %	2.4 %
Net income attributable to noncontrolling interests	-0.8 %	-0.4 %	-0.8 %	-0.4 %
Net income attributable to Parsons Corporation	3.2 %	1.8 %	2.7 %	2.0 %

Revenue

	Three Months Ended		Variance	
(U.S. dollars in thousands)	June 30, 2023	June 30, 2022	Dollar	Percent
Revenue	$ 1,356,486	$ 1,008,721	$ 347,765	34.5 %

The increase in revenue for the three months ended June 30, 2023 when compared to the corresponding period last year, was due to increases in revenue in both our Federal Solutions and Critical Infrastructure segments of $225.2 million and $122.5 million, respectively. The increase in revenue in both the Federal Solutions and Critical Infrastructure segments includes $117.6 million and $2.6 million respectively from business acquisitions.

(U.S. dollars in thousands)	Six Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Revenue	$ 2,529,952	$ 1,957,790	$ 572,162	29.2 %

The increase in revenue for the six months ended June 30, 2023 when compared to the corresponding period last year, was due to increases in revenue in both our Federal Solutions and Critical Infrastructure segments of $368.2 million and $204.0 million, respectively. The increase in revenue in both the Federal Solutions and Critical Infrastructure segments includes $230.0 million and $2.6 million, respectively from business acquisitions.

See "Segment Results" below for a further discussion of the changes in the Company's revenue.

Direct costs of contracts

(U.S. dollars in thousands)	Three Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Direct costs of contracts	$ 1,068,220	$ 781,772	$ 286,448	36.6 %

The increase in direct cost of contracts for the three months ended June 30, 2023 when compared to the corresponding period last year, was primarily due to an increase of $179.8 million in our Federal Solutions segment and $106.7 million in our Critical Infrastructure segment. The increases were primarily due to an increase in business volume from new and existing contracts in both segments, an increase from business acquisitions of $90.8 million and $1.2 million in the Federal Solutions and Critical Infrastructure segments, respectively and recognition of a write-down on a Critical Infrastructure segment contract of $24.7 million. These increases were offset by the completion and winding down of certain contracts primarily in the Critical Infrastructure segment.

(U.S. dollars in thousands)	Six Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Direct costs of contracts	$ 1,985,408	$ 1,515,672	$ 469,736	31.0 %

The increase in direct cost of contracts for the six months ended June 30, 2023 when compared to the corresponding period last year, was primarily due to an increase of $299.7 million in our Federal Solutions segment and $170.0 million in our Critical Infrastructure segment. The increases were primarily due to an increase in business volume from new and existing contracts in both segments and an increase from business acquisitions of $186.3 million $ 1.2 million in the Federal Solutions and Critical Infrastructure segments, respectively and the $24.7 million write-down discussed above. These increases were offset by the completion and winding down of certain contracts in both segments.

Equity in (losses) earnings of unconsolidated joint ventures

(U.S. dollars in thousands)	Three Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Equity in (losses) earnings of unconsolidated joint ventures	$ 75	$ 5,613	$ (5,538)	-98.7 %

The decrease in equity in (losses) earnings of unconsolidated joint ventures for the three months ended June 30, 2023 compared to the corresponding period last year, was primarily due to a $7.0 million write-down on a joint venture partially offset by increased profit on other joint ventures during the three months ended June 30, 2023.

(U.S. dollars in thousands)	Six Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Equity in (losses) earnings of unconsolidated joint ventures	$ (5,765)	$ 11,211	$ (16,976)	-151.4 %

The decrease in equity in (losses) earnings of unconsolidated joint ventures for the six months ended June 30, 2023 compared to the corresponding period last year, was primarily due to an $11.3 million write-down on a joint venture during the six months ended June 30, 2023 along with lower margin change orders in the first quarter and a reduction in joint venture volume.

Selling, general and administrative expenses

	Three Months Ended		Variance	
(U.S. dollars in thousands)	June 30, 2023	June 30, 2022	Dollar	Percent
Selling, general and administrative expenses	$ 211,897	$ 199,932	$ 11,965	6.0 %

The increase in SG&A of $12.0 million for the three months ended June 30, 2023 when compared to the corresponding period last year was primarily due to a $5.1 million increase from business acquisitions, an increase of $5.6 million primarily related to business development and sales activities, an increase in stock-based compensation cost of $4.5 million and an increase in labor related costs of $2.8 million. These increases were offset in part by a $7.6 million decrease in transaction related costs.

	Six Months Ended		Variance	
(U.S. dollars in thousands)	June 30, 2023	June 30, 2022	Dollar	Percent
Selling, general and administrative expenses	$ 411,205	$ 385,009	$ 26,196	6.8 %

The increase in SG&A of $26.2 million for the six months ended June 30, 2023 when compared to the corresponding period last year was primarily due to a $12.8 million increase from business acquisitions, an increase of $11.4 million primarily related to business development and sales activities, an increase in stock-based compensation cost of $7.3 million and an increase in labor related costs of $3.4 million. These increases were offset in part by a $8.4 million decrease in transaction related costs and a $3.7 million decrease in intangible asset amortization.

Total other income (expense)

Interest income is related to interest earned on cash balances held. Interest expense is primarily due to debt related to our Delayed Draw Term Loan and Convertible Senior Notes. Other income (expense), net is primarily related to transaction gains and losses on foreign currency transactions and sublease income.

	Three Months Ended		Variance	
(U.S. dollars in thousands)	June 30, 2023	June 30, 2022	Dollar	Percent
Interest income	$ 306	$ 171	$ 135	78.9 %
Interest expense	(7,299)	(4,525)	(2,774)	61.3 %
Other income (expense), net	543	236	307	130.1 %
Total other income (expense)	$ (6,450)	$ (4,118)	$ (2,332)	56.6 %

The increase in interest expense is primarily related to higher interest rates on borrowings under the Delayed Draw Term loan during the three months ended June 30, 2023 compared to interest rates on borrowings under the revolving Credit Agreement during the three months ended June 30, 2022. The Company entered into the Delayed Draw term loan in September 2022. There were no amounts outstanding under the revolving Credit Agreement during the three months ended June 30, 2023.

	Six Months Ended		Variance	
(U.S. dollars in thousands)	June 30, 2023	June 30, 2022	Dollar	Percent
Interest income	$ 1,099	$ 236	$ 863	365.7 %
Interest expense	(13,757)	(8,463)	(5,294)	62.6 %
Other income (expense), net	1,857	381	1,476	387.4 %
Total other income (expense)	$ (10,801)	$ (7,846)	$ (2,955)	37.7 %

The increase in interest expense for the six months ended June 30, 2023 is primarily related to the same factors impacting interest expense for the three months ended June 30, 2023 noted above. There were no amounts outstanding under the revolving Credit Agreement during the six months ended June 30, 2023.

Income tax expense

(U.S. dollars in thousands)	Three Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Income tax expense	$ 15,223	$ 5,732	$ 9,491	165.6 %

The Company's effective tax rate was 21.8% and 20.1% and income tax expense was $15.2 million and $5.7 million for the three months ended June 30, 2023 and June 30, 2022, respectively. The most significant items contributing to the change in the effective tax rate relate to an increase in foreign withholding taxes, partially offset by tax benefits related to increases in the foreign-derived intangible income (FDII) deduction and untaxed income attributed to noncontrolling interests. The difference between the statutory U.S. federal income tax rate of 21.0% and the effective tax rate for the quarter ended June 30, 2023 primarily relates to state income taxes and foreign withholding taxes, partially offset by benefits related to untaxed income attributable to noncontrolling interests, earnings in lower tax jurisdictions, the FDII deduction, and the federal research tax credit.

(U.S. dollars in thousands)	Six Months Ended		Variance	
	June 30, 2023	June 30, 2022	Dollar	Percent
Income tax expense	$ 26,726	$ 13,851	$ 12,875	93.0 %

The Company's effective tax rate was 22.9% for both the six months ended June 30, 2023 and June 30, 2022 and income tax expense was $26.7 million and $13.9 million for the six months ended June 30, 2023 and June 30, 2022, respectively. The most significant items contributing to the change in the effective tax rate relate to an increase in tax benefits related to increases in the FDII deduction, and untaxed income attributed to noncontrolling interests, offset by an increase in foreign withholding taxes. The difference between the statutory U.S. federal income tax rate of 21.0% and the effective tax rate for the six months ended June 30, 2023 primarily relates to state income taxes and foreign withholding taxes, partially offset by benefits related to untaxed income attributable to noncontrolling interests, earnings in lower tax jurisdictions, the FDII deduction, and the federal research tax credit.

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. Presented above, in this Management's Discussion and Analysis of Financial Condition and Results of Operations, is a discussion of our definition of Adjusted EBITDA, how we use this metric, why we present this metric and the material limitations on the usefulness of this metric. See "Note 18—Segments Information" in the notes to the consolidated financial statements in this Form 10-Q for further discussion regarding our segment Adjusted EBITDA attributable to Parsons Corporation.

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

(U.S. dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 85,640	$ 47,645	$ 141,788	$ 90,283
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	20,936	25,160	45,293	53,475
Adjusted EBITDA attributable to noncontrolling interests	11,730	4,609	21,616	7,904
Total Adjusted EBITDA	$ 118,306	$ 77,414	$ 208,697	$ 151,662

Federal Solutions

(U.S. dollars in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Variance Dollar	Variance Percent
Revenue	$ 762,797	$ 537,556	$ 225,241	41.9 %
Adjusted EBITDA attributable to Parsons Corporation	$ 85,640	$ 47,645	$ 37,995	79.7 %
Adjusted EBITDA Margin attributable to Parsons Corporation	11.2 %	8.9 %	2.4 %	26.7 %

The increase in Federal Solutions revenue for the three months ended June 30, 2023 compared to the corresponding period last year was primarily due to increases from business acquisitions of $117.6 million and organic growth of $107.6 million which included incentive fees on two contracts of approximately $20 million.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the three months ended June 30, 2023 compared to the corresponding period last year was primarily due to the factors impacting revenue discussed above. These increases were offset in part by an increase in selling general and administrative expenses, primarily from business acquisitions.

(U.S. dollars in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Variance Dollar	Variance Percent
Revenue	$ 1,397,343	$ 1,029,185	$ 368,158	35.8 %
Adjusted EBITDA attributable to Parsons Corporation	$ 141,788	$ 90,283	$ 51,505	57.0 %
Adjusted EBITDA Margin attributable to Parsons Corporation	10.1 %	8.8 %	1.4 %	16.0 %

The increase in Federal Solutions revenue for the six months ended June 30, 2023 compared to the corresponding period last year was primarily due to increases from business acquisitions of $230.0 million and organic growth of $138.2 million which included incentive fees on two contracts of approximately $20 million.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the six months ended June 30, 2023 compared to the corresponding period last year was primarily due to the factors discussed above for Adjusted EBITDA for the three months ended June 30, 2023.

Critical Infrastructure

(U.S. dollars in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Variance Dollar	Variance Percent
Revenue	$ 593,689	$ 471,165	$ 122,524	26.0 %
Adjusted EBITDA attributable to Parsons Corporation	$ 20,936	$ 25,160	$ (4,224)	-16.8 %
Adjusted EBITDA Margin attributable to Parsons Corporation	3.5 %	5.3 %	-1.8 %	-34.0 %

The increase in Critical Infrastructure revenue for the three months ended June 30, 2023 compared to the corresponding period last year was primarily due to organic revenue growth of $119.9 million.

The decrease in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation for the three months ended June 30, 2023 compared to the corresponding period last year was primarily due to a project write-down of $20.7 million ($24.7 million in direct costs of contracts offset by $4.0 million in revenue), $7.0 million unconsolidated joint ventures loss discussed above and an increase in selling, general and administrative expenses. These decreases were offset by the factors impacting revenue discussed above.

	Six Months Ended		Variance	
(U.S. dollars in thousands)	June 30, 2023	June 30, 2022	Dollar	Percent
Revenue	$ 1,132,609	$ 928,605	$ 204,004	22.0%
Adjusted EBITDA attributable to Parsons Corporation	$ 45,293	$ 53,475	$ (8,182)	-15.3%
Adjusted EBITDA Margin attributable to Parsons Corporation	4.0%	5.8%	-1.8%	-31.1%

The increase in Critical Infrastructure revenue for the six months ended June 30, 2023 compared to the corresponding period last year was primarily due to organic revenue growth of $201.4 million.

The decrease in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation for the six months ended June 30, 2023 compared to the corresponding period last year was primarily due to the factors discussed for Adjusted EBITDA above for the three months ended June 30, 2023.

Liquidity and Capital Resources

We finance our operations and capital expenditures through a combination of internally generated cash from operations, our Senior Notes, Convertible Senior Notes, and periodic 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.

As of June 30, 2023, we believe we have adequate liquidity and capital resources to fund our operations, support our debt service and support our ongoing acquisition strategy for at least 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.

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. 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 plus contract assets) less (contract liabilities plus accounts payable) by (ii) average revenue per day (calculated by dividing trailing twelve months revenue by the number of days in that period). We focus on collecting outstanding receivables to reduce Net DSO and working capital. Net DSO was 76 days at June 30, 2023 and 72 days at June 30, 2022. Driving the increase in Net DSO is accounts receivable, accounts payable and project related accruals amounts reflective of the Company's current business volume, while the trailing twelve months revenue reflects a trend from lower to higher business volume. Our working capital (current assets less current liabilities) was $685.3 million at June 30, 2023 and $611.7 million at December 31, 2022.

Our cash, cash equivalents and restricted cash decreased by $84.0 million to $178.6 million at June 30, 2023 from $262.5 million at December 31, 2022.

The following table summarizes our sources and uses of cash over the periods presented (in thousands):

	Six Months Ended	
	June 30, 2023	June 30, 2022
Net cash provided by operating activities	$ 13,986	$ 25,336
Net cash used in investing activities	(84,218)	(403,837)
Net cash (used in) provided by financing activities	(14,185)	162,453
Effect of exchange rate changes	467	(963)
Net decrease in cash and cash equivalents	$ (83,950)	$ (217,011)

Operating Activities

Net cash used in operating activities consists primarily of net income adjusted for noncash items, such as: equity in losses (earnings) of unconsolidated joint ventures, contributions of treasury stock, depreciation and amortization of property and equipment and intangible assets, and provisions for doubtful accounts. 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 decreased $11.4 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The primary driver of the decrease in cash flows provided by operating activities was a $61.7 million increase in cash outflows from our working capital accounts (primarily from accounts receivable, prepaid expenses and other assets offset in part by accounts payable and accrued expenses and other current liabilities). As discussed above, Net DSO increased 4 days compared to last year. The increases in the other elements of working capital were the result of both timing differences and the increase in the Company's business volume. These cash outflows were offset in part by a $52.5 million change in net income including noncontrolling interests after adjusting for non-cash items.

Pursuant to Internal Revenue Service IR 2023-33, the Company qualifies for disaster area taxpayer relief. As such, the Company has deferred $19.0 million of its federal and California April and June 2023 quarterly income tax payments which were otherwise due during the quarter ended June 30, 2023. Deferred income tax payments are due by October 16, 2023.

Investing Activities

Net cash used in investing activities consists primarily of cash flows associated with capital expenditures, joint ventures and business acquisitions.

Net cash used in investing activities decreased $319.6 million for the six months ended June 30, 2023, when compared to the six months ended June 30, 2022. This change was primarily driven by a $337.0 million reduction in payments for acquisitions offset in part by a $13.3 million increase from investments in unconsolidated joint ventures.

The Company continually evaluates potential business acquisition opportunities. In the event the Company makes a business acquisition, a significant amount of cash may be used to fund the purchase price.

Financing Activities

Net cash used in financing activities is primarily associated with proceeds from debt, the repayment thereof, and distributions to noncontrolling interests.

Net cash provided by financing activities decreased $176.6 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The change in cash flows from financing activities is primarily due to a decrease of $188.8 million from net, borrowing related activities offset in part by a decrease in cash used of $7.9 million from distributions to noncontrolling interests and a decrease of $7.5 million from repurchases of common stock.

Letters of Credit

We 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 to $243.0 million as of June 30, 2023. Letters of credit outstanding under the Credit Agreement total $43.9 million as of June 30, 2023.

Recent Accounting Pronouncements

See the information set forth in “Note 3—New Accounting Pronouncements” in the notes to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

As of June 30, 2023, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to interest rate risks related to the Company’s Revolving Credit Facility and Delayed Draw Term Loan.

As of June 30, 2023, there were no amounts outstanding under the Revolving Credit Facility. Borrowings under the new Credit Facility effective June 2021 bear interest at either the Term SOFR rate plus a margin between 1.0% and 1.625%, or a base rate (as defined in the Credit Agreement) plus a margin of between 0% and 0.625%, both based on the leverage ratio of the Company at the end of each quarter. The rates on June 30, 2023 and December 31, 2022 were 8.5% and 5.7%, respectively.

As of June 30, 2023, there was $350.0 million outstanding under the Delayed Draw Term Loan. Borrowings under the 2022 Delayed Draw Term Loan Agreement will bear interest at either an adjusted Term SOFR benchmark rate plus a margin between 0.875% and 1.500% or a base rate plus a margin of between 0% and 0.500% and will initially bear interest at the middle of this range. The Company will pay a ticking fee on unused term loan commitments at a rate of 0.175% commencing with the date that is ninety (90) days after the Closing Date. The interest rate at June 30, 2023 and December 31, 2022 were 6.5% and 5.7%, respectively.

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.

Item 4. Controls and Procedures.

Evaluation of Disclosure Control and Procedures

Our management carried out, as of June 30, 2023, with the participation of our Chief Executive Officer and our Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Consistent with the guidance issued by the Securities and Exchange Commission Staff, management has excluded IPKeys, which we acquired on April 13, 2023, from its evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2023. The total assets and revenue related to IPKeys, a wholly owned subsidiary, are approximately 1% and less than 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended June 30, 2023.

Changes in Internal Control Over Financial Reporting

During the second quarter of 2023, there were no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The information required by this Item 1 is included in "Note 12 – Contingencies" included in the Notes to Consolidated Financial Statements appearing under Part I, Item 1 of this Form 10-Q which is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes from our Risk Factors disclosed in the Company's Form 10-K for the year ended December 31, 2022.

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

Issuer Purchases of Equity Securities

On August 9, 2021, the Company's Board of Directors authorized the Company to acquire a number of shares of Common Stock having an aggregate market value of not greater than $100,000,000 from time to time, commencing on August 12, 2021. Repurchased shares of common stock are retired and included in "Repurchases of common stock" in cash flows from financing activities in the Consolidated Statements of Cash Flows. As of June 30, 2023, the Company has spent $51.7 million (which includes commissions paid of $27.6 thousand) repurchasing 1,378,941 shares of Common Stock at an average price of $37.49 per share.

The following table presents the Company's purchases of equity securities for the three months ended June 30, 2023.

Period	(a) Total number of shares (or units purchased)	(b) Average price paid per share (or unit) (1)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans programs
April 1 to 30, 2023	-	$ -	-	$ 50,299,193
May 1 to 31, 2023	46,077	$ 43.40	46,077	48,299,250
June 1 to 30, 2023	-	$ -	-	48,299,250
Total	46,077	$ 43.40	46,077	$ 48,299,250

Amount Authorized	Average Price Per Share (1)	Shares Repurchased	Total Shares Retired
$ 100,000,000	$ 37.49	1,378,941	1,378,941

(1) Includes commissions and calculated at the average price per share

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

Insider Trading Relationships and Policies

In conformance with updated SEC regulations, the Company has adopted amended insider trading policies and procedures governing the purchase, sale and/or other dispositions of the Company's securities by directors, officers and employees, or the Company itself, that are reasonably designed to promote compliance with insider trading laws, rules and regulations, and New York Stock Exchange standards.

Item 6. Exhibits.

Exhibit Number	Description
19.1*	Parsons Corporation Insider Trading Compliance Policy
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

SIGNATURES

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

		Parsons Corporation
Date: August 2, 2023	By:	/s/ Matthew M. Ofilos
		Matthew M. Ofilos Chief Financial Officer (Principal Financial Officer)

PARSONS CORPORATION
INSIDER TRADING COMPLIANCE POLICY

CONTENTS

PARSONS CORPORATION
INSIDER TRADING COMPLIANCE POLICY

I. SUMMARY

Preventing insider trading is necessary to comply with securities laws and to preserve the reputation and integrity of Parsons Corporation (the "Company") as well as that of all persons affiliated with the Company. "Insider trading" occurs when any person purchases or sells a security while in possession of inside information relating to the security. As explained in Section III below, "inside information" is information that is both "material" and "non-public." Insider trading is a crime. The penalties for violating insider trading laws include imprisonment, disgorgement of profits, civil fines, and criminal fines of up to $5 million for individuals and $25 million for corporations. Insider trading is also prohibited by this Insider Trading Compliance Policy (this "Policy"), and violation of this Policy may result in Company-imposed sanctions, including removal or dismissal for cause.

This Policy applies to all officers, directors and employees of the Company. Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual's own account. This Policy extends to all activities within and outside an individual's Company duties. Every officer, director and employee must review this Policy. Questions regarding the Policy should be directed to the Company's Chief Legal Officer.

II. STATEMENT OF POLICIES PROHIBITING INSIDER TRADING

No officer, director or employee shall purchase or sell any type of security while in possession of material, non-public information relating to the security, whether the issuer of such security is the Company or any other company.

Additionally, no officer, director or employee shall purchase or sell any security of the Company during the period beginning on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company. For purposes of this Policy, the term "security" of the Company includes both (i) the security traded on the NYSE as "PSN" and (ii) the .25% Convertible Senior Notes due in 2025.

These prohibitions do not apply to:

- purchases of the Company's securities from the Company or sales of the Company's securities to the Company;
- exercises of stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company's securities (the "cashless exercise" of a Company

stock option through a broker <u>does</u> involve a market sale of the Company's securities, and therefore would not qualify under this exception);

bona fide gifts of the Company's securities; or

purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1 ("Rule 10b5-1") promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy. For more information about Rule 10b5-1 trading plans, see Section VI below.

No officer, director or employee shall directly or indirectly communicate (or "tip") material, non-public information to anyone outside the Company (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

III. <u>EXPLANATION OF INSIDER TRADING</u>

"Insider trading" refers to the purchase or sale of a security while in possession of "material," "non-public" information relating to the security.

"Securities" includes stocks, bonds, notes, debentures, options, warrants and other convertible securities, as well as derivative instruments.

"Purchase" and *"sale"* are defined broadly under the federal securities law. *"Purchase"* includes not only the actual purchase of a security, but any contract to purchase or otherwise acquire a security. *"Sale"* includes not only the actual sale of a security, but any contract to sell or otherwise dispose of a security. These definitions extend to a broad range of transactions, including conventional cash-for-stock transactions, conversions, the exercise of stock options, and acquisitions and exercises of warrants or puts, calls or other derivative securities.

It is generally understood that insider trading includes the following:

Trading by insiders while in possession of material, non-public information;

Trading by persons other than insiders while in possession of material, non-public information, if the information either was given in breach of an insider's fiduciary duty to keep it confidential or was misappropriated; and

Communicating or tipping material, non-public information to others, including recommending the purchase or sale of a security while in possession of such information.

A. What Facts are Material?

The materiality of a fact depends upon the circumstances. A fact is considered “material” if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, sell or hold a security, or if the fact is likely to have a significant effect on the market price of the security. Material information can be positive or negative and can relate to virtually any aspect of a company’s business or to any type of security, debt or equity.

Examples of material information include (but are not limited to) information about dividends; corporate earnings or earnings forecasts; possible mergers, acquisitions, tender offers or dispositions; major new products or product developments; important business developments such as major contract awards or cancellations, trial results, developments regarding strategic collaborators or the status of regulatory submissions; management or control changes; significant borrowing or financing developments including pending public sales or offerings of debt or equity securities; defaults on borrowings; bankruptcies; and significant litigation or regulatory actions. Moreover, material information does not have to be related to a company’s business. For example, the contents of a forthcoming newspaper column that is expected to affect the market price of a security can be material.

A good general rule of thumb: **When in doubt, do not trade.**

B. What is Non-public?

Information is “non-public” if it is not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available to investors through such media as Dow Jones, Business Wire, Reuters, The Wall Street Journal, Associated Press, or United Press International, a broadcast on widely available radio or television programs, publication in a widely available newspaper, magazine or news web site, a Regulation FD-compliant conference call, or public disclosure documents filed with the SEC that are available on the SEC’s web site.

The circulation of rumors, even if accurate and reported in the media, does not constitute effective public dissemination. In addition, even after a public announcement, a reasonable period of time must lapse in order for the market to react to the information. Generally, one should allow two full trading days following publication as a reasonable waiting period before such information is deemed to be public.

C. Who is an Insider?

“Insiders” include officers, directors and employees of a company and anyone else who has material inside information about a company. Insiders have independent fiduciary duties to their company and its stockholders not to trade on material, non-public information relating to the company’s securities. All officers, directors and employees of the Company should consider themselves insiders with respect to material, non-public information about the Company’s business, activities and securities. Officers, directors and employees may not trade in the Company’s securities while in possession of material, non-public information relating to the Company, nor may they tip such information to anyone outside the Company (except in accordance with the Company’s policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company other than on a need-to-know basis.

Individuals subject to this Policy are responsible for ensuring that members of their households also comply with this Policy. This Policy also applies to any entities controlled by individuals subject to the Policy, including any corporations, partnerships or trusts, and transactions by these entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the individual’s own account.

D. Trading by Persons Other than Insiders

Insiders may be liable for communicating or tipping material, non-public information to a third party (“tippee”), and insider trading violations are not limited to trading or tipping by insiders. Persons other than insiders also can be liable for insider trading, including tippees who trade on material, non-public information tipped to them or individuals who trade on material, non-public information that has been misappropriated.

Tippees inherit an insider’s duties and are liable for trading on material, non-public information illegally tipped to them by an insider. Similarly, just as insiders are liable for the insider trading of their tippees, so are tippees who pass the information along to others who trade. In other words, a tippee’s liability for insider trading is no different from that of an insider. Tippees can obtain material, non-public information by receiving overt tips from others or through, among other things, conversations at social, business, or other gatherings.

E. Penalties for Engaging in Insider Trading

Penalties for trading on or tipping material, non-public information can extend significantly beyond any profits made or losses avoided, both for individuals engaging in such unlawful conduct and their employers. The Securities and Exchange Commission (“SEC”) and Department of Justice have made the civil and criminal prosecution of insider trading violations a top priority. Enforcement remedies available to the government or private plaintiffs under the federal securities laws include:

SEC administrative sanctions;

Securities industry self-regulatory organization sanctions;

Civil injunctions;

Damage awards to private plaintiffs;

Disgorgement of all profits;

Civil fines for the violator of up to three times the amount of profit gained or loss avoided;

Civil fines for the employer or other controlling person of a violator (i.e., where the violator is an employee or other controlled person) of up to the greater of $1,425,000 or three times the amount of profit gained or loss avoided by the violator;

Criminal fines for individual violators of up to $5,000,000 ($25,000,000 for an entity); and

Jail sentences of up to 20 years.

In addition, insider trading could result in serious sanctions by the Company, including dismissal. Insider trading violations are not limited to violations of the federal securities laws. Other federal and state civil or criminal laws, such as the laws prohibiting mail and wire fraud and the Racketeer Influenced and Corrupt Organizations Act (RICO), also may be violated in connection with insider trading.

F. Size of Transaction and Reason for Transaction Do Not Matter

The size of the transaction or the amount of profit received does not have to be significant to result in prosecution. The SEC has the ability to monitor even the smallest trades, and the SEC performs routine market surveillance. Brokers or dealers are required by law to inform the SEC of any possible violations by people who may have material, non-public information. The SEC aggressively investigates even small insider trading violations.

G. Examples of Insider Trading

Examples of insider trading cases include actions brought against corporate officers, directors, and employees who traded in a company's securities after learning of significant confidential corporate developments; friends, business associates, family members and other tippees of such officers, directors, and employees who traded in the securities after receiving such information; government employees who learned of such information in the course of their employment; and other persons who misappropriated, and took advantage of, confidential information from their employers.

The following are illustrations of insider trading violations. These illustrations are hypothetical and, consequently, not intended to reflect on the actual activities or business of the Company or any other entity.

Trading by Insider

An officer of X Corporation learns that earnings to be reported by X Corporation will increase dramatically. Prior to the public announcement of such earnings, the officer purchases X Corporation's stock. The officer, an insider, is liable for all profits as well as penalties of up to three times the amount of all profits. The officer also is subject to, among other things, criminal prosecution, including up to $5,000,000 in additional fines and 20 years in jail. Depending upon the circumstances, X Corporation and the individual to whom the officer reports also could be liable as controlling persons.

Trading by Tippee

An officer of X Corporation tells a friend that X Corporation is about to publicly announce that it has concluded an agreement for a major acquisition. This tip causes the friend to purchase X Corporation's stock in advance of the announcement. The officer is jointly liable with his friend for all of the friend's profits, and each is liable for all civil penalties of up to three times the amount of the friend's profits. The officer and his friend are also subject to criminal prosecution and other remedies and sanctions, as described above.

H. Prohibition of Records Falsification and False Statements

Section 13(b)(2) of the 1934 Act requires companies subject to the Act to maintain proper internal books and records and to devise and maintain an adequate system of internal accounting controls. The SEC has supplemented the statutory requirements by adopting rules that prohibit (1) any person from falsifying records or accounts subject to the above requirements and (2) officers or directors from making any materially false, misleading, or incomplete statement to any accountant in connection with any audit or filing with the SEC. These provisions reflect the SEC's intent to discourage officers, directors and other persons with access to the Company's books and records from taking action that might result in the communication of materially misleading financial information to the investing public.

IV. STATEMENT OF PROCEDURES PREVENTING INSIDER TRADING

The following procedures have been established, and will be maintained and enforced, by the Company to prevent insider trading. Every officer, director and employee is required to follow these procedures.

A. Pre-Clearance of All Trades by All Officers, Directors and Employees

To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, **all transactions in the Company's securities involving the acquisition of Company stock and the exercise of stock options by officers, directors and employees referenced in Attachment C hereto (each, a "Pre-Clearance Person") must be pre-cleared** by the Company's Chief Legal Officer. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules.

A request for pre-clearance may be oral or in writing (including by e-mail), should be made at least two business days in advance of the proposed transaction and should include the identity of the Pre-Clearance Person, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares or other securities to be involved. In addition, the Pre-Clearance Person must execute a certification (in the form approved by the Chief Legal Officer) that he or she is not aware of material nonpublic information about the Company. The Chief Legal Officer shall have sole discretion to decide whether to clear any contemplated transaction. The Chief Legal Officer shall have sole discretion to decide whether to clear transactions by all persons or entities subject to this policy, including members of the executive leadership team (ELT), as a result of their relationship with the Chief Legal Officer. All trades that are pre-cleared must be affected within five business days of receipt of the pre-clearance unless a specific exception has been granted by the Chief Legal Officer. A pre-cleared trade (or any portion of a pre-cleared trade) that has not been affected during the five-business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the

Pre-Clearance Person becomes aware of material non-public information or becomes subject to a black-out period before the transaction is affected, the transaction may not be completed.

To provide further assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of the Company's securities, **all transactions in the Company's securities involving any sale or disposition of Company stock by a director or certain Pre-Clearance Persons, as referenced in Attachment D hereto, may only be made pursuant to a Trading Plan in accordance with the provisions set forth in Article VI, Section A herein.**

None of the Company, the Chief Legal Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a request for pre-clearance submitted pursuant to this Section IV.A. Notwithstanding any pre-clearance of a transaction pursuant to this Section IV.A, none of the Company, the Chief Legal Officer or the Company's other employees assumes any liability for the legality or consequences of such transaction to the person engaging in such transaction.

B. Black-Out Periods

Additionally, except for a sale or disposition of stock in accordance with an approved trading plan, no officer, director or employee shall purchase or sell any security of the Company during the period beginning on the 14th calendar day before the end of any fiscal quarter of the Company and ending upon completion of the second full trading day after the public release of earnings data for such fiscal quarter or during any other trading suspension period declared by the Company, except for:

purchases of the Company's securities from the Company or sales of the Company's securities to the Company;

exercises of stock options or other equity awards the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards that do not involve a market sale of the Company's securities (the "cashless exercise" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception);

bona fide gifts of the Company's securities; and

purchases or sales of the Company's securities made pursuant to any binding contract, specific instruction or written plan entered into while the purchaser or seller, as applicable, was unaware of any material, non-public information and which contract, instruction or plan (i) meets all requirements of the affirmative defense provided by Rule 10b5-1, (ii) was pre-cleared in advance pursuant to this Policy and (iii) has not been amended or modified in any respect after such initial pre-clearance without such amendment or modification being pre-cleared in advance pursuant to this Policy.

Exceptions to the black-out period policy may be approved only by the Company's Chief Legal Officer, or, in the case of exceptions for directors, the Board of Directors or Audit Committee of the Board of Directors.

From time to time, the Company, through the Board of Directors or the Chief Legal Officer may recommend that officers, directors, employees or others suspend trading in the Company's securities because of developments that have not yet been disclosed to the public. Subject to the exceptions noted above, all those affected should not trade in our securities while the suspension is in effect and should not disclose to others that we have suspended trading.

C. Post-Termination Transactions

With the exception of the pre-clearance requirement, this Policy continues to apply to transactions in the Company's securities even after termination of service to the Company. If an individual is in possession of material, non-public information when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer material.

D. Information Relating to the Company

1. Access to Information

Access to material, non-public information about the Company, including the Company's business, earnings or prospects, should be limited to officers, directors and employees of the Company on a need-to-know basis. In addition, such information should not be communicated to anyone outside the Company under any circumstances (except in accordance with the Company's policies regarding the protection or authorized external disclosure of Company information) or to anyone within the Company on anything other than need-to-know basis.

In communicating material, non-public information to employees of the Company, all officers, directors and employees must take care to emphasize the need for confidential treatment of such information and adherence to the Company's policies with regard to confidential information.

2. Inquiries from Third Parties

Inquiries from third parties, such as industry analysts or members of the media, about the Company should be directed to the Chief Legal Officer at (626) 440-3809.

E. Limitations on Access to Company Information

The following procedures are designed to maintain confidentiality with respect to the Company's business operations and activities.

All officers, directors and employees should take all steps and precautions necessary to restrict access to, and secure, material, non-public information by, among other things:

Maintaining the confidentiality of Company-related transactions;

Conducting their business and social activities so as not to risk inadvertent disclosure of confidential information. Review of confidential documents in public places should be conducted so as to prevent access by unauthorized persons;

Restricting access to documents and files (including computer files) containing material, non-public information to individuals on a need-to-know basis (including maintaining control over the distribution of documents and drafts of documents);

Promptly removing and cleaning up all confidential documents and other materials from conference rooms following the conclusion of any meetings;

Disposing of all confidential documents and other papers, after there is no longer any business or other legally required need, through shredders when appropriate;

Restricting access to areas likely to contain confidential documents or material, non-public information;

Safeguarding laptop computers, tablets, memory sticks, CDs and other items that contain confidential information; and

Avoiding the discussion of material, non-public information in places where the information could be overheard by others such as in elevators, restrooms, hallways, restaurants, airplanes or taxicabs.

Personnel involved with material, non-public information, to the extent feasible, should conduct their business and activities in areas separate from other Company activities.

V. ADDITIONAL PROHIBITED TRANSACTIONS

The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Therefore, officers, directors and employees shall comply with the following policies with respect to certain transactions in the Company securities:

A. Short Sales

Short sales of the Company's securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales of the Company's securities are prohibited by this Policy. In addition, as noted below, Section 16(c) of the 1934 Act absolutely prohibits Section 16 reporting persons from making short sales of the Company's equity securities, *i.e.*, sales of shares that the insider does not own at the time of sale, or sales of shares against which the insider does not deliver the shares within 20 days after the sale.

B. Publicly Traded Options

A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that an officer, director or employee is trading based on inside information. Transactions in options also may focus an officer's, director's or employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities involving the

Company’s equity securities, on an exchange or in any other organized market, are prohibited by this Policy.

C. Hedging Transactions

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an officer, director or employee to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the officer, director or employee to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the officer, director or employee may no longer have the same objectives as the Company’s other stockholders. Therefore, such transactions involving the Company’s equity securities are prohibited by this Policy.

D. Purchases of the Company’s Securities on Margin; Pledging the Company’s Securities to Secure Margin or Other Loans

Purchasing on margin means borrowing from a brokerage firm, bank or other entity in order to purchase the Company’s securities (other than in connection with a cashless exercise of stock options under the Company’s equity plans). Margin purchases of the Company’s securities are prohibited by this Policy. Pledging the Company’s securities as collateral to secure loans is also prohibited. This prohibition means, among other things, that you cannot hold the Company’s securities in a “margin account” (which would allow you to borrow against your holdings to buy securities).

E. Director and Executive Officer Cashless Exercises

The Company will not arrange with brokers to administer cashless exercises on behalf of directors and executive officers of the Company. Directors and executive officers of the Company may use the cashless exercise feature of their equity awards only if (i) the director or officer retains a broker independently of the Company, (ii) the Company’s involvement is limited to confirming that it will deliver the stock promptly upon payment of the exercise price and (iii) the director or officer uses a “T+2” cashless exercise arrangement, in which the Company agrees to deliver stock against the payment of the purchase price on the same day the sale of the stock underlying the equity award settles. Under a T+2 cashless exercise, a broker, the issuer, and the issuer’s transfer agent work together to make all transactions settle simultaneously. This approach is to avoid any inference that the Company has “extended credit” in the form of a personal loan to the director or executive officer. Questions about cashless exercises should be directed to the Chief Legal Officer.

VI. RULE 10b5-1 TRADING PLANS, SECTION 16 AND RULE 144

A. Rule 10b5-1 Trading Plans

1. Overview

Rule 10b5-1 will protect directors, officers and employees from insider trading liability under Rule 10b5-1 for transactions under a previously established contract, plan or instruction to trade in the Company’s stock (a “Trading Plan”) entered into in good faith and in accordance with the terms of Rule 10b5-1 and all applicable state laws and will be exempt from the trading restrictions set forth in this Policy. **All members of the Board of Directors and Pre-Clearance Persons identified in Attachment D hereto must have a Rule 10b5-1 Trading Plan (the "Trading Plan") that has been approved by the Company's Chief Legal Officer before they are permitted to sell or dispose of the Company's stock. Each Trading Plan shall comply with all applicable rules and regulations imposed by the SEC and should include the following provisions:**

The Trading Plan must be prepared and approved during an open trading window for the Company;

A cooling off period after the Trading Plan is approved by the Chief Legal Officer which provides that the first trade may not be made until the later of (i) ninety days after the adoption or modification of the trading plan, or (ii) two business days following the filing of the Form 10-Q or 10-K for the fiscal quarter in which the plan was adopted or modified, not to exceed 120 days following the adoption or modification of the plan ;

A written representation certifying that the person is not aware of any material, non-public information about Parsons and its securities, and is adopting or modifying the plan in good faith and not as part of a plan or scheme to evade the prohibition of Exchange Rule 10b5-1; and

The Trading Plan must have a minimum length of at least one year before the Plan may amended or terminated.

Any person who adopts or modifies a Rule 10b5-1 Trading Plan shall have an ongoing obligation of good faith with respect to his or her actions. For example, no person may use his or her influence to affect the timing of a disclosure related to Parsons' securities so that a trade under his or her Rule 10b5-1 Trading Plan becomes more profitable.

Any person who adopts or modifies a Rule 10b5-1 Trading Plan may not have more than one Rule 10b5-1 Trading Plan for open market purchases or sales of Parsons' securities, except for plans or modifications solely to authorize an agent to sell only enough securities as are necessary to satisfy applicable tax withholding obligations arising exclusively from the vesting of a compensatory award, and the person does not otherwise exercise control over the timing of such sales; provided, however, that a person may have a series of separate contracts with different broker-dealers to execute trades pursuant to a single Rule 10b5-1 Trading Plan, and a person may maintain two separate Rule 10b5-1 Trading Plans for open market purchases or sales, if trading under the later plan is not authorized to begin until after all trades under the earlier commencing plan are completed or expire without execution. Further, during any twelve-month period, a person is limited to one "single-trade plan" which is designed to affect an open market purchase or sale of the total amount of securities subject to the Trading Plan in a single transaction; provided, however, that a Trading Plan will not be treated as a "single-trade plan" if it grants discretion to a persons' agent over whether to execute the plan through a single transaction.

The initiation of, and any amendment or modification to, any such Trading Plan will be deemed to be a transaction in the Company's securities, and such initiation or modification is subject to all limitations and prohibitions relating to transactions in the Company's securities. Each such Trading Plan, and any modification thereof, must be submitted to and pre-approved by the Company's Chief Legal Officer, or such other person as the Board of Directors may designate from time to time (the "Authorizing Officer"), who may impose such conditions on the implementation and operation of the Trading Plan as the Authorizing Officer deems necessary or advisable. The Chief Legal Officer or another Authorizing Officer shall have the authority to amend, waive or interpret this Policy as it relates to any Trading Plan or the Company's policies with respect to such plans. However, compliance of the Trading Plan to the terms of Rule 10b5-1 and the execution of transactions pursuant to the Trading Plan are the sole responsibility of the person initiating the Trading Plan, not the Company or the Authorizing Officer.

Trading Plans do not exempt individuals from complying with Section 16 short-swing profit rules or liability.

Rule 10b5-1 presents an opportunity for insiders to establish arrangements to sell (or purchase) Company stock without the restrictions of trading windows and black-out periods, even when there is undisclosed material information. A Trading Plan may also help reduce negative publicity that may result when key executives sell the Company's stock. Rule 10b5-1 only provides an "affirmative defense" in the event there is an insider trading lawsuit. It does not prevent someone from bringing a lawsuit.

A director, officer or employee may enter into a Trading Plan only when he or she is not in possession of material, non-public information, and only during a trading window period outside of the trading black-out period. Although transactions effected under a Trading Plan will not require further pre-clearance at the time of the trade, any transaction (including the quantity and price) made pursuant to a Trading Plan of a Section 16 reporting person must be reported to the Company promptly on the day of each trade to permit the Company's filing coordinator to assist in the preparation and filing of a required Form 4.

The Company reserves the right from time to time to suspend, discontinue or otherwise prohibit any transaction in the Company's securities, even pursuant to a previously approved Trading Plan, if the Authorizing Officer or the Board of Directors, in its discretion, determines that such suspension, discontinuation or other prohibition is in the best interests of the Company. Any Trading Plan submitted for approval hereunder should explicitly acknowledge the Company's right to prohibit transactions in the Company's securities. Failure to discontinue purchases and sales as directed shall constitute a violation of the terms of this Section VI and result in a loss of the exemption set forth herein.

Officers, directors and employees may adopt Trading Plans with brokers that outline a pre-set plan for trading of the Company's stock, including the exercise of options. Trades pursuant to a Trading Plan generally may occur at any time. However, the Company requires a cooling-off period of 30 days between the establishment of a Trading Plan and commencement of any transactions under such plan. An individual may adopt more than one Trading Plan. Please review the following description of how a Trading Plan works.

Pursuant to Rule 10b5-1, an individual's purchase or sale of securities will not be "on the basis of" material, non-public information if:

First, before becoming aware of the information, the individual enters into a binding contract to purchase or sell the securities, provides instructions to another person to sell the securities or adopts a written plan for trading the securities (i.e., the Trading Plan).

Second, the Trading Plan must either:

specify the amount of securities to be purchased or sold, the price at which the securities are to be purchased or sold and the date on which the securities are to be purchased or sold;

include a written formula or computer program for determining the amount, price and date of the transactions; or

prohibit the individual from exercising any subsequent influence over the purchase or sale of the Company's stock under the Trading Plan in question.

Third, the purchase or sale must occur pursuant to the Trading Plan and the individual must not enter into a corresponding hedging transaction or alter or deviate from the Trading Plan.

2. Revocation of and Amendments to Trading Plans

Revocation of Trading Plans should occur only in unusual circumstances. Effectiveness of any revocation, amendment or modification of a Trading Plan will be subject to the prior review and approval of the Authorizing Officer, and, in the case of any amendment or modification, must comply with all requirements set forth in Section A of this Article VI. A revocation, amendment or modification of a Trading Plan may only be made during an open trading window for the Company. Once an amendment or modification to a Trading Plan is approved, as provided herein, the participant must observe a cooling off period, as described herein, before any sale or disposition of Company stock may occur. The cooling off period shall expire on the opening of the Company's trading window for the subsequent quarter following approval of the amendment or modification of the Trading Plan.

Once a Trading Plan has been revoked, the participant must wait until the opening of the Company's trading window for the subsequent quarter following such revocation and 180 days before establishing a new Trading Plan and such Trading Plan must adhere to the further requirements noted in Section of this Article VI. You should note that revocation of a Trading Plan can result in the loss of an affirmative defense for past or future transactions under a Trading Plan. You should consult with your own legal counsel before deciding to revoke a Trading Plan. In any event, you should not assume that compliance with the 180-day bar will protect you from possible adverse legal consequences of a Trading Plan revocation.

A person acting in good faith may amend a prior Trading Plan so long as such amendments are made outside of a quarterly trading black-out period and at a time when the

Trading Plan participant does not possess material, non-public information. Plan amendments must satisfy all requirements set forth herein.

Under certain circumstances, a Trading Plan *must* be revoked. This may include circumstances such as the announcement of a merger or the occurrence of an event that would cause the transaction either to violate the law or to have an adverse effect on the Company. Further, the Company's Board of Directors has the discretion to require the revocation of Trading Plans for participants, in its discretion. The Authorizing Officer or administrator of the Company's stock plans is authorized to notify the broker in such circumstances, thereby insulating the insider in the event of revocation.

3. Discretionary Plans

Although non-discretionary Trading Plans are preferred, discretionary Trading Plans, where the discretion or control over trading is transferred to a broker, are permitted if pre-approved by the Authorizing Officer.

The Authorizing Officer must pre-approve any Trading Plan, arrangement or trading instructions, etc., involving potential sales or purchases of the Company's stock or option exercises, including but not limited to, blind trusts, discretionary accounts with banks or brokers, or limit orders. The actual transactions effected pursuant to a pre-approved Trading Plan will not be subject to further pre-clearance for transactions in the Company's stock once the Trading Plan or other arrangement has been pre-approved.

4. Reporting (if Required)

If required, an SEC Form 144 will be filled out and filed by the individual/brokerage firm in accordance with the existing rules regarding Form 144 filings. A footnote at the bottom of the Form 144 should indicate that the trades "are in accordance with a Trading Plan that complies with Rule 10b5-1 and expires ____." For Section 16 reporting persons, Form 4s should be filed before the end of the second business day following the date that the broker, dealer or plan administrator informs the individual that a transaction was executed, provided that the date of such notification is not later than the third business day following the trade date. A similar footnote should be placed at the bottom of the Form 4 as outlined above.

5. Options

Exercises of options for cash may be executed at any time. "Cashless exercise" option exercises are subject to trading windows. However, the Company will permit same day sales under approved Trading Plans that satisfy the requirements set forth herein. If a broker is required to execute a cashless exercise in accordance with a Trading Plan, then the Company must have exercise forms attached to the Trading Plan that are signed, undated and with the number of shares to be exercised left blank. Once a broker determines that the time is right to exercise the option and dispose of the shares in accordance with the Trading Plan, the broker will notify the Company in writing and the administrator of the Company's stock plans will fill in the number of shares and the date of exercise on the previously signed exercise form. The insider should not be involved with this part of the exercise.

6. Trades Outside of a Trading Plan

During an open trading window, trades differing from Trading Plan instructions that are already in place are allowed as long as the Trading Plan continues to be followed.

7. Public Announcements

The Company may make a public announcement that Trading Plans are being implemented in accordance with Rule 10b5-1. It will consider in each case whether a public announcement of a particular Trading Plan should be made. It may also make public announcements or respond to inquiries from the media as transactions are made under a Trading Plan.

8. Prohibited Transactions

The transactions prohibited under Section V of this Policy, including among others short sales and hedging transactions, may not be carried out through a Trading Plan or other arrangement or trading instruction involving potential sales or purchases of the Company's securities.

9. No Section 16 Protection

The use of Trading Plans does not exempt participants from complying with the Section 16 reporting rules or liability for short-swing trades.

10. Limitation on Liability

None of the Company, the Authorizing Officer or the Company's other employees will have any liability for any delay in reviewing, or refusal of, a Trading Plan submitted pursuant to this Section VI.A. Notwithstanding any review of a Trading Plan pursuant to this Section VI.A, none of the Company, the Authorizing Officer or the Company's other employees assumes any liability for the legality or consequences relating to such Trading Plan to the person adopting such Trading Plan.

B. Section 16: Insider Reporting Requirements, Short-Swing Profits and Short Sales (Applicable to Officers, Directors and 10% Stockholders)

1. Reporting Obligations Under Section 16(a): SEC Forms 3, 4 and 5

Section 16(a) of the 1934 Act generally requires all officers, directors and 10% stockholders ("insiders"), within 10 days after the insider becomes an officer, director, or 10% stockholder, to file with the SEC an "Initial Statement of Beneficial Ownership of Securities" on SEC Form 3 listing the amount of the Company's stock, options and warrants which the insider beneficially owns. Following the initial filing on SEC Form 3, changes in beneficial ownership of the Company's stock, options and warrants must be reported on SEC Form 4, generally within two days after the date on which such change occurs, or in certain cases on Form 5, within 45 days after fiscal year end. The two-day Form 4 deadline begins to run from the trade date rather than the settlement date. A Form 4 must be filed even if, as a result of balancing transactions, there has been no net change in holdings. In certain situations, purchases or sales of Company stock made within six months *prior* to the filing of a Form 3 must be reported on Form 4. Similarly, certain purchases or sales of Company stock made within six months *after* an officer or director ceases to be an insider must be reported on Form 4.

2. Recovery of Profits Under Section 16(b)

For the purpose of preventing the unfair use of information which may have been obtained by an insider, any profits realized by any officer, director or 10% stockholder from any "purchase" and "sale" of Company stock during a six-month period, so called "short-swing profits," may be recovered by the Company. When such a purchase and sale occurs, good faith is no defense. The insider is liable even if compelled to sell for personal reasons, and even if the sale takes place after full disclosure and without the use of any inside information.

The liability of an insider under Section 16(b) of the 1934 Act is only to the Company itself. The Company, however, cannot waive its right to short swing profits, and any Company stockholder can bring suit in the name of the Company. Reports of ownership filed with the SEC on Form 3, Form 4 or Form 5 pursuant to Section 16(a) (discussed above) are readily available to the public, and certain attorneys carefully monitor these reports for potential Section 16(b) violations. In addition, liabilities under Section 16(b) may require separate disclosure in the Company's annual report to the SEC on Form 10-K or its proxy statement for its annual meeting of stockholders. No suit may be brought more than two years after the date the profit was realized. However, if the insider fails to file a report of the transaction under Section 16(a), as required, the two-year limitation period does not begin to run until after the transactions giving rise to the profit have been disclosed. Failure to report transactions and late filing of reports require separate disclosure in the Company's proxy statement.

Officers and directors should consult the attached "Short-Swing Profit Rule Section 16(b) Checklist" attached hereto as "Attachment A" in addition to consulting the Chief Legal Officer prior to engaging in any transactions involving the Company's securities, including without limitation, the Company's stock, options or warrants.

3. Short Sales Prohibited Under Section 16(c)

Section 16(c) of the 1934 Act prohibits insiders absolutely from making short sales of the Company's equity securities. Short sales include sales of stock which the insider does not own at the time of sale, or sales of stock against which the insider does not deliver the shares within 20 days after the sale. Under certain circumstances, the purchase or sale of put or call options, or the writing of such options, can result in a violation of Section 16(c). Insiders violating Section 16(c) face criminal liability.

The Chief Legal Officer should be consulted if you have any questions regarding reporting obligations, short-swing profits or short sales under Section 16.

C. Rule 144 (Applicable to Officers, Directors and 10% Stockholders)

Rule 144 provides a safe harbor exemption to the registration requirements of the Securities Act of 1933, as amended, for certain resales of "restricted securities" and "control securities." "Restricted securities" are securities acquired from an issuer, or an affiliate of an issuer, in a transaction or chain of transactions not involving a public offering. "Control securities" are *any* securities owned by directors, executive officers or other "affiliates" of the issuer, including stock purchased in the open market and stock received upon exercise of stock options. Sales of Company securities by affiliates (generally, directors, officers and 10%

stockholders of the Company) must comply with the requirements of Rule 144, which are summarized below:

Current Public Information. The Company must have filed all SEC-required reports during the last 12 months.

Volume Limitations. Total sales of Company common stock by a covered individual for any three-month period may not exceed the *greater* of: (i) 1% of the total number of outstanding shares of Company common stock, as reflected in the most recent report or statement published by the Company, or (ii) the average weekly reported volume of such shares traded during the four calendar weeks preceding the filing of the requisite Form 144.

Method of Sale. The shares must be sold either in a "broker's transaction" or in a transaction directly with a "market maker." A "broker's transaction" is one in which the broker does no more than execute the sale order and receive the usual and customary commission. Neither the broker nor the selling person can solicit or arrange for the sale order. In addition, the selling person or Board member must not pay any fee or commission other than to the broker. A "market maker" includes a specialist permitted to act as a dealer, a dealer acting in the position of a block positioner, and a dealer who holds himself out as being willing to buy and sell Company common stock for his own account on a regular and continuous basis.

Notice of Proposed Sale. A notice of the sale (a Form 144) must be filed with the SEC at the time of the sale. Brokers generally have internal procedures for executing sales under Rule 144 and will assist you in completing the Form 144 and in complying with the other requirements of Rule 144.

If you are subject to Rule 144, you must instruct your broker who handles trades in Company securities to follow the brokerage firm's Rule 144 compliance procedures in connection with all trades.

VII. EXECUTION AND RETURN OF CERTIFICATION OF COMPLIANCE

After reading this Policy, all officers, directors and employees should execute and return to the Company's Chief Legal Officer the Certification of Compliance form attached hereto as "Attachment B."

ATTACHMENT A

SHORT-SWING PROFIT RULE SECTION 16(B) CHECKLIST

Note: ANY combination of PURCHASE AND SALE or SALE AND PURCHASE within six months of each other by an officer, director or 10% stockholder (or any family member living in the same household or certain affiliated entities) results in a violation of Section 16(b), and the “profit” must be recovered by Parsons Corporation (the “Company”). It makes no difference how long the shares being sold have been held or, for officers and directors, that you were an insider for only one of the two matching transactions. The highest priced sale will be matched with the lowest priced purchase within the six-month period.

Sales

If a sale is to be made by an officer, director or 10% stockholder (or any family member living in the same household or certain affiliated entities):

1. Have there been any purchases by the insider (or family members living in the same household or certain affiliated entities) within the past six months?
2. Have there been any option grants or exercises not exempt under Rule 16b-3 within the past six months?
3. Are any purchases (or non-exempt option exercises) anticipated or required within the next six months?
4. Has a Form 4 been prepared?

Note: If a sale is to be made by an affiliate of the Company, has a Form 144 been prepared and has the broker been reminded to sell pursuant to Rule 144?

Purchases And Option Exercises

If a purchase or option exercise for Company stock is to be made:

1. Have there been any sales by the insider (or family members living in the same household or certain affiliated entities) within the past six months?
2. Are any sales anticipated or required within the next six months (such as tax-related or year-end transactions)?
3. Has a Form 4 been prepared?

Before proceeding with a purchase or sale, consider whether you are aware of material inside information which could affect the price of the Company stock. All transactions in the Company’s securities by officers and directors must be pre-cleared by contacting the Company’s Chief Legal Officer or Chief Financial Officer.

ATTACHMENT B

CERTIFICATION OF COMPLIANCE

RETURN BY [_________] *[insert return deadline]*

TO: ___________________, Chief Legal Officer

FROM: ___________________________

RE: INSIDER TRADING COMPLIANCE POLICY OF PARSONS CORPORATION

I have received, reviewed and understand the above-referenced Insider Trading Compliance Policy and undertake, as a condition to my present and continued employment (or, if I am not an employee, affiliation with) Parsons Corporation, to comply fully with the policies and procedures contained therein.

I hereby certify, to the best of my knowledge, that during the calendar year ending December 31, 20[__], I have complied fully with all policies and procedures set forth in the above-referenced Insider Trading Compliance Policy.

____________________________ ________________

SIGNATURE DATE

____

TITLE

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carey A. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Parsons Corporation;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 2, 2023

By: /s/ Carey A. Smith
Carey A. Smith
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew M. Ofilos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Parsons Corporation;

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

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

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

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

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

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

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 2, 2023

By: /s/ Matthew M. Ofilos
Matthew M. Ofilos
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Parsons Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Carey A. Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 2, 2023

By: /s/ Carey A. Smith
Carey A. Smith
Chief Executive Officer

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

Exhibit 32.2

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

In connection with the Quarterly Report of Parsons Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew M. Ofilos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 2, 2023

By: /s/ Matthew M. Ofilos
Matthew M. Ofilos
Chief Financial Officer

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