

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

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



(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
5875 Trinity Parkway, #300,
Centreville, VA
(Address of principal executive offices)

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

21120
(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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The New York Stock Exchange on June 30, 2022, was \$4.2 billion.

The number of shares of Registrant's Common Stock outstanding as of February 6, 2023 was 104,709,490

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Parsons' 2023 Proxy Statement are incorporated by reference into Part III of this Annual Report on Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may”, “will”, “should”, “expects”, “plans”, “anticipates”, “could”, “intends”, “target”, “projects”, “contemplates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We believe that these factors include, but are not limited to, the following:

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

- other risks and factors listed under “Risk Factors” and elsewhere in this report.

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

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

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

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

Item 1. Business.

Overview

Parsons is a leading provider of the integrated solutions and services required in today's complex security environment and a world of digital transformation. Under our vision to "create the future" of national security and critical infrastructure, we deliver innovative technology-driven solutions to customers worldwide. We are uniquely positioned to leverage the depth of experience and expertise from across the company and the markets in which we operate to bring solutions to our customers' most challenging problems and critical needs – our One Parsons approach.

We have developed significant expertise and differentiated capabilities in key areas of cybersecurity, intelligence, space and missile defense, critical infrastructure protection, transportation, environmental remediation and urban development. 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.

Since our founding nearly 80 years ago, we have built our reputation and business on our ability to successfully transform while leveraging innovative technologies to meet our customers' needs and grow our business. Whether our customers need a first-of-a-kind advanced missile development and testing facility, an enterprise boundary defense system that uses artificial intelligence to identify and mitigate zero-day cyberattacks, or an innovative solution to perform end-to-end COVID testing and tracking, we deliver for our customers. We seek to grow by offering our clients differentiated solutions derived from strategic hiring combined with research and development investments, as well as targeted acquisitions of advanced technology companies. We have developed longstanding relationships with customers such as the U.S. military and intelligence agencies and state and local governments and agencies.

Our One Parsons approach brings together capabilities and innovations from across markets to provide integrated solutions for our customers. Organizationally, we operate in two reportable segments, Federal Solutions and Critical Infrastructure, with revenue contribution of 53% and 47%, respectively, and adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) contribution of 57% and 43%, respectively, for the year ended December 31, 2022 ("fiscal 2022"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Segment Results" for further discussion on our segments.

Federal Solutions: Our Federal Solutions segment is an advanced technology provider to the U.S. government, delivering timely, cost-effective solutions for mission-critical projects. We provide critical technologies, including cybersecurity; missile defense technical solutions; C5ISR; space launch and ground systems; space and weapon system resiliency; geospatial intelligence; signals intelligence; nuclear and chemical waste remediation; border security, critical infrastructure protection; counter unmanned air systems; and biometrics and biosurveillance. The U.S. government and its agencies represent substantially all of the revenue of our Federal Solutions segment. These U.S. government agencies include the United States intelligence community, the U.S. Department of Defense, including military services, and Missile Defense Agency, the Department of Energy, the Department of State, the Department of Homeland Security and the Federal Aviation Administration.

Critical Infrastructure: Our Critical Infrastructure segment provides integrated design and engineering services for complex physical and digital infrastructure around the globe. We are a technology innovator focused on next generation aviation; rail and transit; bridges, roads and highways; leveraging sensors and data to drive smart sustainable infrastructure. Our capabilities in environmental remediation, water and wastewater treatment systems, and urban development allow us to deliver value to our customers by employing advanced technologies, improving timelines and reducing costs while reducing environmental impacts and improving the quality of life. We serve a diverse global customer base including federal, state, municipal and industry customers, and private sector infrastructure owners, such as the transportation authorities for the cities of Los Angeles, New

York, and Paris, the state of New Jersey, AMTRAK, CSX, Metrolinx (Ontario, Canada), Riyadh Metro, Dubai Roads and Transportation Authority (Dubai RTA), and the Abu Dhabi Municipality.

Advances in technology and global awareness and focus on sustainability are dramatically shifting the operating landscape across our markets. Governments and companies are grappling with pressing challenges ranging from confronting increasingly sophisticated cybersecurity threats to upgrading aging infrastructure to reducing environmental footprint and impact. To address these challenges, our customers are seeking smart technology-enabled solutions to enhance and transform their systems performance. Our wide-ranging capabilities enable us to provide our services, products and solutions across the national security and critical infrastructure markets, and we believe we are well positioned to benefit from the trends in these markets. We have capabilities in the following four areas that span our two segments and four business units:

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

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

Design Engineering: We provide advanced systems and infrastructure engineering design associated with missile systems infrastructure, nuclear waste processing facilities, environmental remediation, long-span bridges, rail and transit systems and other associated infrastructure.

Product Development: We develop software and hardware across many domains and mission-specific applications. Our experienced engineers and developers design, develop, integrate, operate and sustain mission-critical software and hardware products for intelligence, defense and infrastructure customers.

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

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

Parsons is focused upon the risks and opportunities associated with climate change. In 2022, Parsons elected to disclose information related to our climate-related governance, risk management and metrics utilizing the Task Force on Climate-Related Financial Disclosures (TCFD) framework. We conducted climate risk and opportunity workshops with senior leaders representing a cross-section of our geographies, markets and corporate functions. The Corporate Governance and Responsibility Committee of our Board of Directors provides oversight of environmental, social and governance (ESG), including climate-related topics, and the Audit and Risk Committee provides oversight of our enterprise risk management program, including climate-related risks. Our Chief Executive Officer holds overall

executive-level responsibility for ESG. Primary responsibility for ESG risk and opportunity identification and management is assigned to our vice president for ESG.

In fiscal 2022, we generated revenues of \$4.2 billion, net income attributable to Parsons Corporation of \$96.7 million and Adjusted EBITDA of \$352.8 million. For a definition of Adjusted EBITDA and reconciliation to net income attributable to Parsons Corporation, see *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

We achieved an overall win rate of 48.6% in fiscal 2022, 56.0% in the year ended December 31, 2021 ("fiscal 2021") and 46.4% in the year ended December 31, 2020 ("fiscal 2020"), which includes strong re-compete win rates that exceeded 90% in fiscal 2022 giving us long-term certainty on key contracts. As of December 31, 2022, our total backlog was \$8.2 billion, a decrease of 2.0% from December 31, 2021, due in part to the acquisition of Xator Corporation.

Our Services, Products and Solutions

Within each of our segments, we focus our solutions, products and services on the needs of customers in each of our business units. Parsons is differentiated by our people, processes and technology that work together to develop, rapidly prototype and deploy specialized hardware, software and infrastructure solutions to meet continually evolving customer missions and needs. With a culture driven by agility, innovation and collaboration, we deliver operationally proven capabilities in emerging technical areas, including advanced analytics, artificial intelligence/machine learning, cyber tools/platforms/operations, advanced sensing and command and control. We perform systems integration, product development, program management and engineering across our segments and business lines.

Federal Solutions

Our Federal Solutions business provides engineering services, software and hardware products and integrated solutions. Federal Solutions consists of two business units: Defense & Intelligence (D&I) and Engineered Systems (ES). Our strategy is to deliver information dominance across all domains.

- D&I—Our D&I business unit is organized into three related areas: mission solutions, engineering and technical services, and high consequence missions. Our customers include the U.S. Department of Defense, the U.S. intelligence community, U.S. Cyber Command, and the Department of Justice. D&I is a mission partner for differentiated technical solutions, products, and services, delivering innovations in cyber, space, missile defense, multi-domain command and control, intelligence, surveillance and reconnaissance, electromagnetic spectrum dominance, and directed energy. Our solutions are used to meet national security challenges from space to the tactical edge around the globe.
 - Mission Solutions – We provide software, hardware and technical expertise to clients across a variety of mission areas, including, but not limited to, space, missile systems, and warfighter applications. Our customers include the Defense Intelligence Agency (DIA), multiple units within the U.S. Department of Defense (DOD), including the Special Operations Command (SOCOM), the United States Space Force, the Space Development Agency (SDA), the National Aeronautics and Space Administration (NASA), research laboratories and military services.
 - We focus on providing small satellite launch and integration, satellite ground systems, flight dynamics, data fusion and analytics, platform system integration, directed energy, joint all-domain operations, and command and control systems.

- As an example, we are the prime contractor responsible for the DOD's small satellite integration efforts through our Launch Manifest Systems Integration program with the U.S. Air Force. As part of this effort, we are providing the full range of hardware and system integration services, including the design, assembly, testing, and processing required to integrate small-satellite payloads onto a launch system. Our engineering and integration team performs the full scope of designing, assembling, testing and integrating systems to meet responsive launch missile needs. Our ground support equipment is enabling efficient and effective access to space for small satellites on commercial, national security and small class launch systems.
 - Representative products include our Command and Control Core (C2Core®) mission planning and tasking suite that links requests, effects and operational guidance in a unified database, and ZEUS® Recovery of Airbase Denied by Ordnance (RADBO) laser neutralization system offering critical force protection in any operational theater.
- Engineering and Technical Services – We provide science, engineering, and technical services to a variety of government customers, including missile defense, space and all military service branches. Our customers include the DOD, including military services, the Missile Defense Agency (MDA), the National Geospatial-Intelligence Agency (NGA), and the National Reconnaissance Office (NRO). Our solutions include integrated air and missile defense, geospatial intelligence, threat analytics, and space situational awareness.
 - An example is our role as the prime Technical, Engineering, Advisory and Management Support (TEAMS) Next contractor for the MDA, where we provide engineering, analysis, and management support for the development of integrated and layered missile defense systems that defend U.S. and allied forces against ballistic, hypersonic, and cruise missile threats, and advance the agency's integrated air and missile defense, command and control, and battle management and communications missions across all-domain battlespace.
 - Another example is our work with NGA in providing automated capabilities to analyze, collect and expose geospatial intelligence content from the open-source environment.
 - Parsons Digital Engineering Framework (PDEF) provides the capability for accelerated analytics and agile prototyping, supporting rapid development and deployment capabilities through a leading-edge digital-based system engineering development and execution framework, leveraging model-based system engineering (MBSE) tooling and modeling & simulation (M&S) performance tools, which are capable of modeling a full-scale joint domain command and control (JADC2) environment from detailed sensor models to adversary weapons platforms, all recreated in a high-fidelity simulation.
- High-Consequence Missions – We provide capabilities across the digital landscape, including full-spectrum cyber, information operations, electronic warfare, multi-domain operations, mission support and national to tactical operations. Our customers include the U.S. intelligence community, U.S. Cyber Command, DOD research laboratories, and military cyber services. The acquisition and integration of BlackHorse Solutions allows us to capitalize on quickly evolving Information Operations and converged cyber and electronic warfare missions for national security and DOD customers.

- Cyber solutions and products augment and automate full spectrum cyber operations, including our Automated Management Solutions (AMS), a software framework that integrates disparate cyber capabilities, tools and infrastructures into a common system architecture that assists military cyber operators with conducting worldwide military cyber operations. We develop and maintain enterprise platforms used by the DOD to perform network analysis and vulnerability assessments for defensive missions.
 - Our tools and products are used across a wide variety of electronic warfare operations, including commercial cellular survey, automated signal identification and characterization using Artificial Intelligence/Machine Learning (AI/ML), signal modeling and simulation used for radio frequency (RF) ranges and test and evaluation centers using our TReX platform, and integrated RF and cyber solutions to deliver effects from long standoff distances.
 - We conduct vulnerability research and resiliency solutions for existing weapon systems, critical infrastructure and space systems, while supporting the development and integration of next generation electronic warfare capabilities. We also develop analysis and anomaly detection tools for radio frequency and airborne communications.
 - We develop tools and tradecraft to conduct Information Operations across the physical and cyber domains, giving customers complete situational awareness for force protection and decision making with the Information Environment.
- ES—Our ES business unit focuses on advanced technology services for complex energy and chemical systems, aviation, life sciences and bio-surveillance systems, environmental remediation, security and protection systems, and associated complex infrastructure. Representative customers include the Department of State (DOS), the Department of Energy (DOE), the Defense Threat Reduction Agency (DTRA), the Department of Homeland Security (DHS), the U.S. Army Corps of Engineers (USACE), the Federal Aviation Administration (FAA), the National Aeronautics and Space Administration (NASA), the United States Postal Service (USPS), the Department of Labor (DOL) and the Jet Propulsion Laboratory (JPL). Representative offerings include nuclear waste processing and treatment, weapons of mass destruction elimination, munitions destruction, remediation of unexploded ordnances and hazardous, toxic, reactive wastes, architectural and engineering design, program and project management, infectious disease control, advanced electronic security systems, counter-unmanned aircraft systems, and biometrics solutions.
 - Our expertise includes designing and implementing first of a kind processing and production facilities, technology deployment in response to pandemic outbreaks, and delivery of solutions addressing resiliency, security and sustainability, as well as delivery of highly complex infrastructure in challenging environments and geographies.
 - Representative programs include the National Science Foundation’s Antarctica Infrastructure Modernization for Science, the FAA Technical Services Contract, the DOE Salt Waste Processing Facility, the DTRA Cooperative Threat Reduction Integrating Contract, and the Radford Army Munition Plant Energetic Waste Incinerator.

On June 1, 2022, we completed the acquisition of Xator Corporation in a transaction valued at \$388.3 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 markets in both the Federal Solutions and Critical Infrastructure segments.

Critical Infrastructure

Our Critical Infrastructure business provides planning, engineering, program management, and digital solutions. It is focused on two business lines: Mobility Solutions (MS) and Connected Communities (CC). Our growth strategy includes leveraging our portfolio of sophisticated engineering solutions and technologies for complex physical infrastructure projects. We are expanding our portfolio in key emerging growth areas, including integrated transportation systems, smart mobility, environmental remediation, and water/wastewater treatment.

- CC—Our CC business unit includes intelligent transportation systems, utilities, environmental remediation, emerging contaminants, aviation, rail and transit, a software house and ParsonsX, our enterprise digital transformation organization. Our customers include state and local governments, Fortune 100 companies, smart city developers, and private sector infrastructure owners, such as the transportation authorities for the cities of Los Angeles, New York and Paris, the states or provinces of Georgia, Ontario and Texas and rail and transit entities, including AMTRAK, CSX, Metrolinx (Ontario Canada), and the WMATA. Technology capabilities include AI/ML, cloud, digital twins, cyber, systems integration, intelligent transportation network software, vehicle inspection data analytics software, automated people mover, electric vehicle infrastructure, and autonomous vehicle integration.
 - Parsons provides integrated traffic solutions for arterials, smart intersections, airport landside, ports and tolling integrators. An example is our role as provider of Advanced Traffic Management Systems, or ATMS, through our iNET™ platform. Since the first deployment in 2007, iNET® has been delivered to twenty-four state Departments of Transportation, twenty-two cities, eight county agencies, seven toll agencies, and seven different countries.
 - For aviation, we play a critical role as program manager for global airports. We are the program manager of the environmentally sensitive Diamond Head Extension Program at Honolulu International Airport, the Houston Airport System, and the Landside Access Modernization Program for Los Angeles International Airport and the lead designer on the Newark Airport Terminal A replacement project known as Terminal 1.
 - Our rail and transit capabilities include systems optimization, communications-based train control, rail system design and system assurance. We have more than six decades of experience in this market and have supported over 400 rail and transit customers. Key programs included Edmonton light rail transit (as part of the Marigold Infrastructure Partners consortium), New York MTA Systems and Facility Engineering Services, Program Management for Marseille Metro, and the Bay Area Rapid Transit Communications-Based Train Control. For our bus transit customers, we provide strategic fleet transition planning, zero-emission bus infrastructure design, and benefit-cost analysis to achieve net zero goals.

- Our Energy and Environment group delivers engineering, program management and environmental solutions to private sector industrial clients and public utilities. Customers are diverse and include chemical, energy, utility, communications, manufacturing and provincial agency customers. We support our customers in achieving net zero targets and ESG goals through grid modernization, renewables, methane reduction, and orphaned-well abandonment. We have a unique offering in this space, as Parsons understands our customers' domains and can deliver advanced technology solutions, including cyber-physical security, emerging contaminants and PFAS, environmental remediation, geospatial intelligence and 3D image processing, and application of virtual augmented reality.
- ParsonsX provides digital transformation, advisory services, AI/ML, digital twin and cyber capabilities across many end markets in our Federal Solutions and Critical Infrastructure business segments.
- MS— Our MS business unit provides planning, engineering and management services for complex infrastructure, including bridges and tunnels, roads and highways, water and wastewater, dams and reservoirs. Within our diverse customer base, our customer relationships include states (e.g., Texas, Florida, California, Colorado, Washington, Georgia, Illinois, New York, and New Jersey), cities and Canadian provinces and territories (e.g., Ontario, British Columbia, Quebec and Alberta), water and wastewater authorities, and Middle East customers (e.g., the Kingdom of Saudi Arabia Royal Commission, Riyadh Metro, Dubai RTA, and the Abu Dhabi Municipality). Our capabilities include technologies in long-span bridges, tunnels, building Information modeling, and water/wastewater.
 - Examples of our design capabilities are our role as the lead designer of the Tacoma Narrows Bridge, the largest twin tower suspension bridge in the world when it opened, lead designer for the Goethals bridge connecting Staten Island, NY and Elizabeth, NJ, and lead designer for the Federal Way link extension for Sound Transit in Seattle.
 - For program management, we are part of the Riyadh Metro Transit Consultants responsible for program management of the Riyadh metro system, the largest metro system under development in the world. In addition, we are the program manager for the California Delta Water Conveyance Modernization Project, a multi-billion environmentally compliant water transfer project to improve water supply sustainability and reliability for human and environmental uses.

Our Market Opportunities

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

Defense Spending Remains a Priority of the national agenda due to the reemergence of long-term strategic peer competition, which has been cited in the National Defense Strategy as the primary concern for U.S. national prosperity and security. This reemergence has resulted in increased global disorder and a security environment, defined by rapid technological change, which may be more complex than ever before. We believe the U.S. Department of Defense and intelligence community will continue to invest in cyber, space, C5ISR, and missile defense.

Cybersecurity is Mission Critical to U.S. National Security and cybersecurity threats are increasing in volume and sophistication as global connectivity and the rise of social media have led to an explosion in the amount of available and exploitable data. Additionally, there has been an increase in aggressive nation state cyber activity in the past year partly driven by the Russia-Ukraine war and attacks on Ukraine's critical infrastructure. Attacks by cyber-criminals seeking financial gain are also growing in volume and sophistication. We believe that the cybersecurity market will continue to grow in response to the nation state threat landscape and the vulnerabilities inherent in critical infrastructure.

Consistent Need for Actionable Intelligence to Support U.S. Priorities is driving a shifting threat landscape that necessitates a greater need for collaboration and cooperation between intelligence agencies. There is a new demand for joint all-domain command and control systems that are optimized to function cohesively across a spectrum of domains. This in turn drives a need for sophisticated data analytics to aggregate data into useful formats in real-time. To respond, we believe the United States intelligence community and Department of Defense will need continued focus on information sharing and collaboration for improved intelligence accuracy and timeliness encompassing multiple forms of intelligence collection.

Global Infrastructure Needs Significant Replacements and Technology-Driven Upgrades. Aging physical infrastructure is strained by the swift pace of technological change combined with heightened new expectations for sustainability and environmental impact. Furthermore, modernized infrastructure is important to recover from unexpected disasters caused by climate change. The \$1.2 trillion United States Infrastructure Investment and Jobs Act (IIJA) has increased funding for roads and highways, bridges, rail and transit, and aviation. Additionally, global infrastructure is aging and there is demand in other regions, including Canada and the Middle East. In particular, the Saudi Vision 2030 focus is driving major industrial city and urban development projects. Critical infrastructure, specifically transportation infrastructure that is essential to national economic and security concerns including airports, bridges, and rail and transit systems, is particularly vulnerable. We believe that a focus on safety, sustainability and environmental impacts will continue to drive replacement of aging infrastructure with newer, smarter and more sustainable infrastructure with an increased focus on connectivity.

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

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

Change equals opportunity, and Parsons is well-positioned to serve a large array of diverse global customers. Across a broad set of industries, we provide smart and agile solutions that create the future for our national security and critical infrastructure customers as they adapt to the rapid changes of a more interconnected and technology-driven world.

Our Competitive Strengths

Proven Track Record

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

Our differentiated business model has driven high win rates with strong book-to-bill, expanded bottom line performance, record backlog levels and low capital requirements. We achieved average award and incentive fees of 91% in fiscal 2022, 93% in fiscal 2021 and 89% in fiscal 2020. Incentive fees are fees earned for achievement of certain performance criteria included in our contracts, such as achievement of target completion dates or target costs, and our incentive fees average is calculated as the actual incentive fees achieved as a percentage of incentive fees expected to be earned in the applicable period. In addition, we achieved a win rate of 48.6% in fiscal 2022, 56% in fiscal 2021 and 46% in fiscal 2020, for new awards that we bid on (including a win rate on re-compete contracts and task orders in the Federal Solutions segment of 89% in fiscal 2022, 97% in fiscal 2021 and 85% in fiscal 2020). In fiscal 2022, our Federal Solutions revenues increased 17.2% and our Critical Infrastructure revenues increased 11.8% year-over-year. As of December 31, 2022, our backlog was \$8.2 billion, down 2.0% from year end fiscal 2021.

Long-Term Customer Relationships

We maintain long-term relationships with key government and commercial customers, many of which span over 40 years. For example, in the Federal Solutions segment, we have been providing support to the MDA for nearly 40 years with over 1,000 personnel imbedded with the customer. We have provided services to the Department of Energy for over 50 years on a variety of projects, including work on DOE's Loan Guarantee Program that funds renewable and clean energy projects, and have over 20 years of support with the United States Space Force customers. In the Critical Infrastructure segment, we have supported the WMATA for over 50 years and have served as Program Manager for Yanbu Industrial City for nearly 50 years.

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

Technology Innovation

To solve the world's toughest technical challenges, we are committed to delivering the world's smartest solutions. As innovators, we combine unique technology solutions with deep domain expertise to stay ahead of our competition and our customers' national security and critical infrastructure needs. Leveraging our vast capability portfolio, we have deployed our technology-enabled solutions in over 30 countries with more than 1,800 customers utilizing our solutions across the federal and critical infrastructure markets.

With a rich history and deep domain expertise in market areas such as rail, transit, aviation, environmental remediation, space mission engineering, cyber and C5ISR, we apply advanced solutions that leverage emerging and enabling technologies, such as edge computing, cloud and native platforms, advanced data analytics, cybersecurity, and AI/ML.

Leveraging our agile innovation framework and a cadre of seasoned domain experts, solutions architects, and technologists, we seek out customer challenges and lead with innovative solutions to drive

growth. Additionally, through our acquisitions, we continue to enhance our overall capability offerings in innovative ways, providing more robust solutions that meet our customers' most challenging needs.

Environmental Sustainability and Resiliency Excellence

Delivering a safer, healthier and more connected world means a focus on environmental sustainability, resilience, conservation and lifecycle impacts. For Parsons, sustainability is a core value. We provide services to plan, design and support complex sustainable projects for our customers across the markets we serve, including transportation (aviation, rail and transit, intelligent transportation systems), ports, buildings, environmental remediation, and water/wastewater treatment.

With over 233 sustainability accreditations, we deliver resilient infrastructure, green building and renewable energy programs and projects that utilize best industry practices, as well as utilize leading edge technology and tools to provide environmental remediation. We work with customers to achieve and obtain the highest possible ratings within the LEED, Envision, Estidama, and other ratings worldwide.

We are proud to work with customers, such as the Indiana Finance Authority, on the first bridge and tunnel project to achieve Envision recognition, and we have obtained LEED certifications of transit and aviation facilities with customers in the United States, United Arab Emirates and the Kingdom of Saudi Arabia.

Scalable and Agile Business Offerings

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

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

World Class Talent

We believe that our resilience – and that of the communities in which we work – relies on advancing equality in the workplace through a diverse community of innovators and an empowered workforce. We also aim to be the employer of choice for top talent in every market that we serve by fostering a positive culture for employee engagement; focusing on diversity, equity, and inclusion; emphasizing health and wellbeing for all employees; and encouraging career development at all levels of the organization. Our success is measured by our business performance, by the enthusiasm of our employees, and by our commitment to our employees' growth.

Demonstrated Ability to Identify and Execute Acquisitions to Transform our Business

Strategic acquisitions that augment our technology offerings and capabilities are a key tenet of our growth strategy. We have completed eight strategic acquisitions since 2017, all within our Federal Solutions business segment, which collectively provided us with a wide variety of complementary technology capabilities, with an aggregate purchase price in excess of \$1.9 billion. This highlights our ability to successfully identify and execute on attractive opportunities to augment our leading technical offerings. These acquisitions include:

- Xator Corporation: Acquired on June 1, 2022 at a purchase price of \$388.3 million. Xator 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.

- BlackHorse Solutions, Inc.: Acquired July 6, 2021 at a purchase price of \$205.0 million. Black Horse expands Parsons' capabilities and products in next-generation military, intelligence, and space operations, specifically in cyber, electronic warfare, and information dominance. Black Horse's technology is shaping the future of information dominance and converged military operations by unifying cyber, electromagnetic warfare, and information operations for the Department of Defense and Intelligence Community customers. The company also provides autonomous and distributed detection, identification, exploitation and the defeat of today's most complex communications.
- Echo Ridge LLC: Acquired on July 30, 2021 at a purchase price of \$9 million. Echo Ridge adds position, navigation, and timing devices; modeling simulation, test and measurement tools; and deployable software defined radio products and signal processing services to Parsons' space portfolio.
- Braxton Science and Technology Group, LLC: Acquired in November 2020 at a purchase price of \$310.9 million (\$267 million less the tax asset), Braxton operates at the forefront of satellite operations, ground automation, flight dynamics, and spacecraft antenna simulation for the U.S. Department of Defense and Intelligence Community. These capabilities position Parsons to capitalize on the quickly evolving space missions of its national security space customers and address rapid market growth driven by proliferated low earth orbit constellations, small satellite expansion and space cyber resiliency.
- QRC® Technologies: Acquired in 2019 at a purchase price of \$214.1 million, QRC® Technologies is a disruptive product company that provides design and development of open-architecture radio-frequency products.
- OGSystems: Acquired in 2019 at a purchase price of \$292.4 million, OGSystems is a disruptive geo-intelligence solutions and immersive engineering provider that creates technology solutions for the United States intelligence community and the U.S. Department of Defense. OGSystems' VIPER Labs and Immersive Engineering techniques serve as the catalysts for deployment of geospatial systems and software, embedded system threat analytics and cloud engineering solutions. OGSystems' advanced hardware solutions include the PeARL family of sensors, combining industry-leading camera and optic lens technologies with our software solutions, yielding very high resolution 2D and 3D aerial imagery.
- Polaris Alpha: Acquired in 2018 at a purchase price of \$489.1 million, Polaris Alpha is an advanced, technology-focused provider of innovative mission solutions for national security, intelligence, defense and other U.S. federal customers. With leading technologies in artificial intelligence/machine learning, cloud computing, command and control and data analytics, Polaris Alpha has long-term customer relationships and is known as a technology disruptor.
- Williams Electric. Acquired in 2017 for a purchase price of \$26.4 million. Williams Electric provides industrial control system security, including utility monitoring systems and electronic support systems for customers, including the Army Corps of Engineers and the Smithsonian Institute.

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

Our Strategy for Growth

Our growth strategy is to create the future of national security and critical infrastructure, while moving up the value chain as a solutions integrator and software provider. The future is full of possibility, and the defense, intelligence, and critical infrastructure markets are where we can collectively shape what tomorrow will look like. Our goal is to help create a safer, healthier, more sustainable, more connected and more secure world.

In a complex security environment with adversaries challenging on every domain and an economy driven by digital transformation, Parsons leverages innovative technologies to deliver integrated solutions at the speed of relevance. Our global integrated solutions span all domains (sea, land, air, space and cyberspace), ensuring information dominance and smart, sustainable infrastructure.

To create the future, we focus on people-first, “get-to-yes” and having top positions in high-growth, sustainable markets. These include hiring, retaining, and developing our employees, continually enhancing and optimizing our core business processes, resourcing and capitalizing on our high-growth markets and acquiring and integrating companies that possess transformative and disruptive technologies.

People First

Driven by our people-first and high-purpose culture, we recognize that our people are key to our success in developing and delivering the technology and solutions to support our customers’ critical missions. Our most important asset is our diverse team of talented employees, over 17,000 as of December 31, 2022, who are committed and passionate experts critical to delivering leading capabilities and whose expertise is sought by our clients for their most sophisticated applications and challenges. Our employees choose Parsons and stay with us for the opportunity to collaborate with our customers, deploy our expansive technical resources, rapidly bring bold ideas to market and work on leading solutions to enable a better world. Our management team has extensive experience executing strategies for delivering profitable growth and is recognized for operational excellence and leadership integrity. They possess diverse leadership capabilities in the markets we serve and the solutions and technology we deliver. Most importantly, we strive to give our employees and managers the best possible employee experience throughout their careers with Parsons.

We are committed to attracting, retaining, and developing a diverse and inclusive workforce by having a:

- Culture of employee engagement at all organizational levels
- Work environment that promotes training, mentoring, and career development planning
- Differentiated benefits, including flexible work hours, remote work options, and an employee stock ownership plan
- Dual technical career path that leads to positions as Chief Technology Officer and/or Technical Fellow
- Diversity, Equity and Inclusion (DEI) program
- “Parsons Gives Back” program to support our communities and promote volunteering
- Hiring strategy outside of high-employment zones
- Robust university relations and intern program to help shape the next generation of leaders and promote diversity
- Internal mobility program that supports employee growth, career development and retention

“Get to Yes”

By “getting to yes”, we enable the delivery of agile, innovative, and transformative solutions to our customers. We seek to enhance and optimize our core business and improve our financial performance, including revenue growth, margin expansion and positive cash flow, using the following strategies:

- Developing a company-wide agile framework to enable responsive solutions delivery
- Promoting collaboration and cross-company sharing to drive informed, timely decision making
- Aligning goals through shared one-company objectives
- Leveraging digital transformation to improve our internal processes and deliver an improved customer experience
- Cross-selling new solutions to our existing customers and existing solutions to new customers.

- Promoting a culture that enables employees to drive technology and business model innovation
- Streamlining operations and processes to optimize performance delivery and reduce overhead expenditures
- Rigorously managing our working capital to maximize cash flow
- Committing to Environment, Social and Governance (ESG) improvement for both Parsons and our customers

Top Positions in High-Growth, Sustainable Markets

We have a balanced portfolio between national security and critical infrastructure and diverse range of end markets. We recognize the importance of driving business focus and will resource/invest in areas where we believe Parsons can have a top position in markets that are high-growth, profitable, and enduring. These include cybersecurity, C5ISR, space, missile defense, transportation, environmental remediation, and water/wastewater treatment. We utilize the following strategies, among others, towards achieving this goal:

- We continuously evaluate and shape our portfolio to divest, exit and de-emphasize lower-performing businesses and markets.
- We invest in critical, differentiated technology areas, including remote sensing, joint all domain operations, space operations, cybersecurity, data analytics, command and control, environmental remediation and smart mobility.
- We seek continuous expansion in our focused high-growth markets:
 - Cybersecurity – Continue our growth momentum by offering end-to-end solutions, tools, operations and platforms for our U.S. Department of Defense and Intelligence Community customers.
 - Space and Mission Defense- Extend our space situational awareness, small satellite integration and payload, command and control and enterprise ground systems to our current space customers and to new space and geospatial customers in the government and commercial space markets. Support our customer’s integrated air and missile defense strategy and deployment. Provide thought leadership in evolving areas, including hypersonic defense.
 - Critical Infrastructure Protection – Provide critical infrastructure protection in sectors where we have installed base, including facilities, health care, transportation and energy. Deliver holistic solutions including electronic security systems, cybersecurity, counter unmanned air systems and biometrics.
 - Transportation – Capitalize on the increased funding in the IIJA and increased global transportation and infrastructure spending to further our roads and highways, bridges, rail and transit, and aviation business. Capitalize on broadband and environmental spend in areas where Parsons is differentiated. Leverage technology to drive smart, sustainable infrastructure.
 - Environmental remediation – Leverage our specialized skill and experience with respect to remediating mines and oil wells and eliminating emerging contaminants. Apply our design capabilities and innovative technologies to modernize, upgrade and create new water/wastewater treatment systems.
 - Urban development – Leverage our program management, urban planning and urban design competencies to develop new industrial cities and mixed-use developments.

Mergers and Acquisitions

We continue to pursue the acquisition and integration of high growth, technology driven companies which meet the following criteria:

- Financial performance goals: >10% top line growth, >10% Adjusted EBITDA margin, and strong cash flow
- Align to our focused markets
- Technology differentiation: fill technology gaps, drive end-to-end solutions, move up the value chain, scale within and across our businesses and add valuable intellectual property rights

Our objective is to continue to transform our business into an integrated, full life-cycle systems integrator that delivers scalable solutions and drives revenue growth, expanded margins, and strong cash flows.

Backlog

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

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

Backlog includes (i) unissued 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 can extend for several years, and in some cases, contracts that extend for more than 10 to 15 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.

As of December 31, 2022, our total backlog was approximately \$8.2 billion, consisting of \$4.5 billion of funded backlog and \$3.6 billion of unfunded backlog. We expect to recognize \$3.1 billion of our funded backlog as of December 31, 2022 as revenues in the following twelve months. However, our government customers may cancel their contracts with us at any time through a termination for convenience or may elect to not exercise option periods under such contracts. In the case of a termination for convenience, we would not receive anticipated future revenues, but would generally be permitted to recover all or a portion of our incurred costs and fees for work performed.

Competition

The industries we operate in consist of a large number of enterprises ranging from small, niche-oriented companies to multi-billion-dollar corporations that serve many governmental and commercial customers. We compete on the basis of our technical expertise, technological innovation, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationships with our customers, qualified and/or security-clearance personnel, and pricing. Our main competitors in Federal Solutions are U.S. federal systems integrators and service providers such as Booz Allen Hamilton, CACI International Inc, Leidos Holdings, Inc., ManTech International Corporation, and Science Applications International Corporation. Our main competitors in Critical Infrastructure include AECOM, Jacobs Solutions Inc., Stantec, Tetra Tech, Inc., and WSP.

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. 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.

Human Capital Management

We are committed to enhancing our position as a leading employer in our industry and aim to do this through providing a positive employee experience. Our culture and reputation as a leading provider of technology-driven solutions in the defense, intelligence and critical infrastructure markets enables us to recruit and retain some of the best available talent across the globe.

Our professionals are highly educated, with a wide range of technical acumen and in-depth domain knowledge and expertise. Our employees hold more than 18,000 degrees and professional credentials, including those with registrations and certifications in technical areas like Agile Methodology, Project Management, Engineering, Environmental, Architecture, Technology and Security as of December 31, 2022. Our diverse teams understand our clients and are comprised of technology subject matter experts and professionals with deep knowledge and experience. Approximately 25% of our employees, including 64% of the employees in our Federal Solutions business segment, hold security clearances as of that date. Of those holding such clearances in Federal Solutions, approximately 55% are Sensitive Compartmented Information Level clearances, which often require the completion of a polygraph.

Diversity, Equity and Inclusion

Embracing diversity, equity and inclusion (DEI) in all aspects of our business is fundamental to our corporate culture and vital to our continued growth and success. Our DEI Council is composed of a diverse cross section of employees in the organization, representing different markets, regions, disciplines, and levels. As an employer of choice, we are invested in attracting and developing top talent. To that end, we believe that to make continued progress we must implement effective initiatives built into the employee life cycle. Our DEI initiatives embody the unique qualities of our employees and encourage a workforce comprised of people with diverse backgrounds, beliefs, and experiences. We are proud of our evolving culture to promote diversity, equity and inclusion to foster a sense of belonging.

We believe in doing right by the communities we serve, and we have policies prohibiting discrimination (age, race or ethnicity, gender/gender identity, religion, sexual orientation, or disability), child labor and human trafficking. We believe that Parsons is the place for our diverse employees to make a difference. In 2022, we added a diversity goal to our short-term incentive plan design to drive desired outcomes and higher overall representation for global female representation and US ethnicity representation. In both areas, we have seen an overall increase (1% for female global representation and 3% in US ethnicity representation) since 2021. This improvement was largely attributed to strong hiring in 2022 globally and lower overall attrition.

Engagement

We pulse our workforce annually through an employee engagement survey and the data these surveys provide help us identify areas where our culture is evolving and key strategic areas where we need to continue to focus our energies to improve employee engagement and the employee experience. This data is critical in guiding our cultural journey to become a more dynamic, entrepreneurial, and creative place to work.

This year, we saw some of our highest participation rates among our business groups and functions in years, with an overall response of 48 percent, which is higher than last year's overall rate of 40 percent. We are also pleased that our employee satisfaction statement trended slightly more positive than last year with 74 percent of our employees responding positively (and only 7 percent negatively, with the remainder being neutral). At the highest level, our results describe an organization with a strong performance-driven and team-based culture.

Employee Recognition

As a people first organization, we are dedicated to recognizing employee performance and promoting a culture of recognition. We are immensely proud to maintain a formal employee recognition program that is 100% developed and maintained in-house. We approach company culture this way: recognition is a mindset.

The Distinguished Recognition and Incentive Program, affectionately known as the DRIVE Program, recognizes, rewards, and encourages high-caliber work. The DRIVE program is comprised of nine distinct award levels, each with its own criteria, workflow, and rewards – some monetary and some non-monetary. The program is open to all part- and full-time employees around the globe, and awards can be distributed from supervisor to team or team member, individual contributor to supervisor, and from peer to peer. That flexibility is what we are most proud of—no employee is unable to recognize someone else or be recognized themselves. In 2022, we are pleased that over 2,500 DRIVE awards were conveyed to our employees with monetary awards totaling over \$3.8 million.

Mentoring

The Parsons mentoring program allows employees to cultivate skills, seek guidance and share professional experiences. The program is open to all employees at all levels worldwide and is voluntary. The program launched in 2020 is designed to:

- Increase a sense of connection, engagement and retention of key diverse talent
- Sustain promotion and retention rates of diverse leadership talent
- Expand networks and enhance career development opportunities

In 2022, Parsons recognized a 24% increase over 2021 mentor/mentee pairings. The average number of vice presidents (VPs) and above in the available mentor pool averages 150, which is an increase of 5% over 2021. 67% of available VP mentors currently mentor one or more employees.

Career Development

- Strategic Leadership Program – This program is aimed at bringing new and different perspectives to corporate operations and strategic planning efforts, to communicate how the corporation works across the organization and to provide leadership experience and development opportunities for high potential leaders.
- Lead & Engage Program – This program is designed to help managers develop the skills and knowledge required to provide the support, guidance, and coaching Parsons' employees need to succeed in a work environment that is increasingly more disruptive, distributed, and diverse. Participants complete a structured curriculum, consisting of a series of learning events, both facilitated and self-study, designed to help managers further their development around a set of critical behaviors necessary to excel in the role as a people manager.
- Fellows Program - recognizes our top technical experts and promotes innovation in solving our customers' most difficult technical challenges. It is a collaborative network of over forty selected motivated and passionate subject matter experts working to solve technical challenges through either strategic research and development or through the development of long-term technical policies and best practices. The program defines its success through engagement, mentorship,

and retention. Every benefit that collaboration among the Fellows offers is expressed by the idea that the individual is brilliant, but a group of brilliant individuals acting as one can be more powerful and enable Parsons to accomplish even more in our quest to deliver a better world.

- Technical Career Path - demonstrates two distinct career progressions for technical employees across our organization: one that follows a management path, the other that can be followed as an individual contributor. The Technical Career Path coupled with an integrated competency model and Workday tools such as the Opportunity Graph are resources designed to improve the quality of manager-employee career discussions and, ultimately, career movement.

Employee Stock Ownership Plan

At December 31, 2022, approximately 6,184 of our employees participated in our Employee Stock Ownership Plan (ESOP). Thus, our employees own approximately 40% of the total outstanding shares in the ESOP. In December 2020, the board of directors approved an amendment to the ESOP to provide greater diversification rights to participants. The amendment provides that, with respect to all diversifications elected or processed after January 1, 2021, the definition of a qualified participant shall mean a participant who has attained the age of 50 and who has completed at least three years of participation in the ESOP and other criteria. Each qualified participant shall generally be permitted to direct the ESOP as to the diversification of 50% of the value of the eligible vested portion of the participant's ESOP account. Further, in January 2021, the board of directors approved an amendment to the ESOP whereby distributions to participants in the Plan were modified as follows: (1) the threshold amount of an ESOP participant's balance to be eligible for a single lump sum distribution was increased from \$20,000 or less to \$500,000 or less; (2) the threshold balance for a participant to be eligible to receive payment in two annual installments was increased from \$40,000 or less to \$750,000 or less; and (3) the threshold balance for a participant to be eligible to receive payment in three annual installments was increased to greater than \$750,000. This change was made to facilitate greater flexibility for certain eligible participants to receive their balances in fewer installments and to accelerate the increase in publicly traded float for the Company's common stock. In April 2022, the board of directors approved an amendment providing for lump sum distributions to participants and removing the annual installments. Annual diversification elections and five-year vested termination distributions are not impacted by this amendment and will still occur annually and over installments as outlined in the Plan.

Employee Stock Purchase Plan

At the 2020 Annual Meeting of Parsons' Shareholders, the shareholders approved the implementation of the Employee Stock Purchase Plan (ESPP). The ESPP provides an opportunity for eligible employees (as defined in the ESPP) to purchase Parsons' stock. By participating in the ESPP, an eligible employee may purchase Parsons' shares at a 5% discount from the New York Stock Exchange closing price at the end date for each offering period (June 30th and December 31st of each year). In 2021, the Compensation and Management Development Committee of the Parsons' Board of Directors approved a special three-month offering period for eligible employees of BlackHorse Solutions and its eligible subsidiary companies. During 2022 and 2021, our employees purchased approximately 131,000 and 161,000 shares, respectively, of Parsons' stock.

Stock Repurchase Plan

On August 9, 2021, the board of directors authorized Parsons Corporation 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. The Board authorized management to execute any agreements providing for the repurchase of the Company's stock, subject to such conditions, on behalf of the company in such lots, blocks or other amounts, from such persons or entities, from such sources, on the open market, in privately negotiated transactions, or otherwise, on such terms and conditions, from time to time, in accordance with applicable federal and state regulations. As of December 31, 2022, the company had repurchased 1,193,466 shares of common stock at an average price per share of \$36.62 (including commissions calculated at the average price per share) for a total amount of \$43.7 million.

Intellectual Property

Our intellectual property portfolio consists of issued and pending patents as well as trademarks for many of our technologies. In addition, we maintain a number of trade secrets that we endeavor to protect to ensure their continuing availability to us. Our technical expertise is vital to our growth strategy, and we believe they are a core competitive advantage. We have 37 registered patents and 15 pending patents in the United States and 4 pending patents internationally. We have 80 trademarks and 6 pending trademark applications in the United States, and 114 trademarks and 18 pending trademark applications internationally. We also currently offer 25 products for sale to our global customers.

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

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

Regulation

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

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

In 2019, the U.S. Department of Defense announced the development of Cybersecurity Maturity Model Certification (“CMMC”) as a framework to assess and enhance the cybersecurity posture of the Defense Industrial Base (“DIB”), particularly as it relates to controlled unclassified information within the supply chain. CMMC is designed to ensure that contractors providing services to the U.S. Department of Defense have implemented cybersecurity controls and processes to adequately protect information that resides on DIB systems and networks. The U.S. Department of Defense issued an interim rule on September 29, 2020 to amend the Defense Federal Acquisition Regulation Supplement (DFARS) to include one new provision and two new contract clauses. In March 2021, the Department conducted an assessment of the program and published “CMMC 2.0” based upon its findings. CMMC 2.0 simplified the previous program structure and allowed self-assessment of compliance in certain cases. Self-assessments generally would be allowed if the organization does not handle critical national security information. All offerors that handle such information are expected to undergo appropriate third-party

CMMC assessment and achieve certification of Level 2 or 3 at the time of contract award. Parsons is currently DFARS/NIST 800-17 compliant with an associated Supplier Performance Risk System score reported and is working toward CMMC Level 2 certification in 2023.

Anti-Bribery and other regulations. We are subject to the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that “fails to prevent bribery” committed by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery.

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

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

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

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

Executive Officers

Carey A. Smith was appointed Chairwoman of the Board of Directors on January 18, 2022, effective April 14, 2022. She became the President and Chief Executive Officer on July 1, 2021 and was appointed to the board of directors in December 2020. She was initially appointed as President and Chief Operating Officer in November 2019, Chief Operating Officer in November 2018 and led Parsons' Federal Solutions business from November 2016. Before joining Parsons, Ms. Smith served in progressive leadership roles at Honeywell International Inc. ("Honeywell") from 2011 to 2016, including President of the Defense and Space business unit. In total, Ms. Smith has 36 years of industry experience spanning the defense, intelligence and infrastructure markets. Ms. Smith serves on the Edison International board of directors, including on the Nominating and Governance and Safety and Operations Committees. She serves on two non-profit company boards, as the Chairwoman of the Professional Services Council and INSA (Intelligence and National Security Alliance) working with government, industry and academia to promote national security, and she is a National Association of Corporate Directors (NACD) Directorship (NCADD.DC) and Cyber Certified. Ms. Smith received an honorary doctorate degree from Ohio Northern University, a Master of Science degree in electrical engineering from Syracuse University and a bachelor-of-science in electrical engineering from Ohio Northern University. Ms. Smith was selected to serve on our board of directors because of the perspective and experience that she brings as our CEO and due to her significant industry and operations experience.

Matthew Ofilos was appointed Chief Financial Officer of Parsons Corporation effective July 25, 2022. Mr. Ofilos previously served as the Parsons' executive vice president of finance and brings more than twenty years of finance experience and a proven track record of delivering profitable growth and building high-performance finance teams to the role. As executive vice-president, Mr. Ofilos led the company's financial operations, including project controls, financial planning, accounting, treasury, and financial systems. Prior to joining Parsons in 2021, he led multi-billion-dollar finance organizations, including those for Amazon Web Services (AWS) Worldwide Public Sector and Strategic Industry businesses. Prior to AWS, he held roles of increasing responsibility at Raytheon, concluding his tenure as CFO for the Space and Command & Control businesses for the Intelligence, Information and Services segment. Mr. Ofilos holds a Master of Business Administration from Boston University and a Bachelor of Science from Babson College.

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

the Northern District of Illinois. Mr. Kolloway received his Bachelor of Arts degree from St. Norbert College, his Juris Doctor from the University of Illinois College of Law and completed the General Counsel Program at the Harvard University School of Law. Mr. Kolloway served on the Board of Directors for MUSE/IQUE based in Pasadena, California. He is a member of the Association of Corporate Counsel and the In-House Mentorship Committee for the Charlotte Chapter.

Susan Balaguer was appointed as Chief Human Resources Officer of Parsons Corporation effective July 16, 2021. Ms. Balaguer is responsible for all aspects of the human resources function, including benefits, recruitment, retention, and the employee lifecycle and employee experience for the company. Ms. Balaguer has over thirty years of extensive experience in global human resources for public and private companies, and over twelve years of experience with public and private mergers and acquisitions, private equity, and large-scale business integrations. Before joining Parsons in 2021, she served as the Chief Human Resources Officer at Serco North America and Engility. She also previously served as the senior vice president of HR operations at CACI and, for over twenty years, she held progressive HR leadership positions at Raytheon. Ms. Balaguer is an executive sponsor for the Diversity, Equity and Inclusion Council and sits on the Mid Atlantic Organizational Development Executive Roundtable.

Charles L. Harrington retired as our Executive Chairman effective April 14, 2022.

George L. Ball retired as our Chief Financial Officer effective September 30, 2022. He was appointed as a member of the Parsons Corporation Board of Directors effective July 25, 2022.

Available Information

We file annual, quarterly, and current reports and other information with the Securities and Exchange Commission (SEC). The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC, including us. You may also access, free of charge, our reports filed with the SEC (for example, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K and any amendments to those forms) through the "Investors" portion of our website (www.parsons.com). Reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. Our website is included in this Annual Report as an inactive textual reference only. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

Item 1A. Risk Factors.

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

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

Risk Relating to Our Business

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

- The U.S. federal government and its agencies collectively are our largest single customer and, if our reputation or relationships with the U.S. federal government were harmed, our future revenues and cash flows would be adversely affected.
- Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our government contracts, disqualification from bidding on future government contracts and suspension or debarment from government contracting.
- A substantial portion of our business is subject to reviews, audits and cost adjustments by government agencies, which, if resolved unfavorably to us, could adversely affect our profitability, cash flows or growth prospects.
- Our government contracts may be terminated by the government counterparty at any time and may contain other provisions permitting the government to discontinue contract performance, and if lost contracts are not replaced, our operating results may differ materially and adversely from those anticipated.
- Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications, we and they need to perform services for our customers.
- We may make acquisitions, investments, joint ventures and divestitures in the future that involve numerous risks, which if realized, may adversely affect our business and our future results.
- Our acquisitions may not achieve their full intended benefits or may disrupt our plans and operations.
- We conduct a portion of our work through joint venture entities, some of which we do not have management control over, and with which we typically have joint and several liability with our joint venture partners.
- Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate and manage costs, time and resources.
- We use estimates in recognizing revenues and, if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.
- Systems that we develop, integrate, maintain, or otherwise support could experience security breaches which may damage our reputation with our clients and hinder future contract win rates.
- Services we provide and technologies we develop are designed to detect and monitor threats to our clients, the failure of which may lead to reputational harm or liability against us by our clients or third parties and may subject our staff to potential threats, risk of loss or harm.
- Internal system or service failures affecting us or our vendors, including as a result of cyber or other security threats, could disrupt our business and impair our ability to effectively provide our services to our clients, which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.
- Our business is subject to numerous legal and regulatory requirements and any violation of these requirements or any misconduct by our employees, subcontractors, agents or business partners could harm our business and reputation.

- Our business is subject the impact of supply chain disruption and inflation risk upon the cost of providing materials and services to customers and upon the profitability for certain contracts.
- Goodwill and intangible assets represent a significant amount of our total assets, and any impairment of these assets would negatively impact our results of operations.
- We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.
- Many of our contracts require innovative design capabilities, are technologically complex or are dependent upon factors not wholly within our control. Failure to meet these obligations could adversely affect our business, financial condition or results of operations.
- Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business, financial condition and operation results.
- We have operations in the Middle East, neighboring regions, and other regions across the globe, and these regions may experience turmoil, political upheaval and similar crises that may impact our current projects, future business and financial stability.
- We may not realize the full value of our backlog, which may result in lower-than-expected revenue.
- Many of our field project sites and facilities are inherently dangerous workplaces. Failure to manage our field project sites and facilities safely could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or clients and possible exposure to litigation.
- The impact of extreme weather events, including floods, hurricanes, droughts, and wildfires, including as a result of climate change or supply shortages, could have an adverse impact on our business and operations.
- Our business, results of operations, financial condition, cash flows and stock price can be adversely affected by pandemics, epidemics, or other public health emergencies, such as the global COVID-19 pandemic and variants thereof. The pandemic resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, “shelter in place” and “stay at home” orders, travel restrictions, business curtailments, school closures, and other measures. While many of these restrictions have been removed or reduced, the spread of new variants or viruses may result in the imposition of additional restrictions. In addition, governments and central banks in several parts of the world have enacted, or may enact in the future, fiscal and monetary stimulus measures to counteract the impacts of any such emergency. The extent to which any emergency may impact our business will depend on future developments, which are highly uncertain and unpredictable, and the resultant financial impact cannot be estimated reasonably at this time but may materially adversely affect our ability to collect accounts receivables and our business, results of operations, financial condition and cash flows. Further, the economic impact of such events may cause extreme volatility in financial and other capital markets which may continue to adversely impact our stock price and our ability to access capital markets. Health emergencies may also have the effect of heightening many of the other risks described in this Annual Report on Form 10-K for the year ended December 31, 2022, such as those relating to government spending and priorities.

Risk Related to Our Common Stock

- Your ability to influence corporate matters may be limited because the ESOP beneficially owns a majority of our stock and therefore our employees, voting the shares allocated to them under the ESOP, or the ESOP Trustee, who will have the right to vote shares for which no voting instructions are provided by employees, could have substantial control over us.
- We are a “controlled company” within the meaning of the New York Stock Exchange listing standards and, as a result, qualify for exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such requirements.

Risks Related to Government Contracts

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

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

- budgetary constraints, including mandated automatic spending cuts, affecting across-the-board government spending, or specific agencies in particular, and changes in available funding;
- a shift in expenditures away from agencies or programs that we support;
- reduced government outsourcing of functions that we are currently contracted to provide, including as a result of increased insourcing by various U.S. government agencies due to changes in the definition of “inherently governmental” work, including proposals to limit contractor access to sensitive or classified information and work assignments;
- further efforts to improve efficiency and reduce costs affecting government programs;
- changes or delays in government programs that we support or the programs’ requirements;
- a continuation of recent efforts by the U.S. government in particular to decrease spending for management support service contracts;
- U.S. government shutdowns due to, among other reasons, a failure by elected officials to fund the government, such as the shutdowns which occurred during government fiscal years 2019 and 2014 and, to a lesser extent, government fiscal year 2018, and other potential delays in the appropriations process;
- U.S. government agencies awarding contracts on a technically acceptable/lowest cost basis in order to reduce expenditures;
- delays in the payment of our invoices by government payment offices;

- results of elections, including politicians who may have priorities that would reduce spending in areas in which we operate;
- an inability by the U.S. government to fund its operations as a result of a failure to increase the federal government's debt ceiling, a credit downgrade of U.S. government obligations or for any other reason; and
- changes in the political climate and general economic conditions, including a slowdown of the economy or unstable economic conditions and responses to conditions, such as emergency spending, that reduce funds available for other government priorities.

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

In particular, with regard to our largest single customer, the U.S. federal government, budget deficits, the national debt and the prevailing economic condition, and actions taken to address them, could continue to negatively affect the U.S. government expenditures on defense, intelligence and civil programs for which we provide support. The U.S. Department of Defense is one of our significant clients and cost cutting, including through consolidation and elimination of duplicative organizations and insourcing, has become a major initiative for the U.S. Department of Defense. There remains uncertainty as to how exactly budget cuts, including sequestration, will impact us, and we are therefore unable to predict the extent of the impact of such cuts on our business and results of operations. However, a reduction in the amount of or delays or cancellations of funding for, services that we are contracted to provide to the U.S. Department of Defense as a result of any of these initiatives, legislation or otherwise could have a material adverse effect on our business, financial condition and results of operations. In addition, in response to an Office of Management and Budget mandate, government agencies have reduced management support services spending in recent years. If federal awards for management support services continue to decline, our revenue and operating profits may materially decline and further efforts by the Office of Management and Budget to decrease federal awards for management support services could have a material and adverse effect on our business, financial condition and results of operations.

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

Government funding with respect to our Critical Infrastructure services fluctuates over time and new or changing government policies may affect our Critical Infrastructure business and operations. Government spending for our Critical Infrastructure services may also depend on factors related to government demand, such as the condition of the existing infrastructure and buildings and the need for new or expanded infrastructure and buildings. Our government clients may face budget cuts or deficits that prohibit them from funding proposed and existing Critical Infrastructure projects.

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

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

The U.S. federal government and its agencies, including the military and intelligence community, collectively are our largest customer. In particular, it represents substantially all of the revenue of our Federal Solutions segment. Approximately 17% of accounts receivable as of December 31, 2022 and December 31, 2021 were derived from contracts with the U.S. federal government and its agencies. Our reputation and relationships with various U.S. government entities and agencies, and in particular with the U.S. Department of Defense, including the Missile Defense Agency and the United States Army, the Federal Aviation Administration, the United States intelligence community and the U.S. Department of Energy are key factors in maintaining and growing these revenues and winning new bids for new business. Negative press reports or publicity, regardless of accuracy, could harm our reputation. If our reputation or relationships with government agencies were to be negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, the amount of business with government and other customers would decrease and our financial condition and results of operations could be adversely affected.

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

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

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

Some U.S. federal and state statutes and regulations provide for automatic debarment based on our actions, such as violations of the U.S. False Claims Act or the U.S. Foreign Corrupt Practices Act, or FCPA. The suspension or debarment in any particular case may be limited to the facility, contract or subsidiary involved in the violation or could be applied to our entire enterprise in severe circumstances. Even a narrow scope suspension or debarment could result in negative publicity that could adversely affect our ability to renew contracts and to secure new contracts, both with governments and private customers, which could materially and adversely affect our business, financial condition and results of operations.

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

The government-related industries within which we do business continue to experience significant changes to business practices as a result of an increased focus on affordability, efficiencies and recovery of costs, among other items. Our existing and potential clients are similarly focused on increasing the productivity of their contractual arrangements. Moreover, government agencies may face restrictions or

pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential OCIs, deterrence of fraud, and environmental responsibility or sustainability could have an adverse effect on us. Moreover, shifts in the buying practices of government agencies, such as increased usage of fixed price contracts, multiple award contracts and small business set-aside contracts, could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or contract renewals. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our business, financial condition and results of operations.

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

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

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

Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds, and those refunds would negatively impact our revenue. Receipt of adverse audit findings or the failure to obtain an "approved" determination on our various business systems could significantly and adversely affect our business by, among other things, restricting our ability to bid on new contracts and, for those proposals under evaluation, diminishing our competitive position. A determination of noncompliance could also result in penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny. Increased scrutiny could adversely impact our ability to perform on contracts, affect our ability to invoice for work performed, delay the receipt of timely payment on contracts, and weaken our ability to compete for new contracts with the government.

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

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

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

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

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

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

Risks Related to Our Operations and Markets

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

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

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

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

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

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

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

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

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

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

We typically have pending claims submitted under some of our contracts for payment of work performed beyond the initial contractual requirements for which we have already recorded revenue. Some of these relate to change orders from the original scope of the contract. Our client may dispute these change orders and claims, and we cannot guarantee that such claims will be approved in whole, in part, or at all. Often, these claims and disputes can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims and disputes will be fully resolved.

We may also renegotiate contracts to address these additional costs. When these types of events occur, we have used working capital in projects to cover cost overruns. If our claims are not approved or resolved, our revenue may be reduced in future periods.

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

We design and develop technologically advanced and innovative products and services applied by our customers in a variety of environments. Problems and delays in development or delivery as a result of issues with respect to design, technology, licensing and patent rights, labor, learning curve assumptions or materials and components could prevent us from achieving contractual requirements. Our offerings cannot be tested and proven in all situations and are otherwise subject to unforeseen problems that could negatively affect revenue and profitability such as problems with governmental inaction, quality and workmanship, delivery of subcontractor components or services, unplanned degradation of product performance, unavailability of vendor materials and changes in the project scope requested by our clients. Among the factors that may adversely affect our business, financial condition or results of operations could be unforeseen costs and expenses not covered by insurance or indemnification from the customer, diversion of management focus in responding to unforeseen problems, loss of follow-on work, damage to our reputation and repayment to the customer of contract cost and fee payments we previously received.

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

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

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

Changing global tax laws could have a material impact on our effective income tax rate.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Many tax jurisdictions, including the U.S., have called for comprehensive changes to fiscal and tax policies that could significantly impact how we are taxed on our domestic and foreign earnings. Such changes, if enacted into law, could increase our effective tax rate and have a material adverse impact on our financial

condition and results of operations. For example, beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to currently deduct research and development expenditures in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. While the most significant impact of this provision is to cash tax liability for 2022, the tax year in which the provision took effect, the impact will decline annually over the five-year amortization period to an immaterial amount beginning in year six.

Risks Related to Acquisitions and Joint Ventures

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

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

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

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

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

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

12% of our revenue during fiscal 2022, 11.0% of our revenue during fiscal 2021 and 11.5% of our revenue during fiscal 2020 was derived from our operations through consolidated joint ventures. In addition, 5.1% of our revenue during fiscal 2022, 5.6% of our revenue during fiscal 2021 and 4.4% of our revenues in fiscal 2020 related to services we provided to our unconsolidated joint ventures, where control resides with unaffiliated third parties, and 8.8% of our operating income during fiscal 2022, 27.8% of our operating income during fiscal 2021 and 16.9% of our operating income during fiscal 2020 was derived from equity in our unconsolidated joint ventures. As with most joint venture arrangements, differences in views among the joint venture participants may result in delayed decisions or disputes. We also cannot control the actions of our joint venture partners and we typically have joint and several liability with our joint venture partners under the applicable contracts for joint venture projects. These factors could potentially adversely impact the business and operations of a joint venture and, in turn, our business and operations.

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

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

We have investments in and commitments to joint ventures with unrelated parties. These joint ventures from time to time may borrow money to help finance their activities and, in some circumstances, we may be required to provide guarantees of the obligations of our affiliated entities. At December 31, 2022, we had \$106.8 million of letters of credit and guarantees that relate to joint ventures. If these entities are not able to honor their obligations under the guarantees, we may be required to expend additional resources or suffer losses, which could be significant.

Our acquisitions may not achieve their full intended benefits or may disrupt our plans and operations.

We cannot assure you that we will be able to successfully integrate acquired companies with our business or otherwise realize the expected benefits of our acquisitions. For example, in the last several years we have made four large acquisitions. The combination of multiple independent businesses will be a complex, costly, and time-consuming process. Our business may be negatively impacted following acquisitions if we are unable to effectively manage our expanded operations. The integration process will require significant time and focus from our management team and may divert attention from the day-to-day operations of the combined business. Additionally, consummation of acquisitions could disrupt our current plans and operations, which could delay the achievement of our strategic objectives.

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

- we may have underestimated the costs to integrate the information systems of acquired companies with ours;

- we may face difficulties in integrating employees, integrating different corporate cultures and in attracting and retaining key personnel; and
- we may face challenges in keeping existing contracts and customers.

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

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

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

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

Risks Related to Estimates and Accounting

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

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

Revenue derived from fixed-price contracts represented 27% of our total revenue during fiscal 2022, 26% of our total revenue during fiscal 2021, and 32% of our total revenue during fiscal 2020. When making proposals on fixed-price contracts, we rely heavily on our estimates of costs, scope and timing for completing the associated projects, as well as assumptions regarding technical issues. In particular, contracts in our Critical Infrastructure segment are often won in a hard-bid process, in which clients primarily select the lowest price from a qualified bidder with the understanding that they will not pay above the bid amount, even if we perform work beyond the initial scope of our contract. In each case, our failure to accurately estimate costs, scope or the resources and technology needed to perform our contracts or to effectively manage and control our costs during the performance of work could result, and in some instances has resulted, in reduced profits or in losses. More generally, any increased or unexpected costs or unanticipated delays in connection with the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control, such as performance failures of our subcontractors, natural disasters or other force majeure events, could make our contracts less profitable than expected or unprofitable.

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

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

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

As of December 31, 2022, we had goodwill and intangible assets of \$1.9 billion. Goodwill is tested for impairment annually, or more often if indicators of potential impairment exist, and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Examples of events or changes in circumstances indicating that the carrying value of goodwill may not be recoverable could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key contracts, customer relationships, or personnel that affect current and future operating cash flows of the reporting unit. Any future impairment of goodwill or other intangible assets would have a negative impact on our profitability and financial results.

Risks Related to Technology Systems

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

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

resulting from a security breach in one of the systems we develop, install, maintain, or otherwise support could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

- lose revenue due to adverse client reaction;
- be required to provide additional services to a client at no charge;

- incur additional costs related to remediation, monitoring and increasing our cybersecurity;
- lose revenue due to the deployment of internal staff for remediation efforts instead of client assignments;
- receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain clients;
- be unable to successfully market services that are reliant on the creation and maintaining of secure information technology systems to government and commercial clients;
- suffer claims by clients or impacted third parties for substantial damages, particularly as a result of any successful network or systems breach and exfiltration of client and/or third-party information; or
- incur significant costs, including fines from government regulators related to complying with applicable federal or state law, including laws pertaining to the security and protection of personal information.

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

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

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

Risk Related to Legal Matters and Insurance

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

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase, and the management of our business operations would be disrupted. In addition, there can be

no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

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

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

The results of litigation and other legal proceedings, including the claims described under “Business—Legal Proceedings”, are inherently uncertain and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages or injunctive relief against us. Additionally, our insurance policies may not protect us against potential liability due to various exclusions in the policies and self-insured retention amounts. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future.

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

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

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

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

Our operations are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment, the health and safety aspects of our operations, or otherwise relating to environmental protection. Some of our services and operations involve the handling or disposal of hazardous substances or dangerous materials, including explosive, chemical, biological, radiological or nuclear materials. These activities generally subject us to extensive foreign, federal, state and local environmental protection and health and safety laws and regulations,

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

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

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

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

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

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

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, patent and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to

deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

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

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

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

Risks Related to International Operations

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

Revenue attributable to our services provided outside of the United States as a percentage of our total revenue was 24.9% in 2022, 25.0% in 2021 and 24.5% in 2020. There are risks inherent in doing business internationally, including:

- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability and turmoil internationally, including countries in the Middle East;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- greater physical security risks;
- changes in U.S. and other national government trade policies affecting the markets for our services;
- changes in regulatory practices, tariffs and taxes;
- potential non-compliance with a wide variety of laws and regulations, including anti-corruption, U.S. export controls and economic and trade sanctions, and anti-boycott laws and similar non-U.S. laws and regulations;
- changes in labor conditions;
- logistical and communication challenges;

- currency exchange rate fluctuations, devaluations and other conversion restrictions; and
- health and safety concerns, including those related to the COVID-19 pandemic, variants and other potential epidemics.

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

We have operations in the Middle East, neighboring regions, and other regions across the globe, and these regions may experience turmoil, political upheaval or similar crises that may impact our current projects, future business and financial stability.

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

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

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

Risks Related to Debt and Backlog

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

As of December 31, 2022, our total backlog was \$8.2 billion, of which \$4.5 billion was funded. Our backlog includes orders under contracts that can extend for several years, and in some cases, contracts that extend for more than 10 to 15 years. We historically have not realized all of the revenue included in our total backlog, and we may not realize all of the revenue included in our total backlog in the future. There is a somewhat higher degree of risk in this regard with respect to unfunded backlog and backlog related to unexercised options years and IDIQ contracts for which task orders have not yet been issued. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period. This is because the actual receipt, timing and amount of revenue under contracts included in backlog are subject to various contingencies, including congressional appropriations, many of which are

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

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

As of December 31, 2022, our accounts receivable, net was \$717.3 million. We depend on the timely collection of our receivables to generate cash flow, provide working capital and continue our business operations. If our customers fail to pay or delay the payment of invoices for any reason, our business and financial condition may be materially and adversely affected. Our customers have in the past and may in the future delay or fail to pay invoices for a number of reasons, including lack of appropriated funds, lack of an approved budget or as a result of audit findings by government regulatory agencies. We also experience longer payment cycles in the Middle East. We cannot assure you that we will collect all our accounts receivable in excess of our allowance for doubtful accounts in a timely manner, which would impact our cash flows.

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

As of December 31, 2022, our total indebtedness was approximately \$744 million. Our Credit Agreement and the agreements governing our Senior Notes and Convertible Notes contain a number of covenants that impose operating and other restrictions on us and our subsidiaries. Such restrictions affect or will affect, and in many respects limit or prohibit our ability and the ability of our subsidiaries to, among other things:

- incur additional indebtedness;
- create liens;
- pay dividends and make other distributions in respect of our equity securities;
- redeem our equity securities;

- make loans, advances, investments or other restricted payments;
- sell assets or receivables;
- engage in certain business activities;
- amend our ESOP's plan documents;
- enter into transactions with affiliates; and
- effect mergers or consolidations.

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

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

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

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

If we were unable to repay or otherwise refinance these borrowings when due, the lenders under our Credit Agreement could demand payment from subsidiary guarantors, as provided under our Credit Agreement. These guarantors constitute substantially all of our domestic, wholly owned subsidiaries' assets.

Prior to our initial public offering, we were 100% owned by the ESOP, which is a retirement plan that is intended to be qualified under the Internal Revenue Code. If the ESOP failed to meet the requirements of a tax qualified retirement plan, we could be subject to substantial penalties.

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

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

Risks Related to our Employees

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

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

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

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

We believe that the future success of our business and our ability to operate profitably depends on the continued contributions of the members of our senior management and the continued development of new members of senior management. We rely on our senior management to generate business and execute programs successfully. In addition, the relationships and reputation that many members of our senior management team have established and maintain with our clients are important to our business and our ability to identify new business opportunities. We do not have any employment agreements providing for a specific term of employment with any members of our senior management. The loss of any member of our senior management or our failure to continue to develop new members could impair our ability to identify and secure new contracts, to maintain good client relations, and to otherwise manage our business, and could have a material adverse effect on our business, financial condition and results of operations.

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

We have entered into twenty-three union labor or collective bargaining agreements as of December 31, 2022. The outcome of any future negotiations relating to union representation or collective bargaining agreements for these or other employees in the future may not be favorable to us. We may reach agreements in collective bargaining that increase our operating expenses and lower our net income as a result of higher wages or benefit expenses. In addition, negotiations with unions could divert management attention and disrupt operations, which may adversely affect our results of operations. If we are unable to negotiate acceptable collective bargaining agreements, we may have to address the threat of union-initiated work actions, including strikes. Depending on the nature of the threat or the type and duration of any work action, these actions could disrupt our operations and adversely affect our operating results.

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

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

Risk Related to Our Common Stock

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

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

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

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

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

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

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources, and the attention of management could be diverted from our business.

Our operating results and share price may be volatile, and the market price of our common stock may drop.

Our quarterly operating results have fluctuated and are likely to continue to fluctuate in the future. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;
- changes in our awards, backlog and book-to-bill ratios in a given period;
- issuance of new or changed securities analysts' reports or recommendations;
- results of operations that vary from expectations of securities analysis and investors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors or our acquisition targets;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory, legal or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- seasonality associated with U.S. federal, state, regional and local government funding and spending;
- changing economic conditions;
- changes in accounting principles;
- default under agreements governing our indebtedness;
- exchange rate fluctuations; and
- other events or factors, including those from natural disasters, war, actors of terrorism or responses to these events and pandemics, such as the COVID-19 pandemic.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, when the

market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

Sales of outstanding shares of our common stock into the market in the future by the ESOP could cause the market price of our common stock to drop significantly.

At December 31, 2022, we had 146,132,016 shares of our common stock issued and 104,702,996 outstanding. Of these shares, 63,742,151 shares are owned by the ESOP, 40,960,845 shares are publicly owned, and 41,429,020 shares are Treasury stock. We are party to a registration rights agreement with the ESOP Trustee, providing the ESOP with certain demand registration rights related to shares held by the ESOP in the event the ESOP Trustee determines in good faith, in exercising its fiduciary duties under ERISA, that the ESOP is required to sell its shares, which we believe is only likely to occur if our business, financial condition or results of operations have materially and adversely deteriorated.

Qualifying ESOP participants have the right to receive distributions of shares of our common stock from the ESOP and can sell such shares in the market.

As of December 31, 2022, there were 63,742,151 shares of common stock held in the ESOP. Shares held in the ESOP are eligible for sale in the public market, subject to applicable Rule 144 limitations, vesting restrictions and any applicable market standoff agreements and lock-up agreements. Participants are generally entitled to distributions from the ESOP only following termination of employment or upon death and in order to diversify their accounts upon attaining a specified age and completing a specified number of years of service. As previously noted in the section of Part 1, Item 1 entitled "Employee Stock Ownership Plan", in December 2020, the board of directors approved an amendment to the Employee Stock Ownership Plan to provide more flexible diversification rights for participants, and in January 2021, the board of directors approved the modification of the thresholds for distributions to participants in the ESOP effective March 1, 2021. In April 2022, the board of directors approved an amendment providing for lump sum distributions to participants and removing the annual installments. Annual diversification elections and five-year vested termination distributions are not impacted by this amendment and will still occur annually and over installments as outlined in the Plan.

ESOP distributions are made in the form of shares of our common stock (other than distributions in respect of fractional shares, which will be made in cash). Upon receiving a distribution of our common stock from the ESOP, a participant will be able to sell such shares in the market. As a result, we cannot predict the effect, if any, that these distributions and the corresponding sales of shares by the participants may have on the market price of our common stock. Distribution of substantial amounts of our common stock to participants may cause the market price of our common stock to decline.

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

We have an aggregate of 853,867,984 shares of common stock authorized but not outstanding and not reserved for issuance under our 2021 Plan, under our existing Incentive Plans or otherwise. We may issue all of these shares without any action or approval by our stockholders. The issuance of additional shares could be dilutive to existing holders. We historically have made annual contributions of our common stock to the ESOP. We made contributions of 1,188,129 shares in fiscal 2022, 1,631,477 shares in fiscal 2021, and 1,522,381 shares in fiscal 2020 of our common stock to the ESOP and intend to continue to make annual contributions in shares of our common stock to the ESOP. In fiscal 2022, 2021 and 2020, we made annual contributions to the ESOP in shares of our common stock in the amount of 8% of the participants' cash compensation for the applicable year (net of shares forfeited by participants in the applicable year). For future fiscal years, the annual contribution to the ESOP shall be in amounts as determined by the board of directors.

Your ability to influence corporate matters may be limited because the ESOP beneficially owns a majority of our stock and therefore our ESOP participants, voting the shares allocated to them under the ESOP, or the ESOP Trustee, who will have the right to vote shares for which no voting instructions are provided by employees, could have substantial control over us.

Our common stock has one vote per share. The ESOP beneficially owns approximately 61% of our outstanding common stock, 40% of which is owned by employees of Parsons Corporation. Under the terms of the ESOP, each participant has the ability to direct the ESOP Trustee on the voting of the shares allocated to his or her account under the ESOP. However, the ESOP Trustee will vote any shares that a participant does not direct the voting, or any shares that are held by the ESOP which are not allocated to participants' accounts. As such, the ESOP Trustee may be able to exercise a greater influence than otherwise over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions.

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

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

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

We are a "controlled company" within the meaning of the New York Stock Exchange listing standards and, as a result, qualify for exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such requirements.

The ESOP holds common stock representing approximately 61% of the voting power of our common stock as of December 31, 2022. As a result, we are considered a "controlled company" for the purposes of New York Stock Exchange ("NYSE") rules and corporate governance standards. As a controlled company, we are exempt from certain NYSE corporate governance requirements, including those that would otherwise require our board of directors to have a majority of independent directors and require that we either establish compensation and nominating and corporate governance board committees, each comprised entirely of independent directors, or otherwise ensure that the compensation of our executive officers and nominees for directors are determined or recommended to the board of directors by the independent members of the board of directors. While we intend to have a majority of independent directors, and our compensation and nominating and corporate governance committees to consist entirely of independent directors, we may decide at a later time to rely on one of the "controlled company" exemptions. Accordingly, our common stock may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

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

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

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

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and prevent attempts by our stockholders to replace or remove our current board of directors or management.

We have a number of anti-takeover devices that could hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. Our anti-takeover provisions:

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

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

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

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following civil actions:

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

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

We have no current plans to declare dividends.

We do not currently pay a dividend and have no current plans to declare any cash dividends to holders of our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, any contractual restrictions, our indebtedness, restrictions imposed by applicable law and other factors our board of directors deems relevant. Consequently, investors may need to sell all or part of their holdings of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

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

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. If an analyst who covers us downgrades our common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our headquarters are located in Centreville, Virginia. As of December 31, 2022, we leased 257 commercial facilities (including our headquarters) with an aggregate of approximately 2.8 million square feet of space across 34 U.S. states and 17 countries used in connection with the various services rendered to our customers. Additionally, we operate at several customer-accredited Sensitive Compartmented Information Facilities, which are highly specialized, secure facilities used to perform classified work for the United States intelligence community. We also have employees working at customer sites throughout the U.S. and in other countries. We believe our facilities are adequate for our current and presently foreseeable needs.

Item 3. Legal Proceedings.

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

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. The parties are concluding discovery and we anticipate that the court will hear dispositive and/or pre-trial motions in early or mid-2023. Depending upon the court's rulings upon such motions, a trial may be scheduled in 2023.

At this time, the Company is unable to determine the probability of the outcome of the litigation or determine a potential range of loss, if any.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the NYSE under the ticker symbol “PSN”.

Dividend Policy

During the years ended December 31, 2022, 2021 and 2020, the Company did not declare any dividends. We currently do not intend to declare or pay any cash dividends in the foreseeable future. Any determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, restrictions under our Senior Notes issued in a private placement in 2014, or the Convertible Senior Notes, Delayed Draw Term Loan and Credit Agreement, and other factors that our board of directors considers relevant.

Shareholders

According to the records of our transfer agent, there were three shareholders of record as of February 6, 2023.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2022 regarding compensation plans under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders (1)	-		1,580,440 (2)
Equity compensation plans not approved by security holders	1,621,155 (3)		9,180,697 (4)
Total	1,621,155		10,761,137

(1) Consists of the 2020 Employee Stock Purchase Plan.

(2) Amount represents 1,580,440 shares remaining available for future issuance under the 2020 Employee Stock Purchase Plan (of which 60,381 shares were purchased pursuant to the offering period that ended on December 31, 2022).

(3) Amount represents the sum of 1,621,155 shares of common stock subject to outstanding RSU and PSU awards under the 2019 Incentive Plan (with PSU awards reflected at “target” levels),

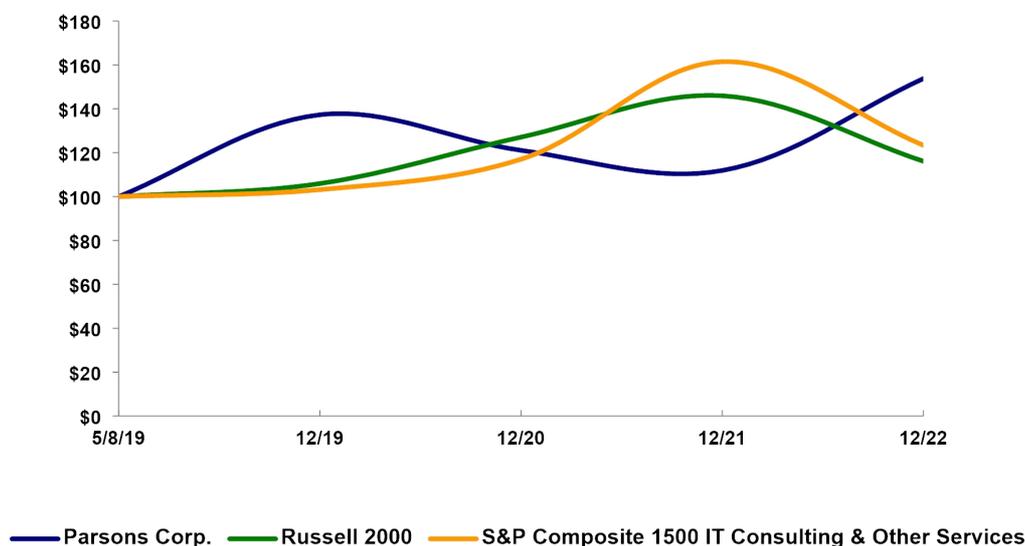
(4) Amount represents 9,180,697 shares remaining available for future issuance under the 2019 Incentive. The number of shares of our common stock initially reserved for issuance under awards granted pursuant to the 2019 Incentive Plan is equal to 11,700,000 shares. In no event will more than 11,700,000 shares be issued pursuant to awards under the 2019 Incentive Plan.

Performance Graph

The following graph compares the cumulative total return, from the date of the Company's initial public offering ("IPO") through December 31, 2022, to shareholders of Parsons Corporation common stock relative to the cumulative total returns of the Russell 2000 Index and the Standard and Poor's IT Consulting & Other Services Index. The graph assumes that the value of the initial investment in our common stock and each of the two indexes was \$100 on May 8, 2019, the date of the Company's IPO, and tracks it through December 31, 2022 (including reinvestment of dividends). The stock performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 44 MONTH CUMULATIVE TOTAL RETURN*

Among Parsons Corp., the Russell 2000 Index
and the S&P Composite 1500 IT Consulting & Other Services Index



*\$100 invested on 5/8/19 in stock or 4/30/19 in index, including reinvestment of dividends.
Fiscal year ending December 31.

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	5/8/19	12/19	12/20	12/21	12/22
Parsons Corp.	100.00	137.28	121.08	111.91	153.81
Russell 2000	100.00	105.95	127.10	145.93	116.11
S&P Composite 1500 IT Consulting & Other Services	100.00	103.18	117.05	161.45	123.35

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our 2023 Proxy Statement.

Recent Sales of Unregistered Securities

None.

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 December 31, 2022, the Company has spent \$43.7 million (which includes commissions paid of \$24 thousand) repurchasing 1,193,466 shares of Common Stock at an average price of \$36.62 per share.

The following table presents the Company's purchase of equity securities for the three months ended December 31, 2022.

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
October 1 to 31, 2022	-	\$ -	-	\$ 58,799,141
November 1 to 30, 2022	-	\$ -	-	58,799,141
December 1 to 31, 2022	52,432	\$ 47.68	52,432	56,299,193
Total	<u>52,432</u>	<u>\$ 47.68</u>	<u>52,432</u>	<u>\$ 56,299,193</u>

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

Item 6. Reserved

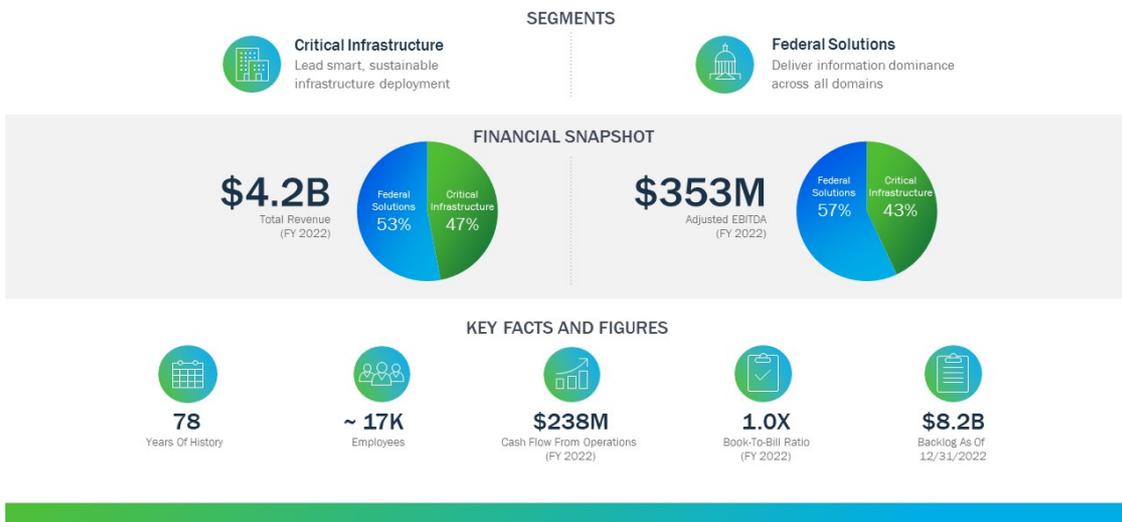
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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 Annual Report on Form 10-K.

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

PARSONS CORPORATION

Delivering innovative solutions that make the world safer, healthier, and more connected.



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):

	Fiscal Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Awards	\$ 4,274,721	\$ 4,565,792	\$ 4,195,646
Backlog (1)	\$ 8,179,245	\$ 8,346,937	\$ 8,093,258
Book-to-Bill	1.0	1.2	1.1

(1) Difference between our backlog of \$8.2 billion and our remaining unsatisfied performance obligations, or RUPO, of \$5.7 billion, each as of December 31, 2022, 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 total value of new awards for the periods presented below (in thousands):

	Fiscal Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Federal Solutions	\$ 1,921,123	\$ 2,458,528	\$ 2,175,221
Critical Infrastructure	2,353,598	2,107,264	2,020,425
Total Awards	\$ 4,274,721	\$ 4,565,792	\$ 4,195,646

The change in new awards from year to year is primarily due to ordinary course fluctuations in our business. The volume of contract awards can fluctuate in any given period due to win rate and the timing and size of the awards issued by our customers. The change in new awards in our Federal Solutions segment for the year ended December 31, 2022 when compared to the corresponding period last year was primarily due to a significant contract awarded in the second quarter of 2021. The awards in Critical Infrastructure for the year ended December 31, 2022 were higher primarily due to several new awards and a large contract value increase during 2022.

Backlog

We define backlog to include the following two components:

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

Backlog includes (i) unissued 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 (in thousands):

	As of		
	December 31, 2022	December 31, 2021	December 31, 2020
Federal Solutions:			
Funded	\$ 1,257,537	\$ 1,414,985	\$ 1,176,049
Unfunded	3,586,791	3,906,678	4,009,156
Total Federal Solutions	<u>4,844,328</u>	<u>5,321,663</u>	<u>5,185,205</u>
Critical Infrastructure:			
Funded	3,280,701	2,957,968	2,830,318
Unfunded	54,216	67,306	77,735
Total Critical Infrastructure	<u>3,334,917</u>	<u>3,025,274</u>	<u>2,908,053</u>
Total Backlog (1)	<u>\$ 8,179,245</u>	<u>\$ 8,346,937</u>	<u>\$ 8,093,258</u>

- (1) Difference between our backlog of \$8.2 billion and our RUPO of \$5.7 billion, each as of December 31, 2022, 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 \$3.1 billion of our funded backlog at December 31, 2022 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—Risks Relating to Our Business—We may not realize the full value of our backlog, which may result in lower than expected revenue.”

The change in backlog in our Federal Solutions segment between 2022 and 2021 was impacted by from higher revenue activity in 2022 compared to 2021, partially offset by contributions of \$0.2 billion from business acquisitions. The change in backlog in our Critical Infrastructure segment between 2022 and 2021 was primarily from ordinary course fluctuations in our business and the impacts related to

awards discussed above. The changes in backlog in our Federal Solutions segment between 2021 and 2020 included contributions of \$0.1 billion from business acquisitions. The change in backlog in our Critical Infrastructure segment between 2021 and 2020 was primarily from ordinary course fluctuations in our business and the impacts related to awards discussed above. Our backlog will fluctuate in any given period based on the volume of awards issued and the rate of revenue generated from our existing contracts.

Book-to-Bill

Book-to-bill is the ratio of total awards to total revenue recorded in the same period. Our management believes our book-to-bill ratio is a useful indicator of our potential future revenue growth in that it measures the rate at which we are generating new awards compared to 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:

	Fiscal Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Federal Solutions	0.9	1.3	1.1
Critical Infrastructure	1.2	1.2	1.0
Overall	1.0	1.2	1.1

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 well 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

Xator Corporation

On May 31, 2022, the Company acquired Xator Corporation for \$388.3 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.

BlackHorse Solutions, Inc.

On July 6, 2021, the Company acquired BlackHorse for \$205.0 million. BlackHorse expands Parsons' capabilities and products in next-generation military, intelligence, and space operations, specifically in cyber electronic warfare and information dominance. The acquisition was entirely funded by cash on-hand. The financial results of BlackHorse have been included in our consolidated results of operations from July 6, 2021 onward.

Echo Ridge LLC

On July 30, 2021, the Company acquired Echo Ridge for \$9.0 million. Echo Ridge adds position, navigation, and timing devices; modeling, simulation, test, and measurement tools; and deployable software defined radio products and signal processing services to Parsons' space portfolio. The acquisition was entirely funded by cash on-hand. The financial results of Echo Ridge have been included in our consolidated results of operations from July 30, 2021 onward.

Braxton Science & Technology Group, LLC

On November 19, 2020, we acquired Braxton for \$310.9 million. Braxton operates at the forefront of satellite operations, ground system automation, flight dynamics, and spacecraft and antenna simulation for the U.S. Department of Defense and Intelligence Community. The acquisition was funded by cash on-hand. The financial results of Braxton have been included in our consolidated results of operations from November 19, 2020 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 elsewhere in this Annual Report on Form 10-K for a description of our policies on revenue recognition applicable to each type of contract.

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

	Fiscal Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Fixed-price	27%	26%	32%
Time-and-materials	28%	28%	26%
Cost-plus	45%	46%	42%

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.

The Company is involved in a significant volume of contracts with the United States federal government and state and local governments. Approximately 53%, 52%, and 49% of consolidated revenues for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively were derived from contracts with the United States federal government. No other customers represented 10% or more of consolidated revenues or accounts receivable in any of the periods presented.

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 earnings of unconsolidated joint ventures. Our revenues included \$215.2 million in 2022, \$204.7 million in 2021, and \$172.2 million in 2020 related to services we provided to our unconsolidated joint ventures.

Operating costs and expenses

Operating costs and expenses primarily include direct costs of contracts and 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. In 2022, 2021 and 2020, we made annual contributions to the ESOP in the amount of 8% of the participants' cash compensation for the applicable year. Total ESOP contribution expense was \$54.7 million for 2022, \$54.9 million for 2021, and \$55.3 million for fiscal 2020, and is recorded in "Direct cost of contracts" and "Selling, general and administrative expenses." We expect operating expenses to increase due to our anticipated growth. However, on a forward-looking basis, we generally expect these costs to decline as a percentage of our total revenue as we realize the benefits of scale.

Direct costs of contracts consist of direct labor and associated fringe benefits, indirect overhead, subcontractor 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, Credit Agreement and Delayed Draw Term Loan.

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.

Year ended December 31, 2022 compared to year ended December 31, 2021

The following table sets forth our results of operations for fiscal 2022 and fiscal 2021 as a percentage of revenue.

	Fiscal Year Ended	
	December 31, 2022	December 31, 2021
Revenues	100.0%	100.0%
Direct costs of contracts	77.4%	76.7%
Equity in earnings of unconsolidated joint ventures	0.4%	1.0%
Selling, general and administrative expenses	18.5%	20.7%
Operating income	4.4%	3.6%
Interest income	0.0%	0.0%
Interest expense	(0.6)%	(0.5)%
Other income, net	0.1%	(0.1)%
Total other income benefit (expense)	(0.5)%	(0.5)%
Income before income tax expense	4.0%	3.1%
Income tax benefit (expense)	(0.9)%	(0.6)%
Net income including noncontrolling interests	3.0%	2.4%
Net income attributable to noncontrolling interests	(0.7)%	(0.7)%
Net income attributable to Parsons Corporation	2.3%	1.8%

Revenue

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
Revenue	\$ 4,195,272	\$ 3,660,771	\$ 534,501	14.6%

Revenue for the year ended December 31, 2022 compared to the prior year increased \$534.5 million. This increase was primarily due to an increase in revenue in our Federal Solutions segment of \$324.9 million and an increase in our Critical Infrastructure segment of \$209.6 million. See “—Segment Results” below for further discussion.

Direct costs of contracts

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
Direct cost of contracts	\$ 3,248,550	\$ 2,807,950	\$ 440,600	15.7%

Direct cost of contracts for the year ended December 31, 2022 compared to the prior year increased \$440.6 million. This increase was primarily due to an increase in direct cost of contracts in our Federal Solutions segment of \$272.6 million and an increase in our Critical Infrastructure segment of \$168.0 million. The increases were primarily due to an increase in business volume from recent contract awards and business acquisitions.

Equity in earnings of unconsolidated joint ventures

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
Equity in earnings of unconsolidated joint ventures	\$ 16,347	\$ 36,862	\$ (20,515)	(55.7)%

Equity in earnings of unconsolidated joint ventures for the year ended December 31, 2022 decreased by \$20.5 million compared to the prior year. The decrease was primarily related to change orders which delayed joint venture profits to future periods and a reduction in activity.

Selling, general and administrative expenses

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
Selling, general and administrative expenses	\$ 777,403	\$ 757,237	\$ 20,166	2.7%

SG&A expenses for the year ended December 31, 2022 increased by \$20.1 million compared to the prior year. The increase in SG&A was primarily due to a \$17.2 million increase from business acquisitions, a \$12.6 million increase related to investments in future growth and general increases in operating costs, a \$9.0 million increase in incentives, a \$6.2 million increase in transaction related costs primarily related to business acquisition activity, and a \$4.8 million increase in compensation costs related to equity-based awards. These increases were partially offset by a \$25.0 million decrease in intangible asset amortization primarily related to the drop-off in intangible asset amortization from the Company's older acquisitions offset by intangible amortization from the Company's more recent acquisitions and a reduction in the Company's liability insurance costs of \$4.6 million.

Total other (expense) income

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
	Interest income	\$ 966	\$ 396	\$ 570
Interest expense	(23,185)	(17,697)	(5,488)	(31.0)%
Other income (expense), net	2,775	(2,557)	5,332	(208.5)%
Total other income (expense)	\$ (19,444)	\$ (19,858)	\$ 414	(2.1)%

Interest expense increased for the year ended December 31, 2022 compared to the corresponding period last year primarily due to interest expense from borrowings under the Credit Agreement and Delayed Draw Term Loan, neither of which had outstanding balances during the year ended December 31, 2021. Interest expense for the year ended December 31, 2022 included \$2.1 million associated with a make-whole payment and remaining unamortized debt issuance costs resulting from the repayment of all outstanding Senior Notes under the Company's Private Placement.

The amounts in other income (expense), net, are primarily related to transaction gains and losses on foreign currency transactions and sublease income.

Income tax expense

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
	Income tax expense	\$ 39,657	\$ 23,636	\$ 16,021

Income tax expense increased in fiscal 2022 primarily due to an increase in earnings and a decrease in foreign tax credits, partially offset by a change in jurisdictional mix of earnings and nonrecurring write down of a foreign tax receivable included in 2021.

Our effective tax rate was 23.9% and 21.0% for the years ended December 31, 2022 and 2021, respectively. The difference between the statutory U.S. federal income tax rate of 21% and the effective tax rate for the year ended December 31, 2022 primarily relates to state income taxes and a recorded valuation allowance on foreign tax credit carryovers, offset in part by benefits related to income attributable to noncontrolling interest, earnings in lower tax jurisdictions and federal research tax credits. For the year ended December 31, 2021, the difference primarily relates to state income taxes and a recorded valuation allowance on foreign tax credit carryovers, a write down of a foreign tax receivable and an increase in executive compensation subject to IRC Section 162(m) limitations, offset by benefits related to income attributable to noncontrolling interest, release of uncertain tax positions, and federal research tax credits.

Effective for tax year 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to currently deduct research and development expenditures in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes (15 years for foreign research and development expenditures). This provision resulted in additional cash tax liability and additional net deferred tax assets for the 2022 tax year of approximately \$16 million. This 2022 additional cash tax liability was offset by other carryforward tax attributes. This provision is expected to increase our 2023 cash tax liability by approximately \$12 million. The actual impact on 2023 cash tax liability will depend on the actual amount of research and development expenses incurred in 2023, among other factors. While the largest impact of this provision will be to our 2022 cash tax liability, the impact will continue to decline over the five-year amortization period and is expected to have an immaterial impact beginning in year six.

Year ended December 31, 2021 compared to year ended December 31, 2020

The following table sets forth our results of operations for fiscal 2021 and fiscal 2020 as a percentage of revenue.

	Fiscal Year Ended	
	December 31, 2021	December 31, 2020
Revenues	100.0%	100.0%
Direct costs of contracts	76.7%	77.6%
Equity in earnings of unconsolidated joint ventures	1.0%	0.8%
Selling, general and administrative expenses	20.7%	18.6%
Operating income	3.6%	4.5%
Interest income	0.0%	0.0%
Interest expense	(0.5)%	(0.5)%
Other income, net	(0.1)%	0.1%
Total other income benefit (expense)	(0.5)%	(0.4)%
Income before income tax expense	3.1%	4.1%
Income tax benefit (expense)	(0.6)%	(1.1)%
Net income including noncontrolling interests	2.4%	3.0%
Net income attributable to noncontrolling interests	(0.7)%	(0.5)%
Net income attributable to Parsons Corporation	1.8%	2.5%

Revenue

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
	Revenue	\$ 3,660,771	\$ 3,918,946	\$ (258,175)

Revenue for the year ended December 31, 2021 compared to the prior year decreased \$258.2 million. This decrease was primarily due to a decrease in revenue in our Critical Infrastructure segment of \$234.3 million and a decrease in our Federal Solutions segment of \$23.8 million. See “—Segment Results” below for further discussion.

Direct costs of contracts

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
	Direct cost of contracts	\$ 2,807,950	\$ 3,042,087	\$ (234,137)

Direct cost of contracts decreased in 2021 primarily due to a decrease of \$197.0 million in our Critical Infrastructure segment and a decrease of \$37.1 million in our Federal Solutions segment. The decrease was primarily attributable to a decrease in business volume on contracts with significant pass-through costs and a decrease in business volume from project completions and transitions.

Equity in earnings of unconsolidated joint ventures

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
	Equity in earnings of unconsolidated joint ventures	\$ 36,862	\$ 30,059	\$ 6,803

Equity in earnings of unconsolidated joint ventures increased in fiscal 2021 primarily due to \$7.5 million from newly started joint ventures in 2021. The remaining fluctuation was due to decreases associated with the timing of the completion of joint ventures and other small changes across multiple joint ventures as part of ordinary course timing fluctuations in our business. In addition, there were

offsetting write-downs of \$15.6 million and \$15.5 million in 2021 and 2020, respectively, on a project in the Critical Infrastructure segment.

Selling, general and administrative expenses

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
Selling, general and administrative expenses	\$ 757,237	\$ 729,103	\$ 28,134	3.9%

SG&A expenses for the years ended December 31, 2021 and December 31, 2020 include \$19.6 million and \$9.8 million, respectively, of compensation cost associated with equity-based awards.

Equity awards issued prior to the Company's IPO were settled in cash and were remeasured to an updated fair value at each reporting period until the award was settled. Compensation cost was true-up at each reporting period for changes in fair value pro-rated for the portion of the requisite service period rendered. Subsequent to the IPO, the share price of the Company's common stock is based on quoted prices on the New York Stock Exchange. The plans in which these awards were granted have been frozen and the Company does not currently intend to grant any further cash settled equity-based awards.

Excluding the compensation costs discussed above, SG&A for the years ended December 31, 2021 and December 31, 2020 was \$737.6 million and \$719.3 million, respectively.

The increase in SG&A of \$18.3 million, exclusive of equity compensation cost, was primarily due to additional expenses of \$25.4 million associated with business acquisitions and \$15.3 million intangible asset amortization. These increases were partially offset by \$8.7 million reduction in transaction-related costs, \$11.9 million reduction in incentive costs, and \$1.8 million in other costs.

Total other (expense) income

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
Interest income	\$ 396	\$ 787	\$ (391)	(49.7)%
Interest expense	(17,697)	(20,956)	3,259	(15.6)%
Other income (expense), net	(2,557)	3,767	(6,324)	(167.9)%
Total other income (expense)	\$ (19,858)	\$ (16,402)	\$ (3,456)	21.1%

Interest expense decreased in 2021 primarily due to early adoption of ASU 2020-06 in the first quarter of 2021, resulting in no interest expense related to amortization of the debt discount during 2021 compared to \$3.8 million in 2020. Refer to "Note 2 – Summary of Significant Accounting Policies" and "Note 11 – Debt and Credit Facilities" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The amounts in other income (expense), net, are primarily related to transaction gains and losses on foreign currency transactions and sublease income.

Income tax expense

(U.S. dollars in thousands)	Fiscal Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
Income tax expense	\$ 23,636	\$ 42,492	\$ (18,856)	(44.4)%

Income tax expense decreased in fiscal 2021 primarily due to an increase in untaxed income attributable to noncontrolling interests, release of a valuation allowance on foreign tax credits, a change in jurisdictional earnings, and a release of uncertain tax positions, partially offset by a write down of a foreign tax receivable and an increase in executive compensation subject to IRC Section 162(m) limitations.

Our effective tax rate was 21.0% and 26.3% for the years ended December 31, 2021 and 2020, respectively. The difference between the statutory U.S. federal income tax rate of 21% and the effective tax rate for the year ended December 31, 2021 primarily relates to state income taxes and a recorded valuation allowance on foreign tax credit carryovers, a write down of a foreign tax receivable and an increase in executive compensation subject to IRC Section 162(m) limitations, offset by benefits related to income attributable to noncontrolling interest, release of uncertain tax positions, and federal research tax credits. For the year ended December 31, 2020, the difference primarily relates to state income taxes and a recorded valuation allowance on foreign tax credits, partially offset by benefits related to income attributable to noncontrolling interest and federal research tax credits.

Non-GAAP Financial Measures:

(U.S. dollars in thousands)	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other Information:			
Adjusted EBITDA (1)	\$ 352,782	\$ 309,720	\$ 342,621
Net Income Margin (2)	3.0%	2.4%	3.0%
Adjusted EBITDA Margin (3)	8.4%	8.5%	8.7%
(1)	A reconciliation of net income (loss) 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.		

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net income attributable to Parsons Corporation	\$ 96,664	\$ 64,072	\$ 98,541
Interest expense, net	22,219	17,301	20,169
Income tax expense (benefit)	39,657	23,636	42,492
Depreciation and amortization	120,501	144,209	127,980
Net income attributable to noncontrolling interests	29,901	24,880	20,380
Equity-based compensation	24,354	19,601	9,785
Transaction-related costs (a)	16,270	11,965	19,922
Restructuring (b)	213	736	2,193
Other (c)	3,003	3,320	1,159
Adjusted EBITDA	<u>\$ 352,782</u>	<u>\$ 309,720</u>	<u>\$ 342,621</u>

- (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 and related to 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 included in this Annual Report on Form 10-K because it is used by management and our board of directors to assess our financial performance both on a segment and on a consolidated basis. We discuss Adjusted EBITDA because our management uses this measure for business planning purposes, including to manage the business against internal projected results of operations and to 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 U.S. 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 U.S. GAAP. We define Adjusted EBITDA as net income attributable to Parsons Corporation, adjusted to include net income 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, equity-based compensation, 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 U.S. 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.

See "Segment Results" below and "Note 20—Segments Information" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion regarding our segment Adjusted EBITDA attributable to Parsons Corporation

Segment Results

We evaluate segment operating performance using segment revenue and segment Adjusted EBITDA attributable to Parsons Corporation. Adjusted EBITDA attributable to Parsons Corporation is Adjusted EBITDA excluding Adjusted EBITDA attributable to noncontrolling interests.

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

(U.S. dollars in thousands)	Fiscal Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	\$ 199,004	\$ 162,733	\$ 167,340
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	123,385	121,700	154,528
Adjusted EBITDA attributable to noncontrolling interests	30,393	25,287	20,753
Total Adjusted EBITDA	<u>\$ 352,782</u>	<u>\$ 309,720</u>	<u>\$ 342,621</u>

Year ended December 31, 2022 compared to year ended December 31, 2021

Federal Solutions

(U.S. dollars in thousands)	The Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
Revenue	\$ 2,212,987	\$ 1,888,050	\$ 324,937	17.2%
Adjusted EBITDA attributable to Parsons Corporation	\$ 199,004	\$ 162,733	\$ 36,271	22.3%

The increase in Federal Solutions revenue for the year ended December 31, 2022 compared to the corresponding period last year was primarily due to increases from business acquisitions of \$205 million, and increases in business volume from recent contract awards and increased activity on existing contracts.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the year ended December 31, 2022 compared to the prior year was primarily due to increases in business volume, increases related to acquisitions, and a write down on a project in the corresponding period last year.

Critical Infrastructure

(U.S. dollars in thousands)	The Year Ended		Variance	
	December 31, 2022	December 31, 2021	Dollar	Percent
Revenue	\$ 1,982,285	\$ 1,772,721	\$ 209,564	11.8%
Adjusted EBITDA attributable to Parsons Corporation	\$ 123,385	\$ 121,700	\$ 1,685	1.4%

The increase in revenue for the year ended December 31, 2022 compared to the corresponding period last year was primarily due to an increase in business volume from recent contract awards, increased activity on existing contracts, increased hiring activity, and write downs on projects in the corresponding period last year.

The increase in Critical Infrastructure Adjusted EBITDA attributable to Parsons for the year ended December 31, 2022 compared to the corresponding period last year was primarily due to increases in business volume, partially offset by reduced equity in earnings of \$21.9 million and increased SG&A.

Year ended December 31, 2021 compared to year ended December 31, 2020

Federal Solutions

(U.S. dollars in thousands)	The Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
Revenue	\$ 1,888,050	\$ 1,911,910	\$ (23,860)	-1.2%
Adjusted EBITDA attributable to Parsons Corporation	\$ 162,733	\$ 167,340	\$ (4,607)	-2.8%

The decrease in Federal Solutions revenue for the year ended December 31, 2021 compared to the corresponding period last year was primarily due to a decrease in business volume from program completions and transitions, a reserve taken on a program, and the competitive hiring environment for cleared personnel. The decreases were partially offset by increases from business acquisitions of \$160.8 million.

The decrease in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the year ended December 31, 2021 compared to the prior year was primarily due to a \$5.5 million net impact from a reserve taken on a program during 2021, compared to a \$13.9 million incentive fee recognized during 2020, partially offset by an increase related to business acquisitions.

Critical Infrastructure

(U.S. dollars in thousands)	The Year Ended		Variance	
	December 31, 2021	December 31, 2020	Dollar	Percent
Revenue	\$ 1,772,721	\$ 2,007,036	\$ (234,315)	-11.7%
Adjusted EBITDA attributable to Parsons Corporation	\$ 121,700	\$ 154,528	\$ (32,828)	-21.2%

The decrease in revenue for the year ended December 31, 2021 compared to the corresponding period last year was primarily related to a decrease in business volume from program completions and transitions, lower pass through revenue, and write downs on projects during the year.

The decrease in Critical Infrastructure Adjusted EBITDA attributable to Parsons for the year ended December 31, 2021 compared to the corresponding period last year was primarily due to write downs on projects and a decrease in business volume.

Liquidity and Capital Resources

We currently finance our operations and capital expenditures through a combination of internally generated cash from operations, our Senior Notes, Convertible Senior Notes, Delayed Draw Term Loan 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 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 and Delayed Draw Term Loan.

As of December 31, 2022, 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.

During October 2022, we prepaid the private placement debt of \$200.0 million with borrowings under the revolving credit facility and subsequently borrowed \$350.0 million on the 2022 Delayed Draw Term Loan. Proceeds from the Delayed Draw Term Loan were used to pay down the borrowings under the revolving credit facility. See "Note 11 – Debt and Credit Facilities" in the notes to the consolidated financial statements in this Form 10-K for further information.

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.

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.

Accounts receivable is the principal component of our working capital and is generally driven by revenue growth. Accounts receivable includes billed and unbilled amounts. The total amount of our accounts receivable can vary significantly over time but is generally sensitive to revenue levels. We experience delays in collections from time to time from Middle East customers. Net days sales outstanding, which we refer to as net DSO, is calculated by dividing (i) accounts receivable (net of project accruals, billings in excess of revenue and accounts payable) by (ii) average revenue per day (calculated by dividing trailing twelve months revenue by the number of days in that period). We focus on collecting outstanding receivables to reduce net DSO and working capital. Net DSO was 69 days at December 31, 2022, up from 68 days at December 31, 2021. DSO was 64 days at December 31, 2020. Our working capital (current assets less current liabilities) was \$611.7 million at December 31, 2022, \$601.6 million at December 31, 2021 and \$655.7 million at December 31, 2020.

Our cash, cash equivalents and restricted cash decreased by \$81.3 million to \$262.5 million at December 31, 2022 from \$343.9 million at December 31, 2021. This compares to a decrease in cash, cash equivalents and restricted cash of \$143.3 million to \$343.9 million at December 31, 2021 from \$487.2 million at December 31, 2020.

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

	Fiscal Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Net cash provided by operating activities	\$ 237,526	\$ 205,574	\$ 289,161
Net cash used in investing activities	(417,468)	(240,907)	(346,369)
Net cash provided by (used in) financing activities	100,368	(106,503)	348,226
Effect of exchange rate changes	(1,770)	(1,496)	823
Net (decrease) increase in cash and cash equivalents	\$ (81,344)	\$ (143,332)	\$ 291,841

Operating Activities

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

Net cash provided by operating activities increased \$32.0 million to \$237.5 million during 2022 compared to \$205.6 million during 2021. The increase in net cash provided by operating activities is primarily due to a \$40.4 million change in net income after adjusting for non-cash items and a change in the use of cash related to other long-term liabilities of \$50.1 million. The long-term liabilities change was primarily driven by CARES Act deferrals from 2020 being reclassified from long-term to short-term at the end of 2021 and long-term portion of insurance reserve reduction during 2021. These increases were offset primarily from changes in our working capital accounts of \$58.5 million (primarily from accounts receivable and contract assets, offset by accrued expenses, contract liabilities, accounts payable and prepaid expenses). Net DSO increased one day to 69 days as of December 31, 2022, compared to 68 as of December 31, 2021.

Net cash provided by operating activities decreased \$83.6 million to \$205.6 million during 2021 compared to \$289.2 million during 2020. The decrease in net cash provided by operating activities is primarily due to a \$32.9 million change in net income after adjusting for non-cash items and a change in the use of cash related to our working capital accounts of \$35.6 million (primarily from accounts receivable, contract assets, prepaid expenses and current assets, offset by accounts payable and accrued expenses). Under the CARES Act, the Company received a net cash benefit in 2020 of \$35.2 million from the deferral of social security taxes otherwise due from April 10, 2020 through the year ended December 31, 2020. One-half of the deferred amount was paid during the third quarter of 2021. The decrease was also due to a \$15.0 million change in other long-term liabilities. Net DSOs increased from 64 days to 68 days primarily driven by the change in our working capital accounts discussed above.

Investing Activities

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

Net cash used in investing activities increased \$176.6 million to \$417.5 million during 2022 compared to \$240.9 million during 2021, primarily due to the use of \$379.5 million, net of cash acquired during 2022 for the acquisition of Xator compared to the use of cash of \$189.6 million, net of cash acquired, for the acquisition of BlackHorse and the use of \$8.7 million, net of cash acquired, for the acquisition of Echo Ridge, both in 2021. Also impacting the increase in cash used in investing activities was a decrease in proceeds from sale of investments in unconsolidated joint ventures to zero during 2022

compared to \$14.8 million during 2021. These increases in cash used in investment activities were offset in part by a \$20.8 million decrease in investments in unconsolidated joint ventures.

Net cash used in investing activities decreased \$105.5 million to \$240.9 million during 2021 compared to \$346.4 million during 2020, primarily due to the use of \$189.6 million, net of cash acquired, for the acquisition of BlackHorse and the use of \$8.7 million, net of cash acquired, for the acquisition of Echo Ridge in 2021, compared to \$302.4 million, net of cash acquired, for the acquisition of Braxton in 2020. Net cash used in investing activities also decreased due to proceeds from sale of investments in unconsolidated joint ventures of \$14.8 million and a decrease in cash used for capital expenditures of \$12.9 million, offset by increased investments in unconsolidated joint ventures of \$27.4 million.

Financing Activities

Net cash provided by (used in) financing activities is primarily associated with proceeds from debt, the repayment thereof, transactions related to the Company's common stock, and contributions by and distributions to noncontrolling interests.

Net cash provided by (used in) financing activities increased \$206.9 million to \$100.4 million in 2022 compared to \$(106.5) million in 2021. Cash provided by financing activities in 2022 included \$916.0 million in proceeds from borrowings under our credit agreement and \$350 million in proceeds from the Delayed Draw Term Loan. These increases in cash provided by financing activities were offset in part by a change in repayments borrowings under our credit agreement of \$866.0 million and a \$200 million repayment under our private placement debt.

Net cash (used in) provided by financing activities decreased \$454.7 million to (\$106.5) million in 2021 compared to \$348.2 million in 2020. 2021 activities include repayment of the \$50.0 million Series A tranche of our Senior Note during July 2021, repurchases of common stock of \$21.7 million and increased distributions to noncontrolling interests of \$32.1 million, compared to \$348.5 million of net proceeds from the issuance of Convertible Senior Notes in 2020.

Letters of Credit

We also have in place several secondary bank credit lines for issuing letters of credit, principally for foreign contracts, to support performance and completion guarantees. Letters of credit commitments outstanding under these bank lines aggregated \$222.5 million as of December 31, 2022. Letters of credit outstanding under the Credit Agreement total \$44.5 million.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in "Note 2—*Summary of Significant Accounting Policies*" in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Management makes estimates and judgments in preparing our consolidated financial statements. These estimates and judgments affect the reported amounts of certain assets and liabilities and the revenues and expenses reported for the periods presented in the consolidated financial statements. Although such estimates and assumptions are based on information available through the date of the issuance of our consolidated financial statements, actual results could differ significantly from those estimates and assumptions. Our estimates, judgments and assumptions are evaluated periodically and adjusted accordingly.

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

Revenue Recognition and Cost Estimation

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

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To the extent a contract is deemed to have multiple performance obligations, we allocate the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. We determine the relative standalone selling price utilizing observable prices for the sale of the underlying goods or services. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts or is not distinct in the context of the contract, which is mainly because we provide a significant service of integrating a complex set of tasks and components into a single project or capability. Engineering and construction contracts are generally accounted for as a single performance obligation, while our engineering and construction supervision contracts are accounted for as two separate performance obligations. When providing construction supervision services, we are not liable for the construction of the asset, but have an overall responsibility to oversee, coordinate, measure, and evaluate the quality of construction work and the performance of the construction contractor on behalf of the customer. Customers are generally billed as we satisfy our performance obligations and payment terms typically range from 30 to 120 days from the invoice date. Billings under certain fixed-price contracts may be based upon the achievement of specified milestones, while some arrangements may require advance customer payment. Our contracts generally do not include a significant financing component.

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

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

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

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

We often enter into contracts in which the amount billed to the customer corresponds directly with the amount of work performed. These contract types qualify for the "right to invoice" practical expedient method of measuring progress, in which the right to consideration corresponds directly with the value to the customer of our performance to date. For these contracts, revenue is recognized in the amount that we have the right to invoice.

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

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

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and current and long-term operating lease liabilities in the consolidated balance sheets. Finance leases are included in other noncurrent assets, accrued expenses and other current liabilities and other long-term liabilities in the consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit interest rate, incremental borrowing rates are used based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, such as vehicles, we account for the lease and non-lease components as a single lease component. Additionally, for certain equipment leases, we apply a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

We have operating and finance leases for corporate and project office spaces, vehicles, heavy machinery and office equipment. Our leases have remaining lease terms of one year to 10 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 up to the seventh year.

Business Combinations

The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of tangible and intangible assets acquired and obligations assumed is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings. Transaction costs associated with business combinations are expensed as incurred. The determination of fair values of assets acquired and liabilities assumed requires the Company to make estimates and use valuation techniques when a market value is not readily available. The Company adjusts the preliminary purchase prices allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as the Company obtains more information as to facts and circumstances existing at the acquisition date.

Goodwill and Intangible Assets

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

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

We perform a goodwill impairment test annually, on October 1st of each year, for each reporting unit that requires certain assumptions and estimates be made regarding industry economic factors and future profitability. For the years ended December 31, 2022, December 31, 2021 and December 31, 2020, we performed a quantitative analysis for all of our reporting units. It was determined that the fair value of each of our reporting units substantially exceeded their carrying values. As a result, no goodwill impairments were identified for those periods.

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

We use the Income Approach and Market Approach (Guideline Transaction and Guideline Company Method) to determine the fair value of reporting units. The Income Approach utilizes the discounted cash flow method, which focuses on the expected cash flow of the reporting unit. In applying this approach, the cash flow is calculated for a finite period of years. Beyond the finite period, a terminal value is developed using a sustainable long-term annual growth rate estimate. Then the finite period cash flows and the terminal value are discounted to present value to arrive at an indication of fair value. We utilized internal financial projections through fiscal 2027. The Market Approach utilizes market comparable transactions and comparable companies to calculate the estimated fair value. The guideline company approach focuses on comparing the reporting unit to select reasonably similar (or "guideline") publicly traded companies. Under this method, valuation multiples are derived from the median of the operating data of selected guideline companies and applied to the operating data of the reporting unit to arrive at an indicative value. In the similar transactions approach, consideration is given to prices paid in recent transactions that have occurred in the reporting unit's industry or in related industries. For the Federal Solutions reporting unit, only the Guideline Company Method is used as the Federal Solutions reporting unit has gone through multiple acquisitions during the past two years, thus making Guideline Transaction Method difficult to apply. For the Critical Infrastructure reporting unit, both the Guideline Transaction Method and Guideline Company Method are utilized to calculate the estimated fair value. Equal weighing is given to each of the methods used to estimate the fair value of reporting units. Our last review at October 1, 2022 (i.e., the first day of our fourth quarter in fiscal 2022), indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill.

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

Consolidation of Joint Ventures and Variable Interest Entities

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

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

We are required to perform an analysis to determine whether we are the primary beneficiary of our VIEs. We are deemed to be the primary beneficiary of a VIE if we have (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

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

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

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

ESOP

Throughout the year, as employee services are rendered, we record compensation expense based on salaries of eligible employees. Contributions of our common stock to the ESOP are made annually in amounts determined by our board of directors and are held in trust for the sole benefit of the participants. Shares allocated to a participant's account are fully vested after three years of credited service, or in the event(s) of reaching age 65, death or disability while an active employee.

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 our common stock based on quoted prices of a share of our 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.

Equity-Based Compensation

We measure the value of services received from employees and directors in exchange for an equity-based award based on the grant date fair value. We issue equity-based awards that settle in shares of our common stock. Awards containing performance measures are adjusted at each reporting period for the number of shares expected to be earned. Compensation cost for performance awards are true-up at each reporting period for changes in expected shares pro-rated for the portion of the requisite service period rendered. We recognize compensation costs for these awards on either a straight-line or accelerated basis over the vesting period of the award in "Selling, general and administrative expenses" in the consolidated statements of income.

Self-Insurance

We are self-insured for a portion of our losses and liabilities primarily associated with workers' compensation, general, professional, automobile, employee matters, certain medical plans, and project specific liability claims. Losses are accrued based upon our estimates of the aggregate liability for claims incurred using historical experience and certain actuarial assumptions, as provided by an independent

actuary. The estimate of self-insurance liability includes an estimate of incurred but not reported claims, based on data compiled from historical experience. Actual losses and related expenses may deviate, perhaps substantially, from the self-insurance liability estimates reflected in our financial statements.

Recent Accounting Pronouncements

See the information set forth in “Note 2—*Summary of Significant Accounting Policies*—Recently Adopted Accounting Pronouncements” in the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

As of December 31, 2022, 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.

Commitments and Contingencies

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

Item 7A. Qualitative and Quantitative Disclosure 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 December 31, 2022 and December 31, 2021, there were no amounts outstanding under the Revolving Credit Facility. Borrowings under the Revolving Credit Facility effective June 2021 bear interest at either an adjusted 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. Prior to June 2021, interest on borrowings under the Credit Facility were at either the base rate (as defined in the Credit Agreement), plus an applicable margin, or LIBOR plus an applicable margin. The applicable margin for base rate loans was a range of 0.125% to 1.00% and the applicable margin for LIBOR loans was a range of 1.125% to 2.00%, both based on the leverage ratio of the Company at the end of each quarter.

As of December 31, 2022, 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 December 31, 2022 was 5.7%.

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 8. Financial Statements and Supplementary Data.

The information required by this item 8 is submitted as a separate section beginning on page F-1 of this Annual Report on Form 10-K and is incorporated by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management carried out, as of December 31, 2022, 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 December 31, 2022, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit 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.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining for the Company adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Management, with the participation of its Chair and Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based on the framework established in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2022.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, which audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, also audited the effectiveness of our internal control over financial reporting as of December 31, 2022, as stated in their audit report included in this Annual Report on Form 10-K.

Consistent with the guidance issued by the Securities and Exchange Commission Staff, management has excluded Xator Corporation, which we acquired on May 31, 2022, from its evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022. The total assets and revenue related to Xator, a wholly owned subsidiary, are approximately 1% and 4%, respectively, of the related consolidated financial statement amounts as of the end for the fiscal year ended December 31, 2022.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, that occurred during the quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None

Item 10. Directors, Executive Officers and Corporate Governance.

Information related to our directors will be set forth under the caption “Proposal 1: Election of Directors” of our Proxy Statement for our Annual Meeting of Stockholders in 2023 (the “2023 Proxy Statement”). Such information is incorporated herein by reference.

Information relating to our Executive Officers is included in Part I of this Annual Report under the caption “Executive Officers.”

Information relating to compliance with Section 16(a) of the Exchange Act will be set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” of our 2023 Proxy Statement. Such information is incorporated herein by reference.

Information related to our code of ethics will be set forth under the caption “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2023 Proxy Statement. Such information is incorporated herein by reference.

Information relating to the Audit Committee and Board of Directors determinations concerning whether a member of the Audit Committee is a “financial expert” as that term is defined under Item 407(d)(5) of Regulation S-K will be set forth under the caption “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2023 Proxy Statement. Such information is incorporated herein by reference.

Item 11. Executive Compensation.

Information relating to this item will be set forth under the captions “Compensation Discussion and Analysis,” “Director Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report on Executive Compensation” of our 2023 Proxy Statement. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information relating to the security ownership of certain beneficial owners and management will be included in our 2023 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information relating to this item will be set forth under the captions “Certain Relationships and Related Party Transactions” and “Corporate Governance and General Information Concerning the Board of Directors and its Committees” of our 2023 Proxy Statement. Such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information relating to this item will be set forth under the caption “Independent Registered Public Accounting Firm Fees” of our 2023 Proxy Statement. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

- (a) List the following documents filed as a part of the report:
- (1) The Company's Consolidated Financial Statements at December 31, 2022 and December 31, 2021 and for each of the three years in the period ended December 31, 2022, and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements, are hereby filed as part of this report, beginning on page F-1.
 - (2) Valuation & Qualifying Accounts for each of the three years in the period ended December 31, 2022 are hereby filed as part of this report on page F-53.
 - (3) See Exhibit Index below.

Item 16. Form 10-K Summary

None.

Exhibit Index

Exhibit Number	Description
3.1#	Amended and Restated Certificate of Incorporation of Parsons Corporation.
3.2#	Amended and Restated Bylaws of Parsons Corporation.
3.3#	Second Amended and Restated Bylaws of Parsons Corporation.
4.1#	Description of Capital Stock of Parsons Corporation.
4.2#	Indenture, dated as of August 20, 2020, between Parsons Corporation and U.S. Bank National Association.
10.1#	2012 Amendment and Restatement of Parsons Employee Stock Ownership Plan (including all amendments to date), currently in effect.
10.2#	2019 Amendment and Restatement of Parsons Employee Stock Ownership Plan.
10.3#	First Amendment to the 2019 Amendment and Restatement of Parsons Employee Stock Ownership Plan, effective January 1, 2020
10.4#	Second Amendment to the 2019 Amendment and Restatement of Parsons Employee Stock Ownership Plan, effective May 8, 2019.
10.5#	Parsons Corporation Employee Stock Ownership Trust Agreement, effective as of December 31, 2005.
10.6#+	Parsons Corporation Restricted Award Plan.
10.7#+	Form of Restricted Award Units agreement under the Parsons Corporation Restricted Award Plan.
10.8#+	Parsons Corporation Annual Incentive Plan dated January 1, 2020.
10.9#+	Parsons Corporation Annual Incentive Plan Amended as of October 19, 2020.
10.10#+	Parsons Corporation Annual Incentive Plan Amendment dated January 1, 2021.
10.11#+	Parsons Corporation Shareholder Value Plan.
10.12#+	Parsons Corporation Long Term Growth Plan.
10.13#+	Parsons Corporation Share Value Retirement Plan.
10.14#+	Parsons Corporation Incentive Award Plan.
10.15#+	Form of Restricted Stock Unit Agreement under the Parsons Corporation Incentive Award Plan.
10.16#+	Third Amendment to the 2019 Amendment and Restatement of Parsons Employee Stock Ownership Plan, effective January 1, 2021.
10.17#+	Form of Restricted Stock Unit Agreement under the Parsons Corporation Incentive Award Plan (for Non-Employee Director Awards commencing in 2020).
10.18#+	Form of Restricted Stock Unit Agreement under the Parsons Corporation Incentive Award Plan (for Non-Employee Director Fee Deferral Awards commencing in 2020).
10.19#+	Form of Restricted Stock Unit Agreement under the Parsons Corporation Incentive Award Plan (for Non-Employee Director Awards in 2019).
10.20#+	Parsons Corporation Non-Employee Director Compensation Policy (as amended effective April 21, 2020).
10.21#+	Fee Deferral Plan for Outside Directors of the Parsons Corporation.
10.22#+	Parsons Corporation Employee Stock Purchase Plan.
10.23#+	Parsons Corporation Prospectus to Employee Stock Purchase Plan dated November 1, 2021.
10.24#+	Parsons Corporation Employee Stock Purchase Plan Special Offering Period dated November 1, 2021.

- 10.25#+ [Parsons Corporation Employee Stock Purchase Plan List of Participating Companies.](#)
- 10.26#+ [Supplemental Executive Retirement Plan dated January 1, 1997.](#)
- 10.27#+ [First Amendment to the SERP effective January 1, 2020.](#)
- 10.28#+ [Change in Control Severance Agreement, dated August 6, 2021, by and between Parsons Corporation and Carey Smith.](#)
- 10.29#+ [Change in Control Severance Agreement, dated August 9, 2021, by and between Parsons Corporation and Charles L. Harrington.](#)
- 10.30#+ [Change in Control Severance Agreement, dated August 6, 2021, by and between Parsons Corporation and George Ball.](#)
- 10.31#+ [Change in Control Severance Agreement, dated August 6, 2021, by and between Parsons Corporation and Michael Kolloway.](#)
- 10.32#+ [Change in Control Severance Agreement, dated August 6, 2021, by and between Parsons Corporation and David Spille.](#)
- 10.33#+ [Change in Control Severance Agreement, dated October 6, 2021, by and between Parsons Corporation and Matthew Ofilos.](#)
- 10.34#+ [Form of Equity Award Amendment Letter Agreement, dated August 10, 2020, by and between Parsons Corporation and George L. Ball.](#)
- 10.35#+ [Form of Equity Award Amendment Letter Agreement, dated August 10, 2020, by and between Parsons Corporation and Charles L. Harrington.](#)
- 10.36#+ [Form of Equity Award Amendment Letter Agreement, dated August 10, 2020, by and between Parsons Corporation and Carey A. Smith.](#)
- 10.37#+ [Form of Equity Award Amendment Letter Agreement, dated August 10, 2020, by and between Parsons Corporation and Michael R. Kolloway.](#)
- 10.38#+ [Form of Equity Award Amendment Letter Agreement, dated August 10, 2020, by and between Parsons Corporation and Debra Fiori.](#)
- 10.39#+ [Form of Performance Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and Carey A. Smith.](#)
- 10.40#+ [Form of Restricted Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and Carey A. Smith.](#)
- 10.41#+ [Form of Performance Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and Charles L. Harrington.](#)
- 10.42#+ [Form of Restricted Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and Charles L. Harrington.](#)
- 10.43#+ [Form of Performance Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and George Ball.](#)
- 10.44#+ [Form of Restricted Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and George Ball.](#)
- 10.45#+ [Form of Performance Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and Michael R. Kolloway.](#)
- 10.46#+ [Form of Restricted Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and Michael R. Kolloway.](#)
- 10.47#+ [Form of Performance Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and David Spille.](#)
- 10.48#+ [Form of Restricted Stock Unit Award Amendment, dated July 19, 2021, by and between Parsons Corporation and David Spille.](#)
- 10.49#+ [Note Purchase Agreement, dated as of May 9, 2014, among Parsons Corporation and the purchasers party thereto, and the forms of Senior Notes.](#)

- 10.50# [Subsidiary Guaranty, dated as of July 1, 2014, by each of Parsons Constructors Inc., Parsons Engineering of New York, Inc., Parsons Environment & Infrastructure Group Inc., Parsons Government Services Inc., Parsons Government Services International Inc., Parsons International Limited, Parsons Technical Services Inc., Parsons Transportation Group Inc., Parsons Water & Infrastructure Inc., PTSI Managed Services Inc., Parsons RCI Inc. and each entity that may from time to time become a Guarantor thereunder.](#)
- 10.51# [First Amendment to the Note Purchase Agreement, dated as of August 10, 2018, by and between Parsons Corporation and the purchasers party thereto.](#)
- 10.52# [Fifth Amended and Restated Credit Agreement, dated as of November 15, 2017, by and among Parsons Corporation, the lenders from time to time party thereto, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent, swing line bank and co-lead arranger, Wells Fargo Bank, National Association, as syndication agent, The Bank of Nova Scotia, JPMorgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation and U.S. Bank National Association, as documentation agents, and Wells Fargo Securities, LLC, as co-lead arranger.](#)
- 10.53# [First Amendment to the Fifth Amended and Restated Credit Agreement, dated as of January 4, 2019, by and among Parsons Corporation, the Banks party thereto and MUFG Bank Ltd, as administrative agent.](#)
- 10.54# [Credit Agreement dated June 25, 2021, among Parsons Corporation, the Guarantors, the Lenders, and Bank of America, N.A., as Administrative Agent, Swingline Lender, and an L/C Issuer.](#)
- 10.55# [Term Loan Agreement, dated as of January 4, 2019, among Parsons Corporation, MUFG Union Bank, N.A., as administrative agent, The Bank of Nova Scotia, as syndication agent, the other financial institutions party thereto and MUFG Union Bank, N.A. and The Bank of Nova Scotia, as co-lead arrangers.](#)
- 10.56# [Form of Employee Stockownership Trust Agreement, dated as of June 8, 2020, by and between Parsons Corporation and Newport Trust Company.](#)
- 10.57# [Form of Registration Rights Agreement by and between Parsons Corporation and Newport Trust Company.](#)
- 10.58# [Form of Fifth Amendment to the Parsons Corporation Retirement Savings Plan.](#)
- 10.59#+ [Form of Fourth Amendment to the 2019 Amendment and Restatement of Parsons Employee Stock Ownership Plan, effective March 1, 2021.](#)
- 10.60#+ [Fourth Amendment to the Parsons Employee Stock Ownership Plan 2019 Amendment and Restatement, effective March 1, 2021.](#)
- 10.61#+ [Form of Indemnification Agreement between Parsons Corporation and certain of its directors and officers.](#)
- 10.62#+ [Form of Transition Agreement, dated February 2022, by and between Parsons Corporation and Charles L. Harrington.](#)
- 10.63# [Delayed Draw Term Loan Agreement and Form of First Amendment to Credit Agreement.](#)
- 10.64* [Xator Purchase Agreement.](#)
- 10.65#+ [Seventh Amendment to The Parsons Corporation Retirement Savings Plan \(2017 Amendment and Restatement\).](#)
- 10.66#+ [Fifth Amendment to The Parsons Employee Stock Ownership Plan 2019 Amendment and Restatement.](#)
- 10.67#+ [Sixth Amendment to The Parsons Employee Stock Ownership Plan 2019 Amendment and Restatement.](#)
- 21.1* [List of Subsidiaries of the Registrant.](#)
- 23.1* [Consent of PricewaterhouseCoopers LLP.](#)
- 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 Annual Report on Form 10-K for the year ended December 31, 2021, 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).

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- * Filed herewith.
Previously filed.
+ Indicates a management contract or compensatory plan or arrangement.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Parsons Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Parsons Corporation and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of income, of comprehensive income, of changes in redeemable common stock and shareholders' equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible instruments and contracts in an entity's own equity in 2021.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included

performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Xator Corporation ("Xator") from its assessment of internal control over financial reporting as of December 31, 2022, because it was acquired by the Company in a purchase business combination during 2022. We have also excluded Xator from our audit of internal control over financial reporting. Xator is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 1% and less than 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition – Determination of Estimated Contract Cost and Variable Consideration related to Estimated Claims Revenue for Fixed-Price Contracts Recognized Over Time

As described in Notes 2 and 4 to the consolidated financial statements, revenue is derived from long-term contracts with customers whereby the Company provides planning, design, engineering, technical, and construction and program management services. The Company enters into cost-plus, time-and-materials, and fixed-price contracts with its customers. Fixed-price contract revenue recognized was \$1.1 billion for the year ended December 31, 2022, which accounts for approximately 27% of the Company's total consolidated revenue. Fixed-price contract revenue is recognized over time using an input measure (i.e., costs incurred to date relative to total estimated costs at completion) to measure progress. Under the cost-to-cost measure of progress method, the extent of progress towards completion is measured based on the ratio of total costs incurred to-date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Management includes variable consideration, such as claims revenue, in the estimated transaction price to

the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Contract costs consist of direct costs on contracts, including labor and materials, amounts payable to subcontractors, direct overhead costs and equipment expense (primarily depreciation, fuel, maintenance and repairs). Changes to estimated contract costs, either due to unexpected events or revisions to management's initial estimates, for a given project are recognized in the period in which they are determined. Recognition of profit on long-term contracts requires the use of assumptions and estimates related to total contract revenue and in particular estimated claims revenue, total estimated cost at completion, and the measurement of progress towards completion. Management's estimates are continually evaluated as work progresses and are revised when necessary.

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically the determination of estimated contract cost and variable consideration related to estimated claims revenue for fixed-price contracts recognized over time is a critical audit matter are (i) the significant judgment by management in determining the estimated contract cost and variable consideration related to estimated claims revenue for fixed-price contracts; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence for the estimated contract cost and variable consideration related to estimated claims revenue for fixed-price contracts recognized over time.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the determination of estimated contract cost and variable consideration related to estimated claims revenue for fixed-price contracts recognized over time. These procedures also included, among others, for a selection of fixed-price contracts, (i) evaluating and testing management's process for determining the estimated contract cost and variable consideration related to estimated claims revenue, which included reading contracts and other documents related to the estimates, and testing of underlying incurred and estimated contract costs; (ii) assessing management's ability to reasonably estimate total contract costs by performing a comparison of the actual estimated contract cost as compared with prior period estimates, including evaluating the timely identification of circumstances that may warrant a modification to the estimated contract cost; and (iii) evaluating estimated claims revenue by inquiry with external legal counsel regarding the underlying claim and agreeing estimated claims revenue to documents related to those estimates.

Acquisition of Xator Corporation - Valuation of the Customer Relationships Intangible Asset

As described in Notes 2 and 3 to the consolidated financial statements, on May 31, 2022, the Company acquired a 100% ownership interest in Xator Corporation (Xator) for \$388.3 million which resulted in \$123.5 million of intangible assets being recorded, of which \$37 million related to a customer relationships intangible asset. Management accounts for business combinations using the acquisition method, under which the purchase price of an acquired company is allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires management to make estimates and use valuation techniques when a market value is not readily available. Management's determination of the fair value of the intangible assets acquired involved the use of significant estimates and assumptions related to revenue growth rates and projected EBITDA margins.

The principal considerations for our determination that performing procedures relating to the valuation of the customer relationships intangible asset acquired in the acquisition of Xator is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the customer relationships intangible asset acquired; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the revenue growth rates and projected EBITDA margins; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to acquisition accounting, including controls over the significant assumptions used in management's valuation of the customer relationships intangible asset. These procedures also included, among others (i) reading the purchase agreement; (ii) testing management's process for developing the fair value estimate of the customer relationships intangible asset; (iii) evaluating the appropriateness of the valuation technique; (iv) testing the completeness and accuracy of the underlying data used in the valuation technique; and (v) evaluating the reasonableness of significant assumptions related to the revenue growth rates and projected EBITDA margins. Evaluating the reasonableness of management's significant assumptions related to the revenue growth rates and projected EBITDA margins involved considering (i) the current and past performance of the acquired business; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of management's valuation technique.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
February 17, 2023

We have served as the Company's auditor since at least 1969. We have not been able to determine the specific year we began serving as the auditor of the Company.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except shares and par value)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents (including \$53,193 and \$78,514 Cash of consolidated joint ventures)	\$ 262,539	\$ 342,608
Restricted cash and investments	-	1,275
Accounts receivable, net (including \$217,419 and \$140,266 Accounts receivable of consolidated joint ventures, net)	717,345	598,311
Contract assets (including \$11,313 and \$8,779 Contract assets of consolidated joint ventures)	634,033	579,216
Prepaid expenses and other current assets (including \$7,913 and \$18,783 Prepaid expenses and other current assets of consolidated joint ventures)	105,866	110,941
Total current assets	1,719,783	1,632,351
Property and equipment, net (including \$2,543 and \$1,721 Property and equipment of consolidated joint ventures, net)	96,050	104,196
Right of use assets, operating leases	155,090	182,672
Goodwill	1,661,850	1,412,690
Investments in and advances to unconsolidated joint ventures	107,425	110,688
Intangible assets, net	254,127	207,821
Deferred tax assets	137,709	134,393
Other noncurrent assets	66,108	46,129
Total assets	\$ 4,198,142	\$ 3,830,940
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (including \$49,078 and \$78,558 Accounts payable of consolidated joint ventures)	\$ 201,428	\$ 196,286
Accrued expenses and other current liabilities (including \$102,417 and \$82,746 Accrued expenses and other current liabilities of consolidated joint ventures)	630,193	599,089
Contract liabilities (including \$40,654 and \$14,333 Contract liabilities of consolidated joint ventures)	213,064	171,671
Short-term lease liabilities, operating leases	59,144	55,902
Income taxes payable	4,290	7,836
Total current liabilities	1,108,119	1,030,784
Long-term employee incentives	17,375	15,997
Long-term debt	743,605	591,922
Long-term lease liabilities, operating leases	111,417	148,893
Deferred tax liabilities	12,471	11,400
Other long-term liabilities	109,220	94,832
Total liabilities	2,102,207	1,893,828
Contingencies (Note 14)		
Shareholders' equity:		
Common stock, \$1 par value; authorized 1,000,000,000 shares; 146,132,016 and 146,276,880 shares issued; 40,960,845 and 33,331,494 public shares outstanding; 63,742,151 and 70,328,237 ESOP shares outstanding	146,132	146,277
Treasury stock, 41,429,020 shares at cost	(844,936)	(867,391)
Additional paid-in capital	2,717,134	2,684,979
Retained earnings (accumulated deficit)	43,089	(53,529)
Accumulated other comprehensive loss	(17,849)	(9,568)
Total Parsons Corporation shareholders' equity	2,043,570	1,900,768
Noncontrolling interests	52,365	36,344
Total shareholders' equity	2,095,935	1,937,112
Total liabilities and shareholders' equity	\$ 4,198,142	\$ 3,830,940

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

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
Years Ended December 31, 2022, December 31, 2021 and December 31, 2020
(in thousands, except for per share data)

	2022	2021	2020
Revenue	\$ 4,195,272	\$ 3,660,771	\$ 3,918,946
Direct cost of contracts	3,248,550	2,807,950	3,042,087
Equity in earnings of unconsolidated joint ventures	16,347	36,862	30,059
Selling, general and administrative expenses	777,403	757,237	729,103
Operating income	<u>185,666</u>	<u>132,446</u>	<u>177,815</u>
Interest income	966	396	787
Interest expense	(23,185)	(17,697)	(20,956)
Other income (expense), net	2,775	(2,557)	3,767
Total other (expense) income	<u>(19,444)</u>	<u>(19,858)</u>	<u>(16,402)</u>
Income before income tax expense	166,222	112,588	161,413
Income tax expense	<u>(39,657)</u>	<u>(23,636)</u>	<u>(42,492)</u>
Net income including noncontrolling interests	126,565	88,952	118,921
Net income attributable to noncontrolling interests	<u>(29,901)</u>	<u>(24,880)</u>	<u>(20,380)</u>
Net income attributable to Parsons Corporation	<u>\$ 96,664</u>	<u>\$ 64,072</u>	<u>\$ 98,541</u>
Earnings per share:			
Basic earnings per share	<u>\$ 0.93</u>	<u>\$ 0.62</u>	<u>\$ 0.98</u>
Diluted earnings per share	<u>\$ 0.87</u>	<u>\$ 0.59</u>	<u>\$ 0.97</u>

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

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022, December 31, 2021 and December 31, 2020
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net income including noncontrolling interests	\$ 126,565	\$ 88,952	\$ 118,921
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment, net of tax	(7,752)	3,834	484
Pension adjustments, net of tax	(547)	460	(88)
Comprehensive income including noncontrolling interests, net of tax	118,266	93,246	119,317
Comprehensive income attributable to noncontrolling interests, net of tax	(29,883)	(24,877)	(20,380)
Comprehensive income attributable to Parsons Corporation, net of tax	<u>\$ 88,383</u>	<u>\$ 68,369</u>	<u>\$ 98,937</u>

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

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
Years Ended December 31, 2022, December 31, 2021 and December 31, 2020

<i>(in thousands)</i>	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Total Parsons Equity (Deficit)	Noncontrolling Interests	Total
Balances at December 31, 2019	<u>\$ 146,441</u>	<u>\$ (934,240)</u>	<u>\$ 2,649,975</u>	<u>\$ (218,025)</u>	<u>\$ (14,261)</u>	<u>\$ 1,629,890</u>	<u>\$ 30,866</u>	<u>\$ 1,660,756</u>
Comprehensive income								
Net income	—	—	—	98,541	—	98,541	20,380	118,921
Foreign currency translation gain	—	—	—	—	484	484	—	484
Pension adjustments	—	—	—	—	(88)	(88)	—	(88)
Adoption of ASU 2016-13				(1,000)		(1,000)	—	(1,000)
Contributions of treasury stock to ESOP	—	34,912	20,010	—	—	54,922	—	54,922
Contributions	—	—	—	—	—	—	2,215	2,215
Distributions	—	—	—	—	—	—	(5,816)	(5,816)
Issuance of equity securities, net of retirements	168	—	2,957	(85)	—	3,040	—	3,040
Equity component value of convertible note issuance	—	—	53,552	—	—	53,552	—	53,552
Purchase of convertible note hedge	—	—	(54,611)	—	—	(54,611)	—	(54,611)
Sale of common stock warrants	—	—	13,808	—	—	13,808	—	13,808
Stock-based compensation	—	—	15,234	—	—	15,234	—	15,234
Balances at December 31, 2020	<u>\$ 146,609</u>	<u>\$ (899,328)</u>	<u>\$ 2,700,925</u>	<u>\$ (120,569)</u>	<u>\$ (13,865)</u>	<u>\$ 1,813,772</u>	<u>\$ 47,645</u>	<u>\$ 1,861,417</u>
Comprehensive income								
Net income	—	—	—	64,072	—	64,072	24,880	88,952
Foreign currency translation gain (loss), net	—	—	—	—	3,837	3,837	(3)	3,834
Pension adjustments, net	—	—	—	—	460	460	—	460
Contributions of treasury stock to ESOP	—	31,937	22,064	—	—	54,001	—	54,001
Adoption of ASU 2020-06			(40,002)	2,782		(37,220)		(37,220)
Contributions	—	—	—	—	—	—	1,754	1,754
Distributions	—	—	—	—	—	—	(37,932)	(37,932)
Issuance of equity securities, net of retirement	287	—	2,887	186	—	3,360	—	3,360
Repurchase of common stock	(619)	—	(21,082)	—	—	(21,701)	—	(21,701)
Stock-based compensation	—	—	20,187	—	—	20,187	—	20,187
Balances at December 31, 2021	<u>\$ 146,277</u>	<u>\$ (867,391)</u>	<u>\$ 2,684,979</u>	<u>\$ (53,529)</u>	<u>\$ (9,568)</u>	<u>\$ 1,900,768</u>	<u>\$ 36,344</u>	<u>\$ 1,937,112</u>
Comprehensive income								
Net income	—	—	—	96,664	—	96,664	29,901	126,565
Foreign currency translation gain (loss), net	—	—	—	—	(7,734)	(7,734)	(18)	(7,752)
Pension adjustments, net	—	—	—	—	(547)	(547)	—	(547)
Contributions of treasury stock to ESOP	—	22,455	31,346	—	—	53,801	—	53,801
Contributions	—	—	—	—	—	—	10,266	10,266
Distributions	—	—	—	—	—	—	(24,128)	(24,128)
Issuance of equity securities, net of retirement	429	—	(773)	(46)	—	(390)	—	(390)
Repurchases of common stock	(574)	—	(21,426)	—	—	(22,000)	—	(22,000)
Stock-based compensation	—	—	23,008	—	—	23,008	—	23,008
Balances at December 31, 2022	<u>\$ 146,132</u>	<u>\$ (844,936)</u>	<u>\$ 2,717,134</u>	<u>\$ 43,089</u>	<u>\$ (17,849)</u>	<u>\$ 2,043,570</u>	<u>\$ 52,365</u>	<u>\$ 2,095,935</u>

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

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2022, December 31, 2021 and December 31, 2020

<i>(in thousands)</i>	2022	2021	2020
Cash flows from operating activities			
Net income including noncontrolling interests	\$ 126,565	\$ 88,952	\$ 118,921
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	120,501	144,209	127,980
Amortization of debt issue costs	3,029	2,817	1,356
Amortization of convertible notes discount	—	—	3,831
(Gain) loss on disposal of property and equipment	(164)	338	116
Provision for doubtful accounts	57	8	(1,503)
Deferred taxes	(844)	(3,468)	1,271
Foreign currency transaction gains and losses	1,973	4,916	(493)
Equity in earnings of unconsolidated joint ventures	(16,347)	(36,862)	(30,059)
Return on investments in unconsolidated joint ventures	28,417	24,494	41,457
Stock-based compensation	23,008	20,187	15,234
Contributions of treasury stock	54,659	54,905	55,327
Changes in assets and liabilities, net of acquisitions and newly consolidated joint ventures			
Accounts receivable	(117,318)	99,894	(8,623)
Contract assets	(32,032)	1,494	9,243
Prepaid expenses and other assets	(1,405)	(18,798)	11,494
Accounts payable	(717)	(31,766)	1,494
Accrued expenses and other current liabilities	3,879	(74,683)	3,405
Contract liabilities	41,306	(30,407)	(29,674)
Income taxes	(3,649)	2,878	(3,080)
Other long-term liabilities	6,608	(43,534)	(28,536)
Net cash provided by operating activities	<u>237,526</u>	<u>205,574</u>	<u>289,161</u>
Cash flows from investing activities			
Capital expenditures	(30,593)	(21,105)	(34,036)
Proceeds from sale of property and equipment	771	1,329	1,546
Payments for acquisitions, net of cash acquired	(379,467)	(198,256)	(302,894)
Investments in unconsolidated joint ventures	(17,622)	(38,459)	(11,038)
Return of investments in unconsolidated joint ventures	9,443	772	53
Proceeds from sales of investments in unconsolidated joint ventures	—	14,812	—
Net cash used in investing activities	<u>(417,468)</u>	<u>(240,907)</u>	<u>(346,369)</u>
Cash flows from financing activities			
Proceeds from borrowings	916,000	—	212,900
Proceeds from delayed draw term loan	350,000	—	—
Repayments of borrowings	(916,000)	(50,000)	(212,900)
Repayment of private placement debt	(200,000)	—	—
Payments for debt costs and credit agreement	(862)	(1,937)	—
Proceeds from issuance of convertible notes	—	—	400,000
Payments for acquired warrants	(11,243)	—	—
Payments for purchase of bond hedges	—	—	(54,968)
Proceeds from issuance of warrants	—	—	13,808
Transaction costs paid in connection with convertible notes issuance	—	—	(10,250)
Contributions by noncontrolling interests	10,266	1,754	2,215
Distributions to noncontrolling interests	(24,128)	(37,932)	(5,816)
Repurchases of common stock	(22,000)	(21,701)	—
Taxes paid on vested stock	(7,042)	(2,242)	(1,149)
Proceeds from issuance of common stock	5,377	5,555	4,386
Net cash provided by (used in) financing activities	<u>100,368</u>	<u>(106,503)</u>	<u>348,226</u>
Effect of exchange rate changes	(1,770)	(1,496)	823
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(81,344)</u>	<u>(143,332)</u>	<u>291,841</u>
Cash, cash equivalents and restricted cash			
Beginning of year	343,883	487,215	195,374
End of year	<u>\$ 262,539</u>	<u>\$ 343,883</u>	<u>\$ 487,215</u>
Cash paid during the year for			
Interest	\$ 20,819	\$ 14,993	\$ 14,207
Income taxes (net of refunds)	32,175	22,461	55,354

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. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of Parsons Corporation and its subsidiaries and affiliates which it controls. Interests in joint ventures that are controlled by the Company, or for which the Company is otherwise deemed to be the primary beneficiary, are consolidated. For joint ventures in which the Company does not have a controlling interest, but exerts significant influence, the Company applies the equity method of accounting. Intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The Company’s most significant estimates and judgments involve revenue recognition with respect to the determination of the costs to complete contracts and transaction price; determination of self-insurance reserves; useful lives of property and equipment and intangible assets; valuation of deferred income tax assets and uncertain tax positions, among others.

ESOP

The Company maintains a non-leveraged ESOP for eligible employees, for which the Company contributes shares of its own stock to the ESOP trust each year. Throughout the year, as employee services are rendered, the Company records compensation expense based on salaries of eligible employees. At each reporting period, the shares held within the ESOP or committed to be contributed to the ESOP are adjusted to their redemption value through an offsetting charge or credit to retained earnings/accumulated deficit.

Treasury Stock

The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. The Company records the reissuance of treasury stock using the first-in, first-out method of accounting. Contributions of 1,188,129 shares, 1,631,477 shares, and 1,522,381 shares of common stock were made to the ESOP in 2022, 2021 and 2020, respectively.

Share Repurchases

During the third quarter of 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. 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.

Earnings per Share

Basic earnings per common share ("EPS") is calculated by dividing Net income by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated using the if-converted method by dividing adjusted net income by adjusted weighted average outstanding shares, assuming conversion of all potentially dilutive securities. Upon contribution to the ESOP, the shares become outstanding and are included within the earnings per share computations.

Revenue Recognition

In accordance with ASC 606, the Company follows the five-step process in ASC 606 to recognize revenue:

1. Identify the contract
2. Identify performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

Contracts—Revenue is derived from long-term contracts with customers whereby the Company provides planning, design, engineering, technical, and construction and program management services. The Company has contracts with the United States federal government that contain provisions requiring compliance with the United States Federal Acquisition Regulation ("FAR") and the United States Cost Accounting Standards ("CAS"). These regulations are generally applicable to all of the Company's federal government contracts and are partially or fully incorporated in some local and state agency contracts. Most of the Company's federal government contracts are subject to termination at the convenience of the client. These contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

The Company enters into the following types of contracts with its customers:

Cost-Plus—Under cost-plus contracts, the Company is reimbursed for allowable or otherwise defined costs incurred, plus a fee. The contracts may also include incentives for 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.

Time-and-Materials—Under time-and-materials contracts, hourly billing rates are negotiated and charged to clients based on the actual time spent on a project. In certain cases, these contracts may be subject to maximum contract values. In addition, clients reimburse actual out-of-pocket costs for materials and other direct incidental expenditures that are incurred in connection with the performance under the contract.

Fixed-Price—The Company enters into two types of fixed-price contracts: firm fixed-price ("FFP") and fixed-price per unit ("FPPU"). Under FFP contracts, clients pay an agreed fixed-amount negotiated in advance for a specified scope of work.

Contract Costs—Contract costs consist of direct costs on contracts, including labor and materials, amounts payable to subcontractors, direct overhead costs and equipment expense (primarily depreciation, fuel, maintenance and repairs). All contract costs are recorded as incurred. Changes to estimated contract costs, either due to unexpected events or revisions to management's initial estimates, for a given project are recognized in the period in which they are determined. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the client, generate or enhance resources that will be used in satisfying performance obligations in the future and directly relate to an existing or anticipated contract. Costs to mobilize equipment and labor to a job site, prior to substantive work beginning ("mobilization costs") are capitalized as incurred and amortized over the expected duration of the contract. Additionally, the Company may incur incremental costs to obtain certain contracts, such as selling and market costs, bid and proposal costs, sales commissions, and legal fees, certain of which can be capitalized if they are recoverable under the contract. Capitalized contract costs are included in other current assets on the consolidated balance sheets and were not material as of December 31, 2022 and December 31, 2021.

Performance Obligations—A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To the extent a contract is deemed to have multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The Company determines the relative standalone selling price utilizing observable prices for the sale of the underlying goods or services. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts or is not distinct in the context of the contract, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability. Engineering and construction contracts are generally accounted for as a single performance obligation while our engineering and construction supervision contracts are accounted for as two separate performance obligations. When providing construction supervision services, the Company is not liable for the construction of the asset, but has an overall responsibility to oversee, coordinate, measure, and evaluate the quality of construction work and the performance of the construction contractor on behalf of the customer. Customers are generally billed as the Company satisfies its performance obligations and payment terms typically range from 30 to 120 days from the invoice date. Billings under certain fixed-price contracts may be based upon the achievement of specified milestones, while some arrangements may require advance customer payment. The Company's contracts generally do not include a significant financing component.

Variable Consideration—The transaction price for the Company's contracts may include variable consideration, which includes increases to transaction price for approved and unpriced change orders, claims and incentives, and reductions to transaction price for liquidated damages. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. The Company estimates variable consideration for a performance obligation utilizing one of the two prescribed methods, depending on which method better predicts the amount of consideration to which the Company will be entitled (or the amount the Company expects to incur in the case of liquidated damages). Such methods are: (a) the expected value method, whereby the amount of variable consideration to be recognized represents the sum of probability weighted amounts in a range of possible consideration amounts, and (b) the most likely amount method, whereby the amount of variable consideration to be recognized represents the single most likely amount in a range of possible consideration amounts. When applying these methods, the Company considers all information that is reasonably available, including historical, current and estimates of future performance. The expected value method is utilized in situations where a contract contains a large number of possible outcomes, while the most likely amount method is utilized in situations where a contract has only two possible outcomes.

The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis.

Change Orders—Change orders, which are a normal and recurring part of business, may include changes in specifications or design, manner of performance, facilities, equipment, materials, sites and period of completion of the work. The Company or customer may initiate change orders. Most change orders are not distinct from the existing contract and are accounted for as part of that existing contract. The effect of a change order on the transaction price and measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenues (either as an increase in or a reduction of revenues) on a cumulative catch-up basis. Revenues from unpriced change orders are recognized to the extent of the amounts the Company expects to recover, consistent with the variable consideration policy discussed above. If it is probable that a reversal of revenues will occur, the costs attributable to change orders are treated as contract costs without incremental revenues. To the extent change orders included in the price are not resolved in the Company's favor, there could be reductions in, or reversals of previously reported amounts of, revenues and profits, and charges against current earnings, which could be material.

Claims Revenue—Claims revenue are amounts in excess of agreed contract prices that the Company seeks to collect from clients or others for customer-caused delays, errors in specifications and designs, contract terminations, change orders that are in dispute, or other causes of unanticipated additional contract costs, including factors outside of our control, and therefore the Company believes it is entitled to additional compensation. Claims revenue, when recorded, is only recorded to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. The Company includes certain claims in the transaction price when the claims are legally enforceable, the Company considers collection to be probable and believes it can reliably estimate the ultimate value. The Company continues to engage in negotiations with its customers on outstanding claims. However, these claims may be resolved at amounts that differ from current estimates, which could result in increases or decreases in future estimated contract profits or losses.

Warranties—In most cases, contracts include assurance-type warranties that the Company's performance is free from material defect and consistent with the specifications of the Company's contracts, which do not give rise to a separate performance obligation. To the extent the warranty terms provide the customer with an additional service, such as extended maintenance services, such warranty is accounted for as a separate performance obligation.

Revenue recognized over time—The Company's performance obligations are generally satisfied over time as work progresses because of continuous transfer of control to the customer and the Company has the right to bill the customer as costs are incurred. Typically, revenue is recognized over time using an input measure (i.e. costs incurred to date relative to total estimated costs at completion) to measure progress. The Company generally uses the cost-to-cost measure of progress method because it best depicts the transfer of control to the customer which occurs as the Company incurs costs on its contracts. Under the cost-to-cost measure of progress method, the extent of progress towards completion is measured based on the ratio of total costs incurred to-date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Any expected losses on construction-type contracts in progress are charged to earnings, in total, in the period the losses are identified. The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any

time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the total loss in the period it is identified.

Right to invoice practical expedient—For performance obligations satisfied over time where the Company has a right to consideration from a customer in an amount that corresponds directly with the value of the Company's performance to-date, the Company recognizes revenue in the amount to which it has a right to invoice. For the Company's reimbursable services contracts, revenue is recognized using the right to invoice practical expedient, or on a cost-to-cost measure of progress method. The Company will select the method that best represents progress on a project.

Revenue recognized at a point in time—For performance obligations satisfied at a point in time, revenue is recognized when the services are performed, control is transferred, and the performance obligation is complete. The Company recognizes revenue at a point in time for vehicle inspection services. Revenue related to the inspection service is recognized for each vehicle inspection at the point the Company has completed the inspection.

In the Company's industry, recognition of profit on long-term contracts requires the use of assumptions and estimates related to total contract revenue and in particular estimated claims revenue, total estimated cost at completion, and the measurement of progress towards completion. Estimates are continually evaluated as work progresses and are revised when necessary. When a change in estimate is determined to have an impact on contract profit, the Company records a positive or negative adjustment to the consolidated statements of income.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of less than three months to be cash equivalents. Cash equivalent investments are carried at cost, which approximates fair value, and consist primarily of United States Treasuries, time deposits, and other forms of short-term fixed income investments.

Restricted Cash and Investments

Restricted cash and investments held in trust accounts represent collateral for certain incentive programs.

Accounts Receivable, Net

Accounts receivable includes billed and unbilled amounts and are recognized in the period when the Company's rights to receive consideration are unconditional.

The Company establishes an allowance for doubtful accounts based on 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. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amounts due.

Contract Assets and Contract Liabilities

Projects with performance obligations recognized over time that have revenue recognized to-date in excess of cumulative billings and unbilled accounts receivable are reported on our consolidated balance sheets as "Contract assets". Contract retentions, included in contract assets, represent amounts withheld by clients, in accordance with underlying contract terms, until certain conditions are met or the project is completed. The operating cycle for certain long-term contracts may extend beyond one year, and, accordingly, collection of retainage on those contracts may extend beyond one year. Contract assets are reclassified to accounts receivable when the right to consideration becomes unconditional.

Contract liabilities on uncompleted contracts represent the excess of cash collected from clients and billings to clients on contracts in advance of work performed over the amount of revenue recognized and provisions for losses. The majority of these amounts are expected to be earned within 12 months and are classified as current liabilities.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivables. The Company's cash is primarily held with major banks and financial institutions throughout the world. At times, cash balances may be in excess of the amount insured.

The Company is involved in a significant volume of contracts with the United States federal government and state and local governments. Approximately 53%, 52%, and 49% of consolidated revenues for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively, and approximately 17% of accounts receivable as of both December 31, 2022 and December 31, 2021, were derived from contracts with the United States federal government. No other customers represented 10% or more of consolidated revenues or accounts receivable in any of the periods presented.

In order to mitigate the credit risk associated with customers, the Company performs periodic credit evaluations of its customers' financial condition.

Property and Equipment

Property and equipment are stated at cost and are shown net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful lives or the remaining term of the lease.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any gain or loss thereon is included in net income. Expenditures for maintenance and repairs are expensed as incurred. Property and equipment are reviewed for impairment when events or circumstances change that indicate they may not be recoverable. Impairment losses are recognized when estimated future cash flows expected to result from the use of the assets and their eventual disposition are less than their carrying amount, in which case the asset is written down to its fair value.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and current and long-term operating lease liabilities in the consolidated balance sheets. Finance leases are included in other noncurrent assets, accrued expenses and other current liabilities and other long-term liabilities in the consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, incremental borrowing rates are used based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components where the lease consideration is allocated between the components based on relative standalone prices. For real property leases, allocations of lease consideration between lease and non-lease components are immaterial. For certain equipment leases, such as vehicles, we account for the lease and non-lease components as a single lease component. Additionally, for certain equipment leases, we apply a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

Equity-Based Compensation

The Company measures the value of services received from employees and directors in exchange for an equity-based award based on the grant date fair value. The Company issues equity-based awards that settle in shares of the Company's common stock. Awards containing performance measures are adjusted at each reporting period for the number of shares expected to be earned. Compensation cost for performance awards are true-up at each reporting period for the number of shares expected to be earned pro-rated for the portion of the requisite service period rendered. The Company recognizes compensation costs for these awards on either a straight-line or accelerated basis over the vesting period of the award in selling, general and administrative expense in the consolidated statements of income.

Business Combinations

The Company accounts for business combinations using the acquisition method, under which the purchase price of an acquired company is allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their fair values at the date of acquisition. Any excess of purchase price over the fair value of tangible and intangible assets acquired and liabilities assumed is allocated to goodwill. The determination of fair values of assets acquired and liabilities assumed requires the Company to make estimates and use valuation techniques when a market value is not readily available.

The Company's determination of the fair value of the intangible assets acquired involves the use of significant estimates and assumptions related to discount rates, revenue growth rates, projected margins, and customer revenue attrition rates.

The Company adjusts the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as the Company obtains more information as to facts and circumstances existing at the acquisition date. Acquisition-related costs are recognized separate from the acquisition and are expensed as incurred.

Consolidation of Joint Ventures and Variable Interest Entities

The Company participates in joint ventures, which include partnerships and partially owned limited liability corporations, to bid, negotiate and complete specific projects. The Company is required to consolidate these joint ventures if it holds the majority voting interest or if the joint venture is determined to be a variable interest entity ("VIE") for which the Company is the primary beneficiary, as described below.

A VIE is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (b) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation

to absorb expected losses or the right to receive expected residual returns; or (c) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor with disproportionately low voting rights. The Company's VIEs may be funded through contributions, loans and/or advances from the joint venture partners or by advances and/or letters of credit provided by clients. Certain VIEs are directly governed, managed, operated and administered by the joint venture partners. Others have no employees and, although these entities own and hold the contracts with the clients, the services required by the contracts are typically performed by the joint venture partners or by other subcontractors.

The Company is considered the primary beneficiary and required to consolidate a VIE if it has the power to direct the activities that most significantly impact that VIE's economic performance, and the obligation to absorb losses or the right to receive benefits of that VIE that could potentially be significant to the VIE. In determining whether the Company is the primary beneficiary, significant assumptions and judgments include the following: (1) identifying the significant activities and the parties that have the power to direct them; (2) reviewing the governing board composition and participation ratio; (3) determining the equity, profit and loss ratio; (4) determining the management-sharing ratio; (5) reviewing employment terms; and (6) reviewing the funding and operating agreements. Examples of significant activities currently being performed by the Company's significant consolidated and unconsolidated joint ventures include engineering and design services; management consulting services; procurement and construction services; program management; construction management; and operations and maintenance services. If the Company determines that the power to direct the significant activities is shared by two or more joint venture parties, then there is no primary beneficiary and no party consolidates the VIE. In making the shared-power determination, the Company analyzes the key contractual terms, governance, related party and de facto agency as they are defined in the accounting standard, and other arrangements.

Goodwill

The Company performs a goodwill impairment test annually, on October 1st of each year and additionally, performs a quarterly qualitative assessment to address whether a triggering event has occurred that would require an impairment test in the interim period.

For purposes of impairment testing, goodwill is allocated to the applicable reporting units based on the current reporting structure. Reporting units are operating segments or components of operating segments where discrete financial information is available and segment management regularly reviews the operating results. When evaluating goodwill for impairment, the Company may decide to first perform a qualitative assessment, or "step zero" impairment test, to determine whether it is more likely than not that impairment has occurred. If the Company does not perform a qualitative assessment, or if the Company determines that it is not more likely than not that the fair value of its reporting units exceeds their carrying amounts, the Company performs a quantitative assessment and calculates the estimated fair value of the respective reporting unit. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in the amount the carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

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

Intangible Assets

Intangible assets with finite lives arise from business acquisitions and are amortized based on the period over which the contractual or economic benefit of the intangible assets are expected to be realized or on a straight-line basis over the useful lives of the underlying assets, ranging from one to sixteen years. These primarily consist of customer relationships, developed technology, backlog, and covenants not to compete. When indicators of a potential impairment exist, the Company assesses the recoverability of the unamortized balance of its intangible assets by first comparing undiscounted expected cash flows associated with the asset, or the asset group they are part of, to its carrying value. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. This approach requires the recognition of deferred tax liabilities and assets to reflect the tax effects of temporary differences between the financial statement carrying amounts and tax bases of the Company's assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when the asset or liability is recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are evaluated for future realization and valuation allowances are established when, in our opinion, it is more likely than not that all or some portion of the asset will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that is greater than 50 percent likely of being realized. The amount of unrecognized tax benefits ("UTB") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company recognizes both accrued interest and penalties, where appropriate, related to UTBs in income tax expense.

Foreign Currency Translation

The Company's reporting currency is the U.S. Dollar. The functional currency of the Company's foreign entities is typically the currency of the primary environment in which they operate. For foreign entities whose functional currency is not the U.S. dollar, the assets and liabilities are translated based on exchange rates in effect at the balance sheet date, while the income and expense accounts are translated using the average exchange rates during the period. Translation gains or losses, net of income tax effects, are reflected in accumulated other comprehensive income on the consolidated balance sheets. Transaction gains and losses due to movements in exchange rates between the functional currency and the currency in which a foreign currency transaction is denominated are recognized as "Other income (expense), net" in the Company's consolidated statements of income.

Self-Insurance

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

Recently Adopted 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.

In the first quarter of 2021, the Company early adopted Accounting Standards Update (“ASU”) ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU2020-06”). The update simplified the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and limiting the number of embedded conversion features separately recognized from the primary contract. The guidance also included targeted improvements to the disclosures for convertible instruments and earnings per share. ASU 2020-06 was effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption was permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company adopted ASU 2020-06 in the first quarter of 2021 using the modified retrospective method which resulted in a reduction in non-cash interest expense and reclassification of the equity portion of the Convertible Senior Notes to “Long-term debt” on the consolidated balance sheet.

In June 2016, the FASB issued ASU 2016-13, “*Measurement of Credit Losses on Financial Instruments*,” and issued subsequent amendments to the initial guidance within ASU 2019-04 and ASU 2019-05. The amendments in ASU 2016-13 replace the incurred loss impairment methodology in current practice with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 and its amendments are effective for interim and annual reporting periods beginning after December 15, 2019. The Company adopted this ASU in the first quarter of 2020, and it did not have a material impact on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, “*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”)”. ASU 2019-12 was issued as a means to reduce the complexity of accounting for income taxes for those entities that fall within the scope of the accounting standard. The guidance is applied using a prospective method, excluding amendments related to franchise taxes, which should be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company adopted this ASU in the first quarter of 2021, and it did not have a material impact on its financial statements.

In August 2020, the FASB issued ASU 2020-06, “*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40)*”. The update simplifies the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and limiting the number of embedded conversion features separately recognized from the primary contract. The guidance also includes targeted improvements to the disclosures for convertible instruments and earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company early adopted this ASU in the first quarter of 2021 using the modified retrospective method which resulted in a reduction in non-cash interest expense and reclassification of the equity portion of the Convertible Senior Notes to “Long-term debt” on the consolidated balance sheet.

3. Acquisitions

Xator Corporation

On May 31, 2022, the Company acquired a 100% ownership interest in Xator Corporation (“Xator”), a privately-owned company, for \$388.3 million in cash. The Company borrowed \$300 million under the Credit Agreement, as described in “Note 11 – 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 preliminary purchase price allocation as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	\$ 8,935
Accounts receivable	7,393
Contract assets	25,397
Prepaid expenses and other current assets	3,615
Property and equipment	1,699
Right of use assets, operating leases	7,517
Goodwill	253,190
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	(31,119)
Contract liabilities	(2,080)
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	\$ 384,602

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	\$ 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 \$11.9 million related to these intangible assets was recorded for the year ended December 31, 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.

PARSONS CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2022, December 31, 2021 and December 31, 2020

The amount of revenue generated by Xator and included within consolidated revenues is \$157.8 million for the year ended December 31, 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.

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 Xator acquisition had been consummated as of the beginning of fiscal year 2021 (in thousands) is as follows:

	2022 (unaudited)	2021 (unaudited)
Pro forma Revenue	\$ 4,302,448	\$ 3,949,562
Pro forma Net Income including noncontrolling interests	139,901	91,770

BlackHorse Solutions, Inc.

On July 6, 2021, the Company acquired a 100% ownership interest in BlackHorse Solutions, Inc (“BlackHorse”), a privately-owned company, for \$205.0 million paid in cash. BlackHorse expands Parsons’ capabilities and products in next-generation military, intelligence, and space operations, specifically in cyber electronic warfare and information dominance. The acquisition was entirely funded by cash on-hand. In connection with this acquisition, the Company recognized \$3.1 million of acquisition-related expenses in “Selling, general and administrative expense” in the consolidated statements of income for the year ended December 31, 2021, 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 as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	\$ 15,428
Accounts receivable	3,351
Contract assets	5,979
Prepaid expenses and other current assets	937
Property and equipment	2,239
Right of use assets, operating leases	6,157
Goodwill	143,086
Intangible assets	65,000
Accounts payable	(2,326)
Accrued expenses and other current liabilities	(17,190)
Contract liabilities	(320)
Short-term lease liabilities, operating leases	(1,011)
Long-term lease liabilities, operating leases	(5,146)
Deferred tax liabilities	(10,916)
Other long-term liabilities	(235)
Net assets acquired	\$ 205,033

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

	<u>Gross Carrying Amount</u>	<u>Amortization Period</u> (in years)
Customer relationships	\$ 39,000	16
Backlog	23,000	3
Trade name	1,000	2
Developed technologies	1,000	3
Non-compete agreements	1,000	3

Amortization expense of \$14.0 million and \$5.4 million related to these intangible assets was recorded for the year ended December 31, 2022 and December 31, 2021, respectively. The entire value of goodwill of \$143.1 million was assigned to the Federal Solutions reporting unit and represents synergies expected to be realized from this business combination. Goodwill of \$10.6 million is deductible for tax purposes.

The amount of revenue generated by BlackHorse and included within consolidated revenues was \$35.3 million for the year ended December 31, 2021. 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 on an unaudited pro forma basis, as if the acquisition closed as of the beginning of the fiscal year ended December 31, 2020 as follows (in thousands):

	<u>2021 (unaudited)</u>	<u>2020 (unaudited)</u>
Pro forma Revenue	\$ 3,699,227	\$ 3,966,809
Pro forma Net Income including noncontrolling interests	93,592	108,008

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, and the pro forma impact of reflecting acquisition costs, which consisted of legal, advisory and due diligence fees and expenses. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

Echo Ridge LLC

On July 30, 2021, the Company acquired a 100% ownership interest in Echo Ridge LLC ("Echo Ridge"), a privately-owned company, for \$9.0 million in cash. Echo Ridge adds position, navigation, and timing devices; modeling, simulation, test, and measurement tools; and deployable software defined radio products and signal processing services to Parsons' space portfolio. The acquisition was entirely funded by cash on-hand. In connection with this acquisition, the Company recognized \$0.3 million of acquisition related "Selling, general and administrative expense" in the consolidated statements of income for the year ended December 31, 2021, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition. The Company allocated the purchase price to the appropriate classes of tangible assets and liabilities and assigned the excess of \$7.2 million entirely to goodwill. 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 Echo Ridge and included within consolidated revenues for 2021 is \$2.9 million.

Braxton Science & Technology Group

On November 19, 2020 the Company acquired a 100% ownership interest in Braxton Science & Technology Group (“Braxton”), a privately-owned company, for \$310.9 million in cash. Braxton operates at the forefront of satellite operations, ground system automation, flight dynamics, and spacecraft and antenna simulation for the U.S. Department of Defense and Intelligence Community. The acquisition was entirely funded by cash on hand in August 2020, as described in “Note 11—*Debt and Credit Facilities*”. In connection with this acquisition, the Company recognized \$5.5 million of acquisition-related expense in “Selling, general and administrative expense” in the consolidated statements of income for the year ended December 31, 2020, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition. Braxton allows Parsons to capitalize on the quickly evolving space missions of its national security space customers and address rapid market growth driven by proliferated low earth orbit constellations, small satellite expansion, and space cyber resiliency.

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	\$ 7,006
Accounts receivable	18,163
Contract assets	8,350
Prepaid expenses and other current assets	3,036
Property and equipment	5,114
Right of use assets, operating leases	10,788
Goodwill	212,185
Intangible assets	74,950
Accounts payable	(7,464)
Accrued expenses and other current liabilities	(9,845)
Contract liabilities	(300)
Short-term lease liabilities, operating leases	(1,915)
Long-term lease liabilities, operating leases	(8,873)
Deferred tax liabilities	(1,694)
Net assets acquired	<u>\$ 309,501</u>

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	\$ 34,100	12
Backlog	38,200	3
Developed technologies	2,000	6
Non-compete agreements	650	3

Amortization expense of \$16.1 million and \$16.2 million related to these intangible assets was recorded for the years ended December 31, 2022 and December 31, 2021, respectively. 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 of \$200.5 million is deductible for tax purposes.

The amount of revenue generated by Braxton and included within consolidated revenues for 2020 is \$10.1 million. The Company has determined that the presentation of net income from the date of acquisition is impracticable due to the integration of general corporate functions upon acquisition.

Supplemental Pro Forma Information (Unaudited)

Supplemental information of unaudited pro forma operating results assuming the Braxton acquisition had been consummated as of the beginning of 2019 (in thousands) is as follows:

	2020
	(unaudited)
Pro forma Revenue	\$ 4,039,420
Pro forma Net Income including noncontrolling interests	125,298

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, the pro forma impact of reflecting acquisition costs, which consisted of legal, advisory and due diligence fees and expenses. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

4. Contracts with Customers

Disaggregation of Revenue

The Company's contracts contain both fixed price and cost reimbursable components. Contract types are based on the component that represents the majority of the contract. The following table presents revenue disaggregated by contract type (in thousands):

	December 31, 2022	December 31, 2021	December 31, 2020
Cost plus	\$ 1,890,242	\$ 1,674,276	\$ 1,631,140
Time-and-Materials	1,166,548	1,021,568	1,034,596
Fixed price	1,138,482	964,927	1,253,210
Total	\$ 4,195,272	\$ 3,660,771	\$ 3,918,946

Refer to "Note 20—Segments Information" for the Company's revenues by business lines.

Contract Assets and Contract Liabilities

Contract assets and contract liabilities balances at December 31, 2022 and December 31, 2021 were as follows (in thousands):

	December 31, 2022	December 31, 2021	\$ change	% change
Contract assets	\$ 634,033	\$ 579,216	\$ 54,817	9.5%
Contract liabilities	213,064	171,671	41,393	24.1%
Net contract assets (liabilities) (1)	\$ 420,969	\$ 407,545	\$ 13,424	3.3%

- (1) Total contract retentions included in net contract assets (liabilities) were \$73.5 million as of December 31, 2022, of which \$37.5 million are not expected to be paid in 2023. Total contract retentions included in net contract assets (liabilities) were \$91.7 million as of December 31, 2021. Contract assets at December 31, 2022 and December 31, 2021 include approximately \$127.9 million and \$98.6 million, respectively, related to unapproved change orders, claims, and requests for equitable adjustment. For the years ended December 31, 2022 and December 31, 2021, no material losses were recognized related to the collectability of claims, unapproved change orders, and requests for equitable adjustment.

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During the years ended December 31, 2022 and December 31, 2021, the Company recognized revenue of approximately \$94.1 million and \$102.5 million, respectively, that was included in the corresponding contract liability balance at December 31, 2021 and December 31, 2020, respectively. Certain changes in contract assets and contract liabilities consisted of the following:

	December 31, 2022	December 31, 2021
Acquired contract assets	\$ 25,397	\$ 5,979
Acquired contract liabilities	2,080	320

There was no significant impairment of contract assets recognized during the years ended December 31, 2022 and December 31, 2021.

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:

	2022	2021	2020
Revenue impact, net	\$ -	\$ (30,828)	\$ 8,875

Accounts Receivable, Net

Accounts receivable, net consisted of the following as of December 31, 2022 and December 31, 2021 (in thousands):

	2022	2021
Billed	\$ 502,411	\$ 434,776
Unbilled	218,945	167,490
Total accounts receivable, gross	721,356	602,266
Allowance for doubtful accounts	(4,011)	(3,955)
Total accounts receivable, net	\$ 717,345	\$ 598,311

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 December 31, 2022 represent a measure of the total dollar value of work to be performed on contracts awarded and in progress. The Company had \$5.7 billion in RUPO as of December 31, 2022.

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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 task 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 December 31, 2022 over the following periods (in thousands):

Period RUPO Will Be Satisfied	Within One Year	Within One to Two Years	Thereafter
Federal Solutions	\$ 1,410,279	\$ 504,882	\$ 305,095
Critical Infrastructure	1,731,154	902,203	864,294
Total	<u>\$ 3,141,434</u>	<u>\$ 1,407,085</u>	<u>\$ 1,169,389</u>

5. 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 year to seven 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 years ended December 31, 2022 and December 31, 2021 are as follows (in thousands):

	2022	2021
Operating lease cost	\$ 67,033	\$ 61,800
Short-term lease cost	14,008	11,261
Amortization of right-of-use assets	2,322	2,128
Interest on lease liabilities	98	106
Sublease income	(5,045)	(3,049)
Total lease cost	<u>\$ 78,416</u>	<u>\$ 72,246</u>

Supplemental cash flow information related to leases for the years ended December 31, 2022 and December 31, 2021 is as follows (in thousands):

	2022	2021
Operating cash flows for operating leases	\$ 73,169	\$ 68,563
Operating cash flows for financing activities	98	107
Financing cash flows for finance leases	2,175	2,082
Right-of-use assets obtained in exchange for new operating lease liabilities	26,607	18,931
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 1,813	\$ 2,003

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Supplemental balance sheet and other information related to leases as of December 31, 2022 and December 31, 2021 is as follows (in thousands):

	2022	2021
Operating Leases:		
Right-of-use assets	\$ 155,090	\$ 182,672
Lease liabilities:		
Current	\$ 59,144	\$ 55,902
Long-term	111,417	148,893
Total operating lease liabilities	<u>\$ 170,561</u>	<u>\$ 204,795</u>
Finance Leases:		
Other noncurrent assets	\$ 3,965	\$ 4,389
Accrued expenses and other current liabilities	\$ 1,746	\$ 1,822
Other long-term liabilities	\$ 2,246	\$ 2,422
Weighted Average Remaining Lease Term:		
Operating leases	3.6 Year	4.3 years
Finance leases	2.6 Years	2.9 years
Weighted Average Discount Rate:		
Operating leases	3.4%	3.5%
Finance leases	2.8%	2.1%

As of December 31, 2022, the Company has no additional 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 December 31, 2022 is as follows (in thousands):

	Operating Leases	Finance Leases
2023	\$ 64,271	\$ 1,884
2024	45,312	1,333
2025	34,232	859
2026	19,967	213
2027	8,386	-
Thereafter	9,410	-
Total lease payments	<u>181,578</u>	<u>4,289</u>
Less: imputed interest	(11,017)	(297)
Total present value of lease liabilities	<u>\$ 170,561</u>	<u>\$ 3,992</u>

Rental expense for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 was \$81.0 million, \$73.1 million and \$ 81.8 million, respectively, and is recorded in "Selling, general and administrative expenses" in the consolidated statements of income.

6. Employee Stock Purchase and Equity-Based Compensation Plans

Employee Stock Purchase Plan

The Parsons Corporation Employee Stock Purchase Plan ("ESPP") was adopted effective March 1, 2020. Under the ESPP, eligible employees who elect to participate are granted the right to purchase shares of Parsons common stock at a discount of 5% of the market value on the last trading day of the offering period.

The following table presents stock issuance activity for the years ended December 31, 2022 and December 31, 2021 (in thousands):

	2022	2021
Purchase price paid for shares sold	\$ 5,377	\$ 5,556
Number of shares sold	131	161

The average purchase price for the year ended December 31, 2022 and December 31, 2021 was \$40.95 and \$34.46 per share, respectively.

Equity-Based Compensation Plans

The Company issues stock-based awards through the Incentive Award Plan. Prior to the adoption of the Incentive Award Plan on April 15, 2019, the Company issued awards under the Shareholder Value Plan, Long-Term Growth Plan and Restricted Award Plan. Through these plans the Company may issue stock options (including incentive and non-qualified stock options), stock appreciation rights, restricted stock, restricted stock units, an “other” stock or cash-based awards, or a dividend equivalent award. The compensation expense for these awards is recorded in “Selling, general and administrative expenses” in the Company’s consolidated financial statements.

Stock-based compensation expense was \$20.0 million, \$16.8 million, and \$8.2 million for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively, net of recognized tax benefits of \$4.4 million, \$2.8 million, and \$1.5 million for 2022, 2021 and 2020, respectively. The tax benefit realized related to awards vested during 2022, 2021, and 2020 was \$2.7 million, \$6.3 million, and \$10.3 million, respectively. We recognize forfeitures as they occur.

With the adoption of the Incentive Award Plan on April 15, 2019, the Company has discontinued issuing awards under the Shareholder Value Plan, Long-Term Growth Plan and Restricted Award Plan. Outstanding awards granted out of the discontinued plans will continue to vest and will settle in cash.

At December 31, 2022, the amount of compensation cost relating to non-vested awards not yet recognized in the consolidated financial statements is \$28.1 million. The majority of these unrecognized compensation costs will be recognized by the third quarter of fiscal 2024.

The fair value of a share of the Company’s common stock is based on quoted prices on the NYSE.

Stock Appreciation Rights

Stock Appreciation Rights (“SARs”) were issued under the Shareholder Value Plan (“SVP”). Outstanding awards provide a cash incentive based on the increase in the Company’s share price over a three-year period, multiplied by a number of phantom share units. If at the end of a performance cycle the Company’s share price has not increased, then no award payment will be made. The awards issued under the SVP are time-vested cash-settled SARs. The SARs vest at the end of three years and expense is recognized on an accelerated basis over the vesting period. The grant date fair value of the award is determined by using the Black-Scholes option-pricing model. SARs are remeasured, using the Black-Scholes option-pricing model, to an updated fair value at each reporting period until the award is settled. The fair value of the grant on the vesting date is determined based on the 60-trading day weighted average closing price of the Company’s common stock on the NYSE. Compensation cost is trued-up at each reporting period for changes in fair value pro-rated for the portion of the requisite service period rendered.

The final SVP grant vested on December 31, 2020 based on the 60-trading day weighted average closing price of the Company’s common stock on the NYSE.

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The following table presents the number of SARs granted, vested, and forfeited for the year ended December 31, 2020:

	Number of Units	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2019	1,477,628	\$ 3.00
Granted	-	\$ -
Vested	(1,434,836)	\$ 3.00
Forfeited	(42,792)	\$ 3.00
Unvested at December 31, 2020	-	\$ -

Long-Term Growth Units

Long-Term Growth Units awards were issued under the Long-Term Growth Plan. Outstanding awards provide a cash incentive based on performance conditions. The grant date fair value of the award is based on fair value of the Company's common stock on the grant day. These awards vest at the end of three years and expense is recognized on an accelerated basis over the vesting period subject to the probability of meeting the performance requirements and adjusted for the number of shares expected to be earned. Awards are remeasured to an updated fair value at each reporting period until the award is settled. The updated fair value is based on the 60-trading day weighted average closing price of the Company's common stock on the NYSE on the last day of the reporting period. Compensation cost is true-up at each reporting period for changes in fair value and expected shares pro-rated for the portion of the requisite service period rendered.

The final long-term growth units grant vested during the year ended December 31, 2020.

The following table presents the number of Long-Term Growth Units granted, vested, and forfeited (at target shares) for the year ended December 31, 2020:

	Number of Units	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2019	127,437	\$ 20.23
Granted	-	\$ -
Vested	(125,948)	\$ 22.67
Forfeited	(1,489)	\$ 22.67
Unvested at December 31, 2020	-	\$ -

Restricted Award Units

Restricted Award Units awards were issued under the Restricted Award Plan. Outstanding awards provide a cash incentive based on the fair value of the Company's common stock on the vesting date. The grant date fair value of the award is based on the fair value of the Company's common stock on the grant date. These awards vest and expense is recognized on an accelerated basis over the respective vesting periods. Awards are remeasured to an updated fair value at each reporting period until the award is settled. The updated fair value is based on the 60-trading day weighted average closing price of the Company's common stock on the NYSE on the last day of the reporting period. Compensation cost is true-up at each reporting period for changes in fair value pro-rated for the portion of the requisite service period rendered.

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The final restricted award units grant vested during the year ended December 31, 2021.

The following table presents the number of Restricted Award Units granted, vested, and forfeited for the years ended December 31, 2021 and December 31, 2020:

	Number of Units	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2019	249,444	\$ 22.40
Granted	-	\$ -
Vested	(234,028)	\$ 22.38
Forfeited	(9,017)	\$ 22.67
Unvested at December 31, 2020	6,399	\$ 22.67
Granted	-	\$ -
Vested	(6,399)	\$ 22.38
Forfeited	-	\$ -
Unvested at December 31, 2021	-	\$ -

The following table presents the amount paid for cash settled awards, by award type, for the years ended December 31, 2021 and December 31, 2020 (in thousands) (there were no awards outstanding as of the year ended December 31, 2021):

	December 31, 2021	December 31, 2020
Stock Appreciation Rights	\$ 15,798	\$ 26,920
Long-Term Growth	3,778	3,617
Restricted Award Units	7,067	9,408
Total	\$ 26,643	\$ 39,945

Restricted Stock Units

Restricted Stock Units awards are issued under the Incentive Award Plan and are settled by the issuance of the Company's common stock. Outstanding awards have been granted based on either service or service and performance conditions. The fair value of the award is based on the closing price of the Company's common stock on the grant date. Awards vest over three-year periods, either annually or cliff. Expense is recognized on an accelerated basis for awards with service conditions only and on a straight-line basis for awards that include performance conditions. Expense recognition of awards with performance criteria are subject to the probability of meeting the performance conditions and adjusted for the number of shares expected to be earned. Compensation cost for awards with performance conditions are true-up at each reporting period for changes in the expected shares pro-rated for the portion of the requisite service period rendered.

The following table presents the number of shares of restricted stock units granted (at target shares for awards with performance conditions) for the years ended December 31, 2022, December 31, 2021 and December 31, 2020:

	December 31, 2022	December 31, 2021	December 31, 2020
Restricted Stock Units (service condition)	666,184	450,675	313,735
Restricted Stock Units (service and performance condition)	402,436	374,535	269,710

The number of units granted for awards with performance conditions in the above table is based on performance against the target amount. The number of shares ultimately issued, which could be greater or less than target, will be based on achieving specific performance conditions related to the awards.

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The following table presents the number and weighted average grant-date fair value of restricted stock units (at target shares for awards with performance conditions) for the years ended December 31, 2022, December 31, 2021 and December 31, 2020:

	Number of Units	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2019	506,640	\$ 34.07
Granted	583,445	37.92
Vested	(104,016)	34.34
Forfeited	(54,284)	35.54
Outstanding at December 31, 2020	931,785	\$ 36.32
Granted	825,210	37.09
Vested	(222,228)	36.49
Forfeited	(175,524)	36.39
Outstanding at December 31, 2021	1,359,243	\$ 36.75
Granted	1,068,620	37.42
Vested	(497,200)	35.86
Forfeited	(309,508)	36.28
Outstanding at December 31, 2022	1,621,155	\$ 37.49

For the year ended December 31, 2022, 458,952 shares of restricted stock units were issued, and 160,212 shares of common stock related to employee statutory income tax withholding were retired. For the year ended December 31, 2021, 188,408 shares of restricted stock units were issued, and 63,482 shares of common stock related to employee statutory income tax withholding were retired. For the year ended December 31, 2020, 78,476 shares of restricted stock units were issued, and 36,921 shares of common stock related to employee statutory income tax withholding were retired.

The following table presents the number of shares of restricted stock outstanding (at target shares for awards with performance conditions) at December 31, 2022, December 31, 2021 and December 31, 2020:

	December 31, 2022	December 31, 2021	December 31, 2020
Restricted Stock Units (service condition)	817,278	526,349	374,819
Restricted Stock Units (service and performance condition)	803,877	832,894	556,966

7. Goodwill

The following table summarizes the changes in the carrying value of goodwill by reporting segment for the years ended December 31, 2022 and December 31, 2021 (in thousands):

	December 31, 2021	Acquisitions	Foreign Exchange	December 31, 2022
Federal Solutions	\$ 1,339,117	\$ 252,446	\$ -	\$ 1,591,563
Critical Infrastructure	73,573	-	(3,286)	70,287
Total	\$ 1,412,690	\$ 252,446	\$ (3,286)	\$ 1,661,850

	December 31, 2020	Acquisitions	Foreign Exchange	December 31, 2021
Federal Solutions	\$ 1,188,882	\$ 150,235	\$ -	\$ 1,339,117
Critical Infrastructure	73,096	-	477	73,573
Total	\$ 1,261,978	\$ 150,235	\$ 477	\$ 1,412,690

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For the years ended December 31, 2022 and December 31, 2021, the Company performed a quantitative impairment analysis for all reporting units. It was determined that the fair value of all reporting units exceeded their carrying values. No goodwill impairments were identified for the three years ended December 31, 2022, December 31, 2021 and December 31, 2020.

8. Intangible Assets

The gross amount and accumulated amortization of acquired identifiable intangible assets included in "Intangible assets, net" on the consolidated balance sheets were as follows (in thousands except for years):

	December 31, 2022			December 31, 2021			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	\$ (45,903)	\$ 96,297	\$ 60,407	\$ (17,591)	\$ 42,816	4
Customer relationships	293,730	(146,032)	147,698	267,295	(123,869)	143,426	9
Leases	120	(87)	33	120	(68)	52	6
Developed technology	16,600	(11,560)	5,040	109,700	(92,526)	17,174	5
Trade name	5,000	(3,083)	1,917	1,000	(244)	756	1
Non-compete agreements	3,350	(2,074)	1,276	2,850	(1,123)	1,727	3
In process research and development	1,800	-	1,800	1,800	-	1,800	n/a
Other intangibles	275	(209)	66	275	(205)	70	10
Total intangible assets	\$ 463,075	\$ (208,948)	\$ 254,127	\$ 443,447	\$ (235,626)	\$ 207,821	

The prior year presentation has been corrected to reflect the removal of fully amortized intangible assets resulting in reductions to gross carrying amount and accumulated amortization of \$159 million.

The aggregate amortization expense of intangible assets was \$78.2 million, \$103.2 million, and \$87.8 million for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

Estimated amortization expense in each of the next five years and beyond is as follows (in thousands):

	December 31, 2022
2023	\$ 68,255
2024	35,359
2025	29,818
2026	26,238
2027	25,319
Thereafter	67,338
Total	\$ 252,327

9. Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2022 and December 31, 2021 (in thousands):

	December 31, 2022	December 31, 2021	Useful life (years)
Buildings and leasehold improvements	\$ 103,071	\$ 99,543	1-15
Furniture and equipment	85,088	86,862	3-10
Computer systems and equipment	152,511	157,633	3-10
Construction equipment	5,271	6,806	5-7
Construction in progress	21,952	12,970	
	<u>367,893</u>	<u>363,814</u>	
Accumulated depreciation	(271,843)	(259,618)	
Property and equipment, net	<u>\$ 96,050</u>	<u>\$ 104,196</u>	

Depreciation expense of \$39.0 million, \$38.6 million, and \$39.0 million was recorded for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at December 31, 2022 and December 31, 2021 (in thousands):

	2022	2021
Salaries and wages	\$ 85,328	\$ 90,023
Employee benefits	298,914	264,912
Self-insurance liability	25,351	23,737
Project cost accruals	147,378	127,970
Other accrued expenses	73,222	92,447
Total accrued expenses and other current liabilities	<u>\$ 630,193</u>	<u>\$ 599,089</u>

11. Debt and Credit Facilities

Debt consisted of the following at December 31, 2022 and December 31, 2021 (in thousands):

	December 31, 2022	December 31, 2021
Long-Term:		
Delayed draw term loan	\$ 350,000	\$ -
Senior notes	-	200,000
Convertible senior notes	400,000	400,000
Revolving credit facility	-	-
Debt issuance costs	(6,395)	(8,078)
Total long-term	<u>743,605</u>	<u>591,922</u>
Total Debt	<u>\$ 743,605</u>	<u>\$ 591,922</u>

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 a eurocurrency 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 December 31, 2022 and December 31, 2021 were 5.7% and 1.36%, respectively. Borrowings under this Credit Agreement are guaranteed by certain Company operating subsidiaries. Letters of credit commitments outstanding under this agreement aggregated approximately \$44.5 million and \$44.3 million at December 31, 2022 and December 31, 2021, respectively, which reduced borrowing limits available to the Company. Interest expense related to the Credit Agreement was \$4.3 million, \$0.7 million and \$1.0 million, for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively. There were no loan amounts outstanding under the Credit Agreement at December 31, 2022 and December 31, 2021.

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 December 31, 2022 and December 31, 2021.

Private Placement

On July 1, 2014, the Company finalized a private placement whereby the Company raised an aggregate amount of \$250.0 million in debt as follows (in thousands):

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

The Company incurred approximately \$1.1 million of debt issuance costs in connection with the private placement. On August 10, 2018, the Company finalized an amended and restated intercreditor agreement related to this private placement to more closely align certain covenants and definitions with the terms under the 2017 amended and restated Credit Agreement and incurred approximately \$0.5 million of additional issuance costs. These costs were presented as a direct deduction from the debt on the face of the balance sheet. Interest expense related to the Senior Notes was \$8.5 million \$11.6 million and \$12.4 million for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively. The amortization of debt issuance costs and interest expense is recorded in "Interest expense" on the consolidated statements of income. The Company paid the \$50 million Series A tranche of the Senior Notes as scheduled in July 2021. The Company made interest payments related to the Senior Notes of approximately \$13.1 million during the year ended December 31, 2022, and \$12.4 million during the years ended December 31, 2021 and December 31, 2020. Interest payable of approximately \$4.7 million was recorded in "Accrued expenses and other current liabilities" on the consolidated balance sheets at December 31, 2021 related to the Senior Notes. The Company repaid all outstanding Senior Notes in October 2022. In connection with the prepayment, the Company incurred \$2.1 million of interest expense associated with a make-whole amount and remaining unamortized debt issuance costs.

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, 2020, 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.

Under existing GAAP at the time of issuance during 2020, convertible debt instruments that may be settled in cash on conversion were required to be separated into liability and equity components in a manner that reflects the issuer's non-convertible debt borrowing rate. The carrying amount of the liability component was based on the fair value of a similar instrument that does not contain an equity conversion option. The carrying amount allocated to the equity component, which was recognized as a debt discount, represents the difference between the proceeds from the issuance of the notes and the fair value of the liability component of the notes. Based on this debt-to-equity ratio, debt issuance costs are then allocated to the liability and equity components in a similar manner. Accordingly, at issuance the Company allocated \$336.1 million to the debt liability and \$53.6 million to additional paid-in capital. The difference between the principal amount of the Convertible Senior Notes and the liability component, inclusive of issuance costs, represents the debt discount, which the Company amortized to interest expense over the term of the Convertible Senior Notes using an effective interest rate of 3.25%. The Company recognized interest expense of \$3.0 million for the years ended December 31, 2022 and December 31, 2021, respectively. As of December 31, 2022 and December 31, 2021 the carrying value of the Notes was \$400.0 million, respectively.

In the first quarter of 2021, the Company early adopted ASU 2020-06. The Company used the modified retrospective method which resulted in a reduction in non-cash interest expense and reclassification of the equity component of the convertible senior notes of \$55.0 million and equity component of the debt issuance costs of \$1.4 million to liabilities on the consolidated balance sheet. The Company also adjusted the carrying amount of the convertible senior notes to what it would have been if the Company had applied ASU 2020-06 from the inception of the Notes and recorded the offset of the carrying amount adjustment of \$3.7 million in retained earnings on January 1, 2021.

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"). The 2022 Delayed Draw Term Loan may be borrowed in a single draw during the period from and including the Closing Date to the earlier to occur of (a) the date of termination of the 2022 Delayed Draw Term Loan by the Company pursuant to the terms of the 2022 Delayed Draw Term Loan Agreement and (b) six (6) months following the Closing Date. 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 the debt on the face of the balance sheet. Interest expense related to the Delayed Draw Term Loan was \$3.3 million for the year ended December 31, 2022. The amortization of debt issuance costs and interest expense is recorded in "Interest expense" on the consolidated statements of income. As of December 31, 2022, there was \$350.0 million outstanding under the Delayed Draw Term Loan.

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.

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 \$222.5 million and \$223.0 million at December 31, 2022 and December 31, 2021, 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 ASU2020-06, 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.

12. Other Long-term Liabilities

Other long-term liabilities consisted of the following at December 31, 2022 and December 31, 2021 (in thousands):

	2022	2021
Self-insurance liability	\$ 77,307	\$ 72,424
Reserve for uncertain tax positions	21,508	19,318
Finance lease obligations	2,246	2,422
Other long-term liabilities	8,159	668
Total other long-term liabilities	\$ 109,220	\$ 94,832

Refer to “Note 13—*Income Taxes*” for further discussion of the Company’s reconciliation of the beginning and ending balances of uncertain tax positions.

13. Income Taxes

On August 9, 2022 President Biden signed the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act into law, which includes an advanced manufacturing investment tax credit, among other provisions. On August 16, 2022 President Biden signed the Inflation Reduction Act (the IRA) into law, which includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and tax incentives for energy and climate initiatives, among other provisions. Based on the Company’s review, these new laws do not result in a material change to the Company’s income tax provision for 2022.

On November 18, 2022, the U.S. Treasury Department and IRS (collectively, “Treasury”) released proposed regulations that provide additional guidance relating to the foreign tax credit (“FTC”). The 2022 Proposed Regulations include guidance with respect to the reattribution asset rule for purposes of allocating and apportioning foreign taxes, the cost recovery requirement, and the attribution rule for withholding taxes on royalty payments. These Proposed Regulations would, if finalized, supplement and revise Final Regulations that were published on January 4, 2022. The Company has assessed the impact of the January 4, 2022, Final Regulations and has included the impact in its provision for income taxes. The Company does not expect any material impact to its consolidated financial statements from the issuance of the Proposed Regulations.

The following table presents the components of our income from continuing operations before income taxes (in thousands):

	2022	2021	2020
United States earnings	\$ 77,110	\$ 24,687	\$ 64,810
Foreign earnings	89,112	87,901	96,603
	\$ 166,222	\$ 112,588	\$ 161,413

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The income tax expense (benefit) attributable to income from continuing operations for the years ended December 31, 2022, December 31, 2021, and December 31, 2020 consists of the following (in thousands):

	2022	2021	2020
Current			
Federal	\$ 21,323	\$ 653	\$ 15,663
State	9,946	6,830	9,024
Foreign	9,232	19,621	16,534
Total current income tax expense	<u>40,501</u>	<u>27,104</u>	<u>41,221</u>
Deferred			
Federal	(2,902)	1,624	(186)
State	(623)	(1,263)	(1,785)
Foreign	2,681	(3,829)	3,242
Total deferred tax expense (benefit)	<u>(844)</u>	<u>(3,468)</u>	<u>1,271</u>
Total income tax expense	<u>\$ 39,657</u>	<u>\$ 23,636</u>	<u>\$ 42,492</u>

Income tax expense (benefit) was different from the amount computed by applying the United States federal statutory rate to pre-tax income from continuing operations as a result of the following (in thousands):

	2022		2021		2020	
Income before income tax expense	\$ 166,222		\$ 112,588		\$ 161,413	
Tax at federal statutory tax rate	34,907	21.0%	23,644	21.0%	33,897	21.0%
State taxes, net of federal tax benefit	7,530	4.5%	4,192	3.7%	4,838	3.0%
Change in tax status	—	0.0%	—	0.0%	3,897	2.4%
Change in valuation allowance	1,363	0.8%	3,865	3.4%	6,850	4.2%
Change in uncertain tax positions	1,688	1.0%	(80)	-0.1%	883	0.6%
Foreign tax rate differential	(1,787)	-1.1%	(388)	-0.3%	(128)	-0.1%
Tax cost of foreign operations, net of credits	777	0.5%	(5,151)	-4.6%	(47)	0.0%
Transaction costs	—	0.0%	540	0.5%	61	0.0%
Noncontrolling interests	(6,279)	-3.8%	(5,225)	-4.6%	(4,280)	-2.6%
Federal business credits	(1,926)	-1.2%	(2,538)	-2.2%	(2,206)	-1.4%
Executive compensation	1,921	1.2%	2,352	2.1%	80	0.0%
Other, net	1,463	0.9%	2,425	2.1%	(1,353)	-0.9%
Total income tax expense	<u>\$ 39,657</u>	<u>23.9%</u>	<u>\$ 23,636</u>	<u>21.0%</u>	<u>\$ 42,492</u>	<u>26.3%</u>

The effective tax rate in 2022 increased to 23.9% from 21.0% in 2021. The change in the effective tax rate was due primarily to a net increase of uncertain tax positions during 2022, an income tax benefit recognized in 2021 for foreign tax credits which did not reoccur in 2022, partially offset by a decrease in withholding taxes, a benefit from a change in jurisdictional mix of earnings, and a tax expense recognized in 2021 related to a nonrecurring write down of a foreign tax receivable.

The effective tax rate in 2021 decreased to 21.0% from 26.3% in 2020. The change in the effective tax rate was due primarily to an increase in untaxed income attributable to noncontrolling interests, foreign tax credits utilized on the 2020 federal return, a change in jurisdictional earnings, and a release of uncertain tax positions, partially offset by a write down of a foreign tax receivable and an increase in executive compensation subject to IRC Section 162(m) limitations.

The effective tax rate for the year ended December 31, 2022 differs from the federal statutory tax rate primarily due to state income taxes and a recorded valuation allowance on foreign tax credit

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carryovers, partially offset by benefits related to income attributable to noncontrolling interests, earnings in lower tax jurisdictions and federal business tax credits.

The effective tax rate for the year ended December 31, 2021 differs from the federal statutory tax rate primarily due to state income taxes, a recorded valuation allowance on foreign tax credit carryovers, a write down of a foreign tax receivable, and an increase in executive compensation subject to IRC Section 162(m) limitations, partially offset by benefits related to untaxed income attributable to noncontrolling interests, release of uncertain tax positions, and federal business tax credits.

The components of deferred tax assets and liabilities consists of the following at December 31, 2022 and December 31, 2021 (in thousands):

	2022	2021
Deferred tax assets		
Project and non-project reserves	\$ 20,862	\$ 24,668
Employee compensation and benefits	55,103	60,397
Revenue and cost recognition	43,629	28,930
Insurance accruals	14,067	16,661
Net operating losses	8,928	11,589
Lease liabilities	44,285	54,926
Tax credit carryforwards	22,333	21,818
Other	3,847	3,323
Total deferred tax assets	213,054	222,312
Valuation allowance	(28,705)	(27,348)
Total deferred tax assets	184,349	194,964
Deferred tax liabilities		
Intangible assets	(12,131)	(16,542)
Right-of-use assets	(40,111)	(48,993)
Other	(6,868)	(6,436)
Total deferred tax liabilities	(59,110)	(71,971)
Net deferred tax asset	\$ 125,239	\$ 122,993

The Company assesses the realizability of its deferred tax assets each reporting period through an analysis of potential sources of taxable income, including prior year taxable income available to absorb carryback of tax losses, reversals of existing taxable temporary differences, tax planning strategies, and forecasts of taxable income. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if a valuation allowance against deferred tax assets is required. A valuation allowance is recorded against deferred tax assets to reflect the amount of deferred tax assets that is determined to be more-likely-than-not to be realized.

The Company is not asserting that any of the earnings of the foreign subsidiaries will be permanently reinvested. Therefore, the Company has recorded a deferred tax liability for the undistributed earnings net of applicable foreign tax credits.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to currently deduct research and development expenditures in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. This provision resulted in additional cash tax liability for the 2022 tax year of approximately \$16 million. Correspondingly, our deferred tax asset for revenue and cost recognition increased by approximately \$16 million to reflect future amortization deductions of the capitalized expenses.

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As of December 31, 2022, and December 31, 2021, the Company's valuation allowance against deferred tax assets was \$28.7 million and \$27.3 million, respectively. The Company has recorded a valuation allowance against certain tax attributes that the Company has determined are not more-likely-than-not to be realized, including certain foreign net operating loss carryforwards, foreign tax credit carryforwards, and capital loss carryforwards. From December 31, 2021 to December 31, 2022, the Company's valuation allowance increased by \$1.4 million. This increase relates to deferred tax assets recorded for foreign tax credit carryforwards, offset in part by a decrease related to net operating loss carryforwards. The valuation allowance is recorded because the Company does not expect to have sufficient taxable income and foreign source income to support the net operating loss carryforwards and the foreign tax credit carryforwards before they expire.

As of December 31, 2022, the Company has NOLs of \$0.4 million, \$30.6 million, and \$30.2 million for U.S. Federal, U.S. states and foreign jurisdictions, respectively. The utilization of the U.S. federal and U.S. state NOLs are subject to certain annual limitations. Of these NOL amounts, \$0 million, \$20.1 million and \$19.3 million in U.S. Federal, U.S. states and foreign jurisdictions, respectively, do not expire. The remaining amounts of NOLs in U.S. states and in foreign jurisdictions will expire if not used between 2023 and 2043.

As of December 31, 2022, the Company has foreign tax credit carryforwards of \$22.3 million. The Company has provided a valuation allowance of \$22.3 million as the Company considers it is not more likely than not that these credits will be realized. These foreign tax credits start expiring in the year 2029.

A reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows (in thousands):

	2022	2021	2020
Beginning of year	\$ 21,181	\$ 16,395	\$ 15,526
Increases—current year tax positions	4,666	6,203	950
Increases—prior year tax positions	2,254	1,512	1,951
Decreases—prior year tax positions	(3,537)	(2,929)	(1,366)
Settlements	(1,447)	—	(666)
Lapse of statute of limitations	(319)	—	—
End of year	<u>\$ 22,798</u>	<u>\$ 21,181</u>	<u>\$ 16,395</u>

At December 31, 2022, and December 31, 2021, there are \$21.8 million and \$19.5 million of unrecognized tax benefits that if recognized would affect the Company's effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits as part of its income tax expense. During the years ended December 31, 2022, December 31, 2021, and December 31, 2020, the Company recognized approximately \$0.7 million, \$(0.9) million, and \$1.1 million in interest and penalties, respectively, in the consolidated statements of income. The total amount of interest and penalties accrued in the consolidated balance sheets was \$4.1 million, \$3.5 million, and \$4.4 million at December 31, 2022, December 31, 2021, and December 31, 2020, respectively.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction, various U.S. states, and foreign jurisdictions. The Company is subject to examination by tax authorities in several jurisdictions, including major jurisdictions such as Canada, Qatar, Saudi Arabia and the United States. As of December 31, 2022, the Company's U.S. federal income tax returns for tax years 2019 and forward remain subject to examination. U.S. states and foreign income tax returns remain subject to examination based on varying local statutes of limitations.

The Company estimates that, within 12 months, it may decrease its uncertain tax positions by approximately \$2.5 million 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 significantly different, both favorably and unfavorably. It is reasonably possible that these 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.

14. 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. The parties are concluding discovery and we anticipate that the court will hear dispositive and/or pre-trial motions in early or mid-2023. Depending upon the court's rulings upon such motions, a trial may be scheduled in 2023.

At this time, the Company is unable to determine the probability of the outcome of the litigation or determine a potential range of loss, if any.

Federal government contracts are subject to audits, which are performed for the most part by the Defense Contract Audit Agency (“DCAA”). Audits by the DCAA and other agencies consist of reviews of our overhead rates, operating systems and cost proposals to ensure that we account for such costs in accordance with the 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.

15. Retirement and Other Benefit Plans

The Company’s principal retirement benefit plan is the ESOP, a stock bonus plan, established in 1975 to cover eligible employees of the Company and certain affiliated companies. Contributions of treasury stock to ESOP are made annually in amounts determined by the Company’s board of directors and are held in trust for the sole benefit of the participants. Shares allocated to a participant’s account are fully vested after 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 December 31, 2022, the total shares of the Company’s common stock outstanding were 104,702,996, of which 63,742,151 were held by the ESOP. As of December 31, 2021, the total shares of the Company’s common stock outstanding were 103,659,731, of which 70,328,237 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 approximately \$54.7 million, \$54.9 million and \$55.3 million for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively, and is recorded in “Direct costs of contracts” and “Selling, general and administrative expense” in the consolidated statements of income.

The Company also maintains a defined contribution plan (the “401(k) Plan”). Substantially all domestic employees are entitled to participate in the 401(k) Plan, subject to certain minimum requirements. The Company’s contributions to the 401(k) Plan for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 amounted to \$30.2 million, \$25.5 million, and \$24.4 million, respectively.

As part of an acquisition in 2014, the Company acquired a defined contribution pension plan, a defined benefit pension plan, and supplemental retirement plan. For the defined contribution pension plan, the Company contributes a base amount plus an additional amount based upon a predetermined formula. At December 31, 2022 and December 31, 2021, the defined benefit pension plan was in a net asset position of \$1.8 million and \$2.6 million, respectively, which is recorded in “Other noncurrent assets” on the consolidated balance sheets.

16. Investments in and Advances to Joint Ventures

The Company participates in joint ventures to bid, negotiate and complete specific projects. The Company is required to consolidate these joint ventures if it holds the majority voting interest or if the Company meets the criteria under the consolidation model, as described below.

The Company performs an analysis to determine whether its variable interests give the Company a controlling financial interest in a VIE for which the Company is the primary beneficiary and should, therefore, be consolidated. Such analysis requires the Company to assess whether it has the power to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The Company analyzed all of its joint ventures and classified them into two groups: (1) joint ventures that must be consolidated because they are either not VIEs and the Company holds the majority voting interest, or because they are VIEs and the Company is the primary beneficiary; and (2) joint ventures that do not need to be consolidated because they are either not VIEs and the Company holds a minority voting interest, or because they are VIEs and the Company is not the primary beneficiary.

Many of the Company's joint venture agreements provide for capital calls to fund operations, as necessary; however, such funding is infrequent and is not anticipated to be material.

Letters of credit outstanding described in 'Note 11—*Debt and Credit Facilities*' that relate to project ventures are approximately \$106.8 million and \$73.2 million at December 31, 2022 and December 31, 2021, respectively.

In the table below, aggregated financial information relating to the Company's joint ventures is provided because their nature, risk and reward characteristics are similar. None of the Company's current joint ventures that meet the characteristics of a VIE are individually significant to the consolidated financial statements.

Consolidated Joint Ventures

The following represents financial information for consolidated joint ventures included in the consolidated financial statements as of and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 (in thousands):

	2022	2021
Current assets	\$ 289,837	\$ 246,342
Noncurrent assets	9,961	2,180
Total assets	299,798	248,522
Current liabilities	198,464	175,637
Total liabilities	198,464	175,637
Total joint venture equity	\$ 101,334	\$ 72,885

	2022	2021	2020
Revenue	\$ 483,888	\$ 402,078	\$ 450,530
Costs	422,559	351,670	408,319
Net income	\$ 61,329	\$ 50,408	\$ 42,211
Net income attributable to noncontrolling interests	\$ 29,901	\$ 24,880	\$ 20,380

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 earnings (loss) 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 VIEs 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 as of and for the years ended December 31, 2022 and December 31, 2021 (in thousands):

	<u>2022</u>		<u>2021</u>
Current assets	\$ 1,610,246	\$	1,620,735
Noncurrent assets	491,658		531,261
Total assets	<u>2,101,904</u>		<u>2,151,996</u>
Current liabilities	1,255,297		1,088,985
Noncurrent liabilities	468,056		669,911
Total liabilities	<u>1,723,353</u>		<u>1,758,896</u>
Total joint venture equity	<u>\$ 378,551</u>	\$	<u>393,100</u>
Investments in and advances to unconsolidated joint ventures	\$ 107,425	\$	110,688

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue	\$ 2,406,407	\$ 2,709,305	\$ 1,830,802
Costs	<u>2,325,472</u>	<u>2,536,403</u>	<u>1,709,933</u>
Net income	<u>\$ 80,935</u>	<u>\$ 172,902</u>	<u>\$ 120,869</u>
Equity in earnings of unconsolidated joint ventures	\$ 16,347	\$ 36,862	\$ 30,059

The Company received net distribution from its unconsolidated joint ventures of \$20.2 million and \$30.5 million for the years ended December 31, 2022 and December 31, 2020, respectively, and had net contributions to its unconsolidated joint ventures of \$13.2 million for the year ended December 31, 2021.

For the years ended December 31, 2022, December 31, 2021 and December 31, 2020, the Company recorded a \$13.8 million, \$15.6 million and \$15.5 million write-down, respectively, on an unconsolidated joint venture in the Critical Infrastructure segment as a result of changes in estimates made by the managing partner. For the year ended December 31, 2022, this write-down decreased operating and net income by \$13.8 million and \$10.3 million, respectively, and decreased diluted earnings per share by \$0.09. For the year ended December 31, 2021, this write-down decreased operating and net income by \$15.6 million and \$11.6 million, respectively, and decreased diluted earnings per share by \$0.10. For the year ended December 31, 2020, this write-down decreased operating and net income by \$15.5 million and \$11.5 million, respectively, and decreased diluted earnings per share by \$0.11.

17. Related Party Transactions

The Company often provides services to unconsolidated joint ventures and revenues include amounts related to recovering overhead costs for these services. For the years ended December 31, 2022, December 31, 2021 and December 31, 2020, revenues included \$215.2 million, \$204.7 million, and \$172.2 million, respectively, related to services the Company provided to unconsolidated joint ventures. For the years ended December 31, 2022, December 31, 2021 and December 31, 2020, the Company incurred approximately \$156.0 million, \$155.5 million and \$133.8 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):

	2022	2021
Accounts receivable	\$ 40,320	\$ 30,246
Contract assets	30,578	16,069
Contract liabilities	14,906	10,605

18. Fair Value of Financial Instruments

The authoritative guidance on fair value measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an “exit price”). At December 31, 2022 and December 31, 2021, 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 derivative instrument; and
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurements and unobservable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following table sets forth assets associated with the pension plan in “Note 15—*Retirement and Other Benefits Plans*” that are accounted for at fair value by Level within the fair value hierarchy.

Fair value as of December 31, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,924	\$ —	\$ —	\$ 1,924
Fixed income	—	7,662	—	7,662
Cash and cash equivalents	449	—	—	449
	<u>\$ 2,373</u>	<u>\$ 7,662</u>	<u>\$ —</u>	<u>\$ 10,035</u>

Fair value as of December 31, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,951	\$ —	\$ —	2,951
Fixed income	—	9,813	—	9,813
Cash and cash equivalents	489	—	—	489
	<u>3,440</u>	<u>9,813</u>	<u>—</u>	<u>13,253</u>

As described in “Note 15—*Retirement and Other Benefits Plans*”, the Company acquired a defined contribution pension plan, a defined benefit pension plan, and supplemental retirement plans. At December 31, 2022 and December 31, 2021, the Company measured the mutual funds held within the defined benefit pension plan at fair value using unadjusted quoted prices in active markets that are accessible for identical assets. The Company measured the fixed income securities using market bid and ask prices. The inputs that are significant to the valuation of fixed income securities are generally observable, and therefore have been classified as Level 2.

With respect to equity-based compensation, we estimate the fair value of cash settled awards based on the 60-trading day weighted average closing price of the Company’s common stock on the NYSE at the end of each reporting period and on the vesting date. For restricted stock units containing service conditions or service and performance conditions, fair value is based on the closing stock price of a share of the Company’s common stock on the NYSE on the grant date.

19. Earnings Per Share

The tables below 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 years ended December 31, 2022, December 31, 2021 and December 31, 2020. 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 which was required upon adoption of ASU 2020-06. As a result, the Company elected to adopt the if-converted method during the third quarter of 2020. In connection with the offerings of our note, the Company entered into a convertible note hedge and warrants (see Note 11 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 11 Debt and Credit Facilities 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 years ended December 31, 2022, December 31, 2021, and December 31, 2020 were 15,113, 11,986, and 5,327, respectively. In addition, the convertible senior notes were anti-dilutive and excluded for 2020.

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The weighted average number of shares used to compute basic and diluted EPS were (in thousands):

	2022	2021	2020
Basic weighted average number of shares outstanding	103,758	102,544	100,848
Stock-based awards	808	666	357
Convertible senior notes	8,917	8,917	-
Diluted weighted average number of shares outstanding	<u>113,483</u>	<u>112,127</u>	<u>101,205</u>

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

	2022	2021	2020
Net income attributable to Parsons Corporation	96,664	64,072	98,541
Convertible senior notes if-converted method interest adjustment	2,176	2,130	-
Diluted net income attributable to Parsons Corporation	<u>98,840</u>	<u>66,202</u>	<u>98,541</u>

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 following table summarizes the repurchase activity under the stock repurchase program.

	2022	2021
Total shares repurchased	574,933	618,533
Total shares retired	574,933	618,533
Average price paid per share	\$ 38.27	\$ 35.08

As of December 31, 2022, the Company has \$56.3 million remaining under the stock repurchase program.

20. Segments 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

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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”), currently its Chief Executive Officer, evaluates the performance of each segment and manages the operations of the Company for purposes of allocating resources among the segments. The CODM evaluates segment operating performance using segment Revenue and segment Adjusted EBITDA attributable to Parsons Corporation.

The following table summarizes business segment information for the periods presented (in thousands):

	2022	2021	2020
Revenues:			
Federal Solutions	\$ 2,212,987	\$ 1,888,050	\$ 1,911,910
Critical Infrastructure	1,982,285	1,772,721	2,007,036
Total revenues	\$ 4,195,272	\$ 3,660,771	\$ 3,918,946

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, income and expense recognized on litigation matters, expenses incurred in connection with acquisitions and other non-recurring transaction costs and expenses related to our prior restructuring. The following table summarizes business segment Adjusted EBITDA and a reconciliation to net income attributable to Parsons Corporation for the periods presented (in thousands):

	2022	2021	2020
Adjusted EBITDA attributable to Parsons Corporation			
Federal Solutions	\$ 199,004	\$ 162,733	\$ 167,340
Critical Infrastructure	123,385	121,700	154,528
Adjusted EBITDA attributable to Parsons Corporation	322,389	284,433	321,868
Adjusted EBITDA attributable to noncontrolling interests	30,393	25,287	20,753
Depreciation and amortization	(120,501)	(144,209)	(127,980)
Interest expense, net	(22,219)	(17,301)	(20,169)
Income tax (expense) benefit	(39,657)	(23,636)	(42,492)
Equity-based compensation	(24,354)	(19,601)	(9,785)
Transaction-related costs (a)	(16,270)	(11,965)	(19,922)
Restructuring (b)	(213)	(736)	(2,193)
Other (c)	(3,003)	(3,320)	(1,159)
Net income including noncontrolling interests	\$ 126,565	\$ 88,952	\$ 118,921
Net income attributable to noncontrolling interests	(29,901)	(24,880)	(20,380)
Net income attributable to Parsons Corporation	\$ 96,664	\$ 64,072	\$ 98,541

(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 and related to our corporate restructuring initiatives.

PARSONS CORPORATION AND SUBSIDIARIES
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- (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 table presents revenues and property and equipment, net by geographic area (in thousands):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:			
North America	\$ 3,463,128	\$ 3,028,760	\$ 3,215,874
Middle East	710,830	610,655	684,353
Rest of World	21,314	21,356	18,719
Total revenues	<u>\$ 4,195,272</u>	<u>\$ 3,660,771</u>	<u>\$ 3,918,946</u>
Property and equipment, net			
North America	\$ 91,217	\$ 100,674	\$ 116,460
Middle East	4,833	3,522	4,567
Total property and equipment, net	<u>\$ 96,050</u>	<u>\$ 104,196</u>	<u>\$ 121,027</u>

North America revenue includes \$3.2 billion, \$2.7 billion and \$3.0 billion of United States revenue for the years ended December 31, 2022, December 31, 2021 and December 31, 2020, respectively. North America property and equipment, net includes \$84.4 million, \$95.0 million and \$109.6 million of property and equipment, net in the United States at December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

The geographic location of revenue is determined by the location of the customer. The prior reporting of revenue by geographic location has been conformed to the current presentation.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenue:			
Defense & Intelligence	\$ 1,368,779	\$ 1,269,030	\$ 1,205,152
Engineered Systems	844,208	619,020	706,758
Federal Solutions revenues	<u>2,212,987</u>	<u>1,888,050</u>	<u>1,911,910</u>
Mobility Solutions	1,291,088	1,164,718	1,280,535
Connected Communities	691,197	608,003	726,501
Critical Infrastructure revenues	1,982,285	1,772,721	2,007,036
Total revenues	<u>\$ 4,195,272</u>	<u>\$ 3,660,771</u>	<u>\$ 3,918,946</u>

Effective July 1, 2021, the Company made changes to its Federal Solutions business units by consolidating Space & Geospatial Solutions, Cyber & Intelligence, and Missile Defense & C5ISR into a new Defense and Intelligence business unit. Effective January 1, 2022, the Company made changes to its Critical Infrastructure business units by transferring a portion of legacy Mobility Solutions to the Connected Communities business unit. Effective June 1, 2022, the Company made changes to its Federal Solutions business units by transferring a portion of legacy Defense and Intelligence business unit to the Engineered Systems business unit. The prior year information in the table above has been reclassified to conform to the business line changes.

21. Subsequent Events

None.

PARSONS CORPORATION AND SUBSIDIARIES
Schedule II—Valuation and Qualifying Accounts

<u>Description</u>	<u>Balance at beginning of period</u>	<u>Additions</u>	<u>Deductions</u>	<u>Other and foreign exchange impact</u>	<u>Balance at end of period</u>
2022					
Allowance for doubtful accounts	3,955	59	(3)	-	4,011
Valuation allowance on deferred tax assets	27,348	3,656	(2,180)	(119)	28,705
2021					
Allowance for doubtful accounts	4,001	8	(54)	-	3,955
Valuation allowance on deferred tax assets	23,878	4,873	(878)	(525)	27,348
2020					
Allowance for doubtful accounts	5,497	1,201	(2,697)	-	4,001
Valuation allowance on deferred tax assets	17,359	7,655	(596)	(540)	23,878

EQUITY PURCHASE AGREEMENT

BY AND AMONG

PARSONS GOVERNMENT SERVICES, INC.,

XATOR HOLDINGS CORPORATION,

XATOR CORPORATION,

THE PRINCIPAL SELLER STOCKHOLDERS LISTED ON ANNEX I ATTACHED HERETO,

**THE OTHER SELLER STOCKHOLDERS LISTED ON ANNEX I ATTACHED HERETO EXECUTING JOINDER
AGREEMENTS**

and

DAVID L. SCOTT, AS SELLER STOCKHOLDER REPRESENTATIVE

DATED AS OF MAY 20, 2022

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EXHIBITS, ANNEXES AND SCHEDULES

Exhibits

- Exhibit A: Sample Net Working Capital Calculation
- Exhibit B: Form of Escrow Agreement
- Exhibit C: Form of Restrictive Covenant Agreement
- Exhibit D: Form of Retention Bonus Agreement (including Employee Agreement and Acknowledgment of Obligations and Agreement to Arbitrate in the forms attached thereto)
- Exhibit E-1: Form of Transition Services Agreement
- Exhibit E-2: Form of Facility Access and Use Agreement
- Exhibit E-3: Form of Subcontract Pending Novation Agreement
- Exhibit F: Form of Joinder Agreement
- Exhibit G: Form of Closing Note
- Exhibit H-1: Form of Equity Award Holder Acknowledgment Agreement
- Exhibit H-2: Form of Warrant Holder Acknowledgment Agreement

Annexes

- Annex I: Holders
- Annex II: Key Executives
- Annex III: Retention Bonus Recipients

Schedules

- Schedule I – Accounting Principles

EQUITY PURCHASE AGREEMENT

THIS EQUITY PURCHASE AGREEMENT (this “*Agreement*”), dated as of May 20, 2022 (the “*Agreement Date*”), is entered into by and among (i) Parsons Government Services, Inc., a Nevada corporation (“*Buyer*”); (ii) Xator Holdings Corporation, a Delaware corporation (the “*Seller*”); (iii) Xator Corporation, a Florida corporation; (iv) the Persons listed on Annex I under the heading “Principal Seller Stockholders” (collectively, the “*Principal Seller Stockholders*”); (v) the Persons listed on Annex I under the heading “Other Seller Stockholders” (collectively, the “*Other Seller Stockholders*” and together with the Principal Seller Stockholders, the “*Seller Stockholders*”) executing Joinder Agreements; and (vi) David L. Scott, a resident of the State of Florida (the “*Seller Stockholder Representative*”), in his capacity as representative of (A) Seller Stockholders, (B) the Persons listed on Annex I under the heading “Seller Optionholders” (collectively, the “*Seller Optionholders*”), (C) the Persons listed on Annex I under the heading “Seller SARs Holders” (collectively, the “*Seller SARs Holders*”), who hold Awards of SARs (each as defined in the Xator Holdings Corporation 2021 Stock Appreciation Rights Plan, as may be amended from time to time, the “*Seller SARs Plan*” and such SARs, the “*Seller SARs*”) pursuant to the Seller SARs Plan, and (D) the Persons listed on Annex I under the heading “Seller Warrant Holders” (collectively, the “*Seller Warrant Holders*”); each Seller Stockholder, Seller Optionholder, Seller SARs Holder and Seller Warrant Holder is sometimes referred to as a “*Holder*” and collectively, as the “*Holder*s”). Each of Buyer, Seller, Seller Stockholder Representative and Seller Stockholders may be referred to as a “*Party*” or, collectively, as the “*Parties*.” Capitalized terms used herein and not otherwise defined herein shall have the meaning given such terms in Section 1.1.

RECITALS

A. Seller Stockholders collectively own all the issued and outstanding shares of capital stock of Seller, which as of the date of this Agreement consists of 1,084,178 shares of the common stock, par value \$0.0001 per share, of which 1,071,584 shares are designated as Class A Voting Common Stock (the “*Seller Class A Common Stock*”) and 12,594 shares are designated as Class B Non-Voting Common Stock (the “*Seller Class B Common Stock*,” together with the Class A Common Stock, the “*Seller Common Stock*”), and Seller owns all the issued and outstanding shares of capital stock of the Company.

B. The Seller Optionholders collectively own all of the outstanding options to acquire shares of Seller Common Stock (the “*Seller Options*”), which as of the date of this Agreement consist of Seller Options to acquire up to 50,000 shares of Seller Common Stock on the terms and conditions provided in the agreements evidencing such Seller Options, the Seller SARs Holders collectively own all of the outstanding Seller SARs, which as of the date of this Agreement consist of Seller SARs covering up to 28,000 shares of Seller Common Stock on the terms and conditions provided in the agreements evidencing such Seller SARs, and the Seller Warrant Holders collectively own all of the outstanding stock purchase warrants (the “*Seller Warrants*”), which as of the date of this Agreement consist of Seller Warrants to acquire up to 41,628 shares of Seller Common Stock on the terms and conditions provided in the agreements evidencing such Seller Warrants.

C. Buyer desires to purchase and acquire all of the shares of capital stock of the Company (the “*Equity*”) from Seller, and Seller desires to sell and transfer all the Equity to Buyer, upon the terms and subject to the conditions set forth in this Agreement (the “*Transaction*”).

D. In connection with the Transaction, each Seller SAR, each Seller Option and each Seller Warrant shall be cancelled, terminated and extinguished at the Closing, in each case upon the terms and subject to the conditions set forth in this Agreement.

E. In connection with the Transaction, and as a condition and inducement to Buyer’s willingness to enter into this Agreement and concurrently with the execution of this Agreement by Seller, the Company and the other Parties hereto, as of the date hereof, each Person set forth on Annex II (each a “*Key Executive*”) has executed and delivered a Restrictive Covenant Agreement in the form of Exhibit C attached hereto (collectively, the “*Restrictive Covenant Agreements*”) to Buyer.

F. In connection with the Transaction, Buyer shall offer to enter into a Retention Bonus Agreement in the form of Exhibit D attached hereto (each a “*Retention Bonus Agreement*”) with each Person set forth on Annex III (each a “*Retention Bonus Recipient*”).

G. As of the date hereof, the respective stockholders and board of directors of Seller and the Company (the “*Boards*”) have approved this Agreement, the Transaction and the Pre-Closing Reorganization.

H. Each of the Parties desires to make certain representations, warranties, covenants, and agreements and to prescribe various conditions to the transactions contemplated by this Agreement.

AGREEMENT

In consideration of the mutual representations, warranties, covenants and agreements set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I. DEFINITIONS

1.1 Defined Terms. For the purposes of this Agreement, the following terms have the following meanings:

“*Accounting Principles*” means (i) to the extent not inconsistent with GAAP, GAAP applied consistently with the Audited Financial Statements, and (ii) otherwise, GAAP, in each case, except as specifically modified on Schedule I attached hereto.

“*Action*” means any claim, demand, hearing, action, third party audit, suit, arbitration, litigation or proceeding (civil, criminal, arbitral, administrative, legal or otherwise).

“*Acquisition Proposal*” has the meaning assigned to such term in Section 6.2.

“*Adjustment Escrow Amount*” means \$2,500,000.

“*Adjustment Escrow Fund*” has the meaning assigned to such term in Section 2.6.

“*Adjustment Time*” means 11:59 p.m. Eastern Time on the Closing Date.

“*Affiliate*” means, with respect to any Person, any other Person that directly or through one or more intermediaries controls or is controlled by or is under common control with such Person, and if such Person is an individual, such Person’s Family Members; *provided, however*, that from and after the Closing, neither the Company nor any Company Subsidiary will be considered an Affiliate of any holder of the Seller Common Stock, Seller Options, Seller SARs or Seller Warrants.

“*Affiliate Contracts*” has the meaning assigned to such term in Section 4.25.

“*Aggregate Exercise Amount*” means (i) the aggregate exercise price of all In-the-Money Seller Options outstanding as of immediately prior to their cancellation pursuant to Section 2.3, (ii) the aggregate strike price of all In-the-Money Seller SARs outstanding as of immediately prior to their cancellation pursuant to Section 2.3, and (iii) the aggregate exercise price of all In-the-Money Seller Warrants outstanding as of immediately prior to their cancellation pursuant to Section 2.3.

“*Agreement*” has the meaning assigned to such term in the opening paragraph of this Agreement.

“*Agreement Date*” has the meaning assigned to such term in the opening paragraph of this Agreement.

“*Ancillary Documents*” means the Escrow Agreement, the Restrictive Covenant Agreements, the Disclosure Schedules, the Retention Bonus Agreements, the Transition Services Agreement, the Facility Access and Use Agreement, the Subcontract Pending Novation Agreement, the Joinder Agreements, the Closing Note, the Equity Award Holder Acknowledgement Agreements, and any other instruments, certificates and agreements delivered at or prior to the Closing in connection with the transactions contemplated by this Agreement.

“*Available Retention Bonus Pool*” means the amount of the Total Retention Bonus Pool that has not been allocated to a Retention Bonus Recipient as of Closing pursuant to Annex III, which amount is equal to \$425,000.

“*Benefit Plan*” means each employee compensation and benefit plan, program, policy, agreement or other arrangement, including any employee welfare plan within the meaning of Section 3(1) of ERISA, any employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any employee benefit plan within the meaning of Section 3(3) of ERISA, and any bonus, incentive, deferred compensation, vacation, stock purchase, phantom equity or phantom bonus plan or agreement, stock option, equity or equity-based, severance, employment, change of control, pension, retirement, or fringe benefit plan or other compensation plan, program or agreement (other than any “multiemployer plan” within the meaning of Section 4001(a)(3) of ERISA (a “*Multiemployer Plan*”)), whether or not

reduced to writing, in each case that is sponsored, maintained or contributed to by Seller, the Company or any Company Subsidiary or any of their ERISA Affiliates for the benefit of current or former Service Providers or with respect to which Seller, the Company or any Company Subsidiary or any of their ERISA Affiliates has any direct or indirect present or future liability.

“*Blue Grass Receivables*” has the meaning assigned to such term in Section 7.9.

“*Business Day*” means any day that is not a Saturday, a Sunday or other day on which commercial banks in New York, New York, are required or authorized by Law to be closed.

“*Buyer*” has the meaning assigned to such term in the opening paragraph of this Agreement.

“*Buyer Fundamental Representations*” means the representations and warranties set forth in Sections 5.1 (Organization and Corporate Power), 5.2 (Authority Relative to this Agreement), 5.3(b)(i) (Consents and Approvals; No Violations) and 5.6 (Brokers’ Fees).

“*Buyer Indemnified Parties*” means Buyer, the Company, the Company Subsidiaries (other than the Excluded Entities) and their respective Affiliates, direct and indirect equityholders, officers, directors, managers, employees and each of their representatives, advisors, and agents.

“*Buyer Released Claim*” has the meaning assigned to such term in Section 7.6.

“*Buyer Released Party*” has the meaning assigned to such term in Section 7.6.

“*Cap*” has the meaning assigned to such term in Section 10.2(c).

“*Cares Act*” means the Coronavirus Aid, Relief, and Economic Security Act or any similar applicable federal, state or local Law.

“*Cash*” means, without duplication and as of the Adjustment Time, the aggregate amount of cash and cash equivalents held by the Company and the Company Subsidiaries (other than the Excluded Entities), *plus* (i) checks received by the Company or any Company Subsidiary (other than an Excluded Entity) that have not been posted, *less* (ii) cash or cash equivalents held by the Company or any Company Subsidiary (other than an Excluded Entity) as security deposits and any amounts held in escrow or otherwise held by a third party for the benefit of third parties as security or similar deposit or subject to any other legal or contractual restriction on the ability to freely transfer or use such cash for any lawful purpose, *less* (iii) the amount of any bank overdrafts of the Company or any Company Subsidiary (other than an Excluded Entity), *less* (iv) the amount of all cash deposits delivered by third parties to the Company or any Company Subsidiary (other than an Excluded Entity) in respect of leases or subleases, *less* (v) the aggregate amount of outstanding or “cut” checks or drafts of the Company and the Company Subsidiaries (other than the Excluded Entities) that have not posted (to the extent not included as a current liability in Closing Net Working Capital). “*Cash*” shall not include any items included in “*Closing Net Working Capital*” or the Aggregate Exercise Amount. For the avoidance of doubt, “*Cash*” shall be calculated without giving effect to the distribution by the Company of cash for the payment of the Closing Seller Option Consideration to the Seller Optionholders, the Closing Seller SARs

Consideration to the Seller SARs Holders or the Closing Seller Warrant Consideration to the Seller Warrant Holders pursuant to Sections 2.3(b), 2.3(c), and 2.3(d) below. Cash shall be calculated in conformity with the Accounting Principles. For the avoidance of doubt, Cash may be a positive or negative number.

“*Closing*” has the meaning assigned to such term in Section 2.2.

“*Closing Cash*” means Cash as of the Adjustment Time.

“*Closing Date*” has the meaning assigned to such term in Section 2.2.

“*Closing Indebtedness*” means the aggregate amount of Indebtedness of the Company and the Company Subsidiaries (other than the Excluded Entities) as of immediately prior to the Closing.

“*Closing Net Working Capital*” means, as of the Adjustment Time, the items that are classified as current assets of the Company and the Company Subsidiaries (other than the Excluded Entities) in the sample calculation of Closing Net Working Capital as of March 31, 2022, which is attached to this Agreement as Exhibit A (the “*Sample Calculation*”), *minus* the items that are classified as current liabilities of the Company and the Company Subsidiaries (other than the Excluded Entities) in the Sample Calculation; *provided* that the definition of “*Closing Net Working Capital*” shall not include (i) Closing Indebtedness, (ii) Closing Transaction Expenses, (iii) any current or deferred Tax assets or Tax liabilities, (iv) any Excluded Entity Receivables, (v) any KSSS Receivables or (vi) any Blue Grass Receivables. Closing Net Working Capital shall be calculated in conformity with the Accounting Principles.

“*Closing Seller Option Consideration*” means the aggregate consideration payable to a Seller Optionholder in respect of such Seller Optionholder’s Seller Options pursuant to Section 2.3(b), as set forth in the Consideration Spreadsheet.

“*Closing Seller SARs Consideration*” means the aggregate consideration payable to a Seller SARs Holder in respect of such Seller SARs Holder’s Seller SARs pursuant to Section 2.3(c), as set forth in the Consideration Spreadsheet.

“*Closing Share Number*” means the total number of shares of Seller Common Stock outstanding as of immediately prior to Closing.

“*Closing Statement*” has the meaning assigned to such term in Section 2.9(a).

“*Closing Transaction Consideration*” means (i) the Estimated Transaction Consideration, *minus* (ii) the Indemnity Escrow Amount, *minus* (iii) the Adjustment Escrow Amount, *minus* (iv) Seller Stockholder Representative Expense Fund.

“*Closing Transaction Expenses*” means the Transaction Expenses remaining unpaid as of immediately prior to the Closing.

“*Closing Seller Warrant Consideration*” means the aggregate consideration payable to a Seller Warrant Holder in respect of such Seller Warrant Holder’s Seller Warrants pursuant to Section 2.3 at the Closing, as set forth in the Consideration Spreadsheet.

“*COBRA*” means Section 601 of ERISA and Section 4980B of the Code.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*Company*” means, prior to the Pre-Closing Reorganization, Xator Corporation, a Florida corporation, and following the Pre-Closing Reorganization, shall mean Xator, LLC, a Florida limited liability company, in each case as the context requires.

“*Company Employee Loans*” means the loans by Seller or the Company to the employees and other service providers identified on Section 1.1 (CEL) of the Disclosure Schedules.

“*Company Employee Payables*” means any payments that are compensatory in nature due and payable by Seller, the Company or any Company Subsidiary (other than an Excluded Entity) to any current or former Service Provider or equity holder of Seller, the Company or any Company Subsidiary (other than an Excluded Entity) at any time pursuant to agreements in effect before the Closing Date, including any bonus, change of control, retention, or severance payments (in each case whether such payments are discretionary or mandatory), including the Transaction Bonuses, but excluding any payments pursuant to the Retention Bonus Agreements, in each case that are triggered, either automatically or with the passage of time, in whole or in part, by the execution of this Agreement transactions contemplated by this Agreement (either alone or in conjunction with any other event(s)).

“*Company Fundamental Representations*” means the representations and warranties set forth in Sections 4.1 (Organization and Qualification; Authority), 4.2 (Authority Relative to this Agreement), 4.3 (Capitalization and Related Matters), 4.4 (Subsidiaries), 4.5(b)(i) (Consents and Approvals; No Violations), 4.14 (Taxes), and 4.24 (Brokers).

“*Company Insurance Policies*” has the meaning assigned to such term in Section 4.19.

“*Company Intellectual Property*” means the Non-Owned Intellectual Property and the Owned Intellectual Property.

“*Company IT Systems*” has the meaning assigned to such term in Section 4.17(n).

“*Company Privacy and Data Security Policies*” means each and every past or present, internal or public-facing policy, notice, and statement concerning the privacy, security, or Processing of Personal Information.

“*Company Products or Services*” means all products (including software programs and *applications*), Technologies and services (including online services) of the Company or any Company Subsidiary (including, for each product, service or Technology, related documentation), provided, distributed, hosted, leased, licensed out, sold, resold or otherwise made commercially

available by the Company or any Company Subsidiary prior to the date of this Agreement, or that are under development and that the Company or any Company Subsidiary intends to provide, distribute, host, lease, license out, sell, resell or otherwise make commercially after the date of this Agreement.

“*Company Subsidiary*” means each Subsidiary of the Company.

“*Company Transaction*” means any (i) reorganization, liquidation, dissolution or recapitalization of Seller, the Company or any Company Subsidiary, (ii) merger or consolidation involving Seller, the Company or any Company Subsidiary, (iii) purchase or sale of any assets or Seller Common Stock, Seller Options, Seller SARs or Seller Warrants (or any rights to acquire, or securities convertible into or exchangeable for, any such Seller Common Stock, Seller Options, Seller SARs or Seller Warrants) or (iv) similar transaction or business combination involving Seller, the Company or any Company Subsidiary or its businesses.

“*Confidentiality Agreement*” means that certain Confidentiality Agreement dated as of February 16, 2022, between Seller and Parsons Corporation.

“*Consideration Spreadsheet*” has the meaning assigned to such term in Section 2.10.

“*Contract*” means any agreement, engagement letter, instrument, lease, sublease, letter of credit, guarantee, deed, loan, credit agreement, hedging arrangement, purchase order, license, bond, note, mortgage, indenture or contract, and any other legally binding, non-statutory/regulatory obligation, commitment or undertaking, written or oral.

“*Contributor*” has the meaning assigned to such term in Section 4.17(g).

“*control*” means, as to any Person, the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise (and the terms “*controlled by*” and “*under common control with*” have correlative meanings).

“*Controlled Information*” means, collectively, Controlled Unclassified Information as defined in 32 C.F.R. 2002.4(h) and Covered Defense Information, as defined by 48 C.F.R. 204.7012.

“*Conversions*” means the conversion of the Company and each of the Company Subsidiaries that is a corporation (other than the Excluded Entities) to a limited liability company.

“*Copyrights*” has the meaning assigned to such term in the definition of Intellectual Property.

“*COVID-19*” means SARS-CoV-2 or COVID-19, and any variants or evolutions thereof or related or associated epidemics, pandemics or disease outbreaks.

“*COVID-19 Measures*” means any quarantine, “shelter in place”, “stay at home”, social distancing, shut down, closure, sequester or other Law, order, directive, guideline or

recommendation by any Governmental Entity in connection with or in response to COVID-19, including the CARES Act and the Families First Coronavirus Response Act (P.L. 116-127).

“*COVID-19 Response*” has the meaning set forth in Section 6.1.

“*Deductible*” has the meaning assigned to such term in Section 10.2(c).

“*Deferred Payroll Taxes*” means any Taxes payable by Seller, the Company or any Company Subsidiary (other than an Excluded Entity), including without limitation, any penalties or interest incurred by Seller, the Company, any Company Subsidiary (other than the Excluded Entities) or Buyer and its Affiliates related thereto or arising out of any failure to comply with any repayment obligation of such amounts, that (x) relate to the portion of the “payroll tax deferral period” (as defined in Section 2302(d) of the CARES Act) that occurs prior to the Closing and (y) are payable following the Closing as permitted by Section 2302(a) of the CARES Act, calculated without giving effect to any tax credits afforded under the CARES Act, the Families First Coronavirus Response Act or any similar applicable federal, state or local Law to reduce the amount of any such Taxes payable or owed.

“*Delaware Courts*” has the meaning assigned to such term in Section 12.2(b).

“*Determination Date*” has the meaning assigned to such term in Section 2.9(c)(iii).

“*Direct Claim*” has the meaning assigned to such term in Section 10.5.

“*Direct Claim Notice*” has the meaning assigned to such term in Section 10.5.

“*Discussion Period*” has the meaning assigned to such term in Section 10.5.

“*Disputed Amounts*” has the meaning assigned to such term in Section 2.9(c)(iii).

“*Effective Time*” has the meaning assigned to such term in Section 2.2.

“*End Date*” means June 30, 2022.

“*Environmental Claim*” means any action, suit, claim, demand, investigation or other legal proceeding by any Person alleging liability of whatever kind or nature (including liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, attorneys’ fees, fines or penalties) arising out of, based on or resulting from or relating to: (i) the presence, Release, threatened Release, investigation, remediation, or exposure to, any Hazardous Materials; (ii) the Handling of Hazardous Materials; or (iii) any actual or alleged non-compliance with or violation of any Environmental Law or term or condition of any Environmental Permit.

“*Environmental Laws*” means any Law; judicial or administrative interpretation thereof; Environmental Permit; or Order, binding guidance, directive, enforcement action, or agreement with a Governmental Entity relating to: (i) Releases or threatened Releases of Hazardous Material; (ii) protection, or clean-up of the environment; the Handling of Hazardous Materials; air emissions, indoor air quality, and greenhouse gas emissions; the preservation or

protection of natural resources, endangered species, or the environment (including ambient and indoor air, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource); pollution, contamination or protection of public or employee health or the environment; or (iii) the presence (including in products), management, manufacture, handling, transport, use, treatment, storage, containment, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, remediation, or disposal of Hazardous Material.

“*Environmental Notice*” means any written directive, written notice of violation or infraction, or written notice respecting any Environmental Claim or any written communication from a Governmental Entity relating to potential, actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

“*Environmental Permit*” means any Permit, letter, clearance, consent, waiver, registration, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

“*Equity*” has the meaning assigned to such term in the Recitals.

“*Equity Award Holder Acknowledgment Agreement*” has the meaning given to such term in Section 2.3(b)(ii).

“*Equity Interests*” means ownership interests in Seller, the Company or any Company Subsidiary, whether membership interests or other securities, including any purchase option, call option, right of first refusal or offer, co-sale, participation right, preemptive right or similar right in such membership interests or other securities.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended.

“*ERISA Affiliate*” means, with respect to any corporation or trade or business, any other corporation or trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first corporation or trade or business, or that is, or was at the relevant time, a member of the same “controlled group” as the first corporation or trade or business pursuant to Section 4001(a)(14) of ERISA.

“*Escrow Agent*” means U.S. Bank.

“*Escrow Agreement*” means the Escrow Agreement to be entered into by and among Buyer, Seller Stockholder Representative and the Escrow Agent as of the Closing Date in the form attached to this Agreement as Exhibit B.

“*Escrow Funds*” means, collectively, the Adjustment Escrow Fund and the Indemnity Escrow Fund.

“*Estimated Closing Cash*” has the meaning assigned to such term in Section 2.1(a).

“*Estimated Closing Indebtedness*” has the meaning assigned to such term in [Section 2.1\(a\)](#).

“*Estimated Closing Net Working Capital*” has the meaning assigned to such term in [Section 2.1\(a\)](#).

“*Estimated Closing Transaction Expenses*” has the meaning assigned to such term in [Section 2.1\(a\)](#).

“*Estimated Tax Liability Amount*” has the meaning assigned to such term in [Section 2.1\(a\)](#).

“*Estimated Transaction Consideration*” has the meaning assigned to such term in [Section 2.4\(b\)](#).

“*Excluded Contracts*” means Contract #W912HQ22D0006 issued by USACE Humphreys Eng CTR SPT Activity (INTAC), dated February 18, 2022 and Contract #2021-21062800001 issued by Office of Security Contracts Team (PAC Training), dated June 30, 2021.

“*Excluded Entities*” means SPRA, Bill Scott Raceway, Incorporated, a Virginia corporation, and SPARC.

“*Excluded Entity Receivables*” has the meaning assigned to such term in [Section 7.9](#).

“*Export Control Laws*” means (i) all applicable trade, export control, import, and antiboycott laws and regulations imposed, administered, or enforced by the U.S. government, including the Arms Export Control Act (22 U.S.C. § 1778), the International Emergency Economic Powers Act (50 U.S.C. §§ 1701–1706), Export Control Reform Act of 2018 (50 U.S.C. §§ 4801-4852), Section 999 of the Internal Revenue Code, Title 19 of the U.S. Code, the International Traffic in Arms Regulations (22 C.F.R. Parts 120-130), the Export Administration Regulations (15 C.F.R. Parts 730-774), the U.S. customs regulations at 19 C.F.R. Chapter 1, and the Foreign Trade Regulations (15 C.F.R. Part 30); and (ii) all applicable trade, export control, import, and antiboycott laws and regulations imposed, administered or enforced by any other country, except to the extent inconsistent with U.S. law.

“*Facility Access and Use Agreement*” means the Facility Access and Use Agreement to be entered into by and among SPRA or SPBSR and Buyer as of Closing in the form attached to this Agreement as [Exhibit E-2](#).

“*Family Member*” means, with respect to each Person, any individual related by blood, marriage or adoption to any such Person.

“*Final Allocation*” has the meaning assigned to such term in [Section 8.6](#).

“*Financial Statements*” has the meaning assigned to such term in [Section 4.6\(a\)](#).

“*Fraud*” means actual and intentional misrepresentation with respect to the making of the representations and warranties set forth in Article III, Article IV or Article V, or any certificate delivered by any of the Parties in connection with Closing. For the avoidance of doubt, “Fraud” does not include constructive fraud or any torts based solely on negligence.

“*Fully Diluted Share Number*” means the sum of (i) the total number of shares of Seller Common Stock outstanding as of immediately prior to Closing, *plus* (ii) the total number of shares of Seller Common Stock attributable to Seller Options that are entitled to receive the Closing Seller Option Consideration pursuant to the Consideration Spreadsheet and Section 2.3, *plus* (iii) the total number of shares of Seller Common Stock attributable to Seller SARs that are entitled to receive the Closing Seller SARs Consideration pursuant to the Consideration Spreadsheet and Section 2.3, *plus* (iv) the total number of shares of Seller Common Stock attributable to Seller Warrants that are entitled to receive Closing Seller Warrant Consideration pursuant to the Consideration Spreadsheet and Section 2.3.

“*Fundamental Representations*” means, collectively, Seller Stockholder Fundamental Representations and the Company Fundamental Representations.

“*GAAP*” means generally accepted accounting principles in the United States, as in effect as of the Closing, consistently applied.

“*Government Contract*” means any prime contract, subcontract, purchase order, task order, delivery order, teaming agreement, joint venture agreement, strategic alliance agreement, basic ordering agreement, pricing agreement, letter contract, grant cooperative agreement, or other similar arrangement of any kind between the Company or any Company Subsidiary and where the counterparty or the ultimate customer is or the work performed under such contract was funded by a Governmental Entity. A task, purchase or delivery order under a Government Contract does not constitute a separate Government Contract for purposes of this definition but is part of the Government Contract to which it relates.

“*Government Contract Bid*” means quotations, bids, and proposals for awards of new Government Contracts made by the Company or any Company Subsidiary for which no award has been announced and which, if accepted, would result in a Government Contract.

“*Government Official*” means any officer or employee of a Governmental Entity or any department, agency, or instrumentality thereof, or of a public international organization, or any Person acting in an official capacity for or on behalf of any such government or department, agency, or instrumentality, or for or on behalf of any such public international organization, or any political party, party official, or candidate thereof.

“*Governmental Entity*” means any foreign, domestic, federal, territorial, state or local governmental entity, quasi-governmental entity (including any sovereign wealth fund or corporation owned or controlled in whole or in part by any governmental entity), court, tribunal, judicial or arbitral body, commission, board, bureau, agency or instrumentality, or any regulatory, administrative or other department, agency, or any political or other subdivision, department or branch of any of the foregoing.

“*Handling of Hazardous Materials*” means the production, use, reuse, generation, Release, storage, treatment, formulation, processing, labeling, registration, transportation, reclamation, recycling, disposal, arranging for disposal, discharge or other handling or disposition of Hazardous Materials.

“*Hazardous Material*” means (i) petroleum or any petroleum product, or derivative or fraction thereof, radon, radioactive materials or wastes, special waste, ignitable, reactive or corrosive substances, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, per- and polyfluoroalkyl substances (including PFAS, PFOA, PFOS, Gen X, and PFBs), and polychlorinated biphenyls and/or (ii) any chemical, material, substance, waste, product, derivative, compound, mixture, solid, liquid, mineral, or gas which is listed, classified or regulated as toxic, a hazardous substance, hazardous waste, acutely hazardous, hazardous material, contaminant, or pollutant as those terms are defined by any applicable Environmental Law, or described with words of similar import or regulatory effect under Environmental Laws.

“*Holder Releasing Party*” has the meaning assigned to such term in [Section 7.6](#).

“*Holders*” has the meaning assigned to such term in the opening paragraph of this Agreement.

“*HSR Act*” shall mean the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended.

“*In-the-Money Seller Option*” has the meaning assigned to such term in [Section 2.3\(b\)](#).

“*In-the-Money Seller SAR*” has the meaning assigned to such term in [Section 2.3\(c\)](#).

“*Indebtedness*” means with respect to any Person, without duplication, the aggregate amount of all payment obligations of such Person in respect of the following: (i) indebtedness, whether or not contingent, for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, including any indebtedness or forgivable loans obtained pursuant to the CARES Act (or any similar or conforming legislation in any U.S. jurisdiction), and any subsequent legislation relating to the COVID-19 pandemic, or any similar state, local, or foreign Law, (ii) any other indebtedness that is evidenced by a note, bond, debenture, lien, mortgage draft or similar instrument or security, (iii) notes payable and drafts accepted representing extensions of credit, (iv) letters of credit, performance bonds, bankers’ acceptances or similar facilities, to the extent drawn upon but not yet reimbursed, (v) obligations under any lease arrangements that are or would be capitalized under GAAP in effect on the respective date the determination is made (but excluding the effects of ASC 842), (vi) amounts due under any future derivative, swap, collar, cap, put, call, forward purchase or sale transaction, fixed price contract or similar hedging obligations, (vii) obligations for purchase price adjustments, the deferred purchase price of property, assets, services or equity interests, “earn-outs,” retention bonuses and similar payments and seller notes (in each case pursuant to any acquisition agreement entered into prior to the Agreement Date), (viii) the amount of any overdrafts (other than any amounts that would be deducted from Cash pursuant to clause (iv) of the definition thereof), (ix) any Deferred Payroll Taxes, (x) any guarantee (including by

way of a “keep well” or other similar undertaking) of any of the foregoing obligations or any other indebtedness of others guaranteed by such Person or secured by any Lien on the assets of by such Person, (xi) all obligations in respect of severance related to periods prior to the Closing, and (xii) all accrued interest, related expenses, prepayment penalties, make-whole payments, success fees and all other amounts payable in connection with any of the foregoing obligations, including the prepayment of any Indebtedness; *provided* that the definition of “*Indebtedness*” shall not include any amounts included in Closing Transaction Expenses to the extent paid at or prior to the Closing.

“*Indemnitee*” has the meaning assigned to such term in Section 10.4(a).

“*Indemnity Administrator*” has the meaning assigned to such term in Section 10.4(a).

“*Indemnity Escrow Amount*” means \$1,800,000.

“*Indemnity Escrow Fund*” has the meaning assigned to such term in Section 2.6.

“*Independent Accountant*” means BDO USA, LLP, or, if BDO USA, LLC is not able to serve as the Independent Accountant, another nationally or regionally recognized independent accounting firm mutually agreed to by Seller Stockholder Representative and Buyer; *provided, however*, that in the event Seller Stockholder Representative and Buyer are unable to agree on such independent accounting firm, the firms designated by Seller Stockholder Representative and Buyer shall together appoint the independent accounting firm to serve as the Independent Accountant.

“*Initial Payment Time*” has the meaning assigned to such term in Section 2.3(b)(ii).

“*Intellectual Property*” means all rights, title and interest in or relating to intellectual property, existing now or in the future, whether in the United States or any foreign jurisdiction, including: (i) all issued patents, patent applications and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, revivals, substitutions and extensions thereof, industrial and utility models, industrial designs, petty patents, patents of importation, patents of addition, certificates of invention, and any other indicia of invention ownership issued or granted by any Governmental Entity, including all registrations and applications for registration, renewals and extensions of registration for any of the foregoing (“*Patents*”), (ii) registered and unregistered trademarks, service marks, trade dress and applications therefor, along with names, corporate names, trade names, domain names, logos, slogans, trade dress, design rights and other similar designations of source or origin, together with the goodwill of the business associated with any of the foregoing, along with all registrations, applications for registrations, renewals and extensions of registrations for any of the foregoing (“*Trademarks*”), (iii) all registered and unregistered copyrights and copyrightable subject matter (including literary works and any other original works of authorship fixed in any tangible medium, moral rights, mask work, databases, data collections and rights therein, Software, web site content, rights to compilations, design rights, collective works and derivative works, and the right to create collective and derivative works, of any of the foregoing), whether or not published, all recordings thereof and all applications in connection therewith, along with all reversions, extensions and renewals thereof (“*Copyrights*”), (iv) Trade Secrets, (v) domain names, (vi) all other intellectual property rights arising from or

relating to Technology, (vii) all claims, causes of action and rights to sue for past, present and future infringement or unconsented use of any of the foregoing intellectual and other proprietary rights set forth in the foregoing clauses (i) through (vi) above, (viii) the right to file applications and obtain registrations, all copies and tangible embodiments of any of the foregoing (in whatever form or medium), and (ix) all rights arising therefrom and pertaining thereto and all products, proceeds and revenues arising from or relating to any and all of the foregoing.

“*IRS*” means the U.S. Internal Revenue Service.

“*Joinder Agreement*” means the agreement whereby a Seller Stockholder becomes a Party to this Agreement with respect to all of their shares of Common Stock, substantially in the form attached hereto as Exhibit F.

“*Key Executive*” has the meaning set forth in the Recitals.

“*Key Retention Bonus Recipient*” means the Persons set forth on Annex III under the heading “Key Retention Bonus Recipient.”

“*Knowledge of Buyer*” or “*Buyer’s Knowledge*” means the actual knowledge of any of Michael Kolloway and Timothy Schmitt as of the Closing.

“*Knowledge of the Company*” or “*Company’s Knowledge*” means the actual knowledge of any of Holly Freedlander, Amy McNaughton, Jerry Pfeiffer, David Scott, Mark Skinner, Hal Smith, Ted Timberlake, Wendy Piazza and Skip Davidson as of the Closing.

“*KSSS*” has the meaning assigned to such term in Section 7.9.

“*KSSS Receivables*” has the meaning assigned to such term in Section 7.9.

“*Law*” means any federal, state, local or foreign law, statute, regulation, ordinance, rule, judgment, order, decree, award, approval, concession, grant, common law, franchise, license, agreement, directive, guideline, policy, requirement, or other governmental restriction or any similar form of decision or approval of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Entity.

“*Lease*” and “*Leases*” each has the meaning assigned to such term in Section 4.13(c).

“*Leased Real Property*” has the meaning assigned to such term in Section 4.13(c).

“*Liabilities*” means debts, liabilities, guarantees, assurances, commitments and obligations, whether fixed, contingent or absolute, asserted or unasserted, matured or unmatured, liquidated or unliquidated, accrued or not accrued, known or unknown, due or to become due, whenever or however arising (including whether arising out of any Contract or tort based on negligence or strict liability) and regardless of whether such item would be required by GAAP to be reflected in financial statements or disclosed in the notes thereto.

“*Liens*” means all liens, mortgages, pledges, charges, claims, security interests, purchase options, restrictions on transfer, title defects, easements, covenants, conditions, restrictions, leases, securities-related encumbrances or other encumbrances of any kind or nature.

“*Losses*” means all losses, costs, interest, charges, expenses (including reasonable attorneys’ fees and costs incurred in investigating or pursuing indemnification), obligations, Liabilities, settlement payments, awards, judgments, fines, penalties, damages, assessments or deficiencies.

“*Malicious Code*” has the meaning assigned to such term in [Section 4.17\(n\)](#).

“*Material Adverse Effect*” means a material and adverse effect or development upon (x) the business, operations, assets, Liabilities, condition (financial or otherwise) or operating results, cash flow or net worth of the Company or any Company Subsidiary (other than an Excluded Entity), taken as a whole, or (y) on the ability of Seller, the Holders or the Company to perform their respective obligations under this Agreement or any Ancillary Document or to consummate the transactions contemplated hereby or by any Ancillary Document, except, solely in the case of clause (x), to the extent resulting from (i) changes in general local, domestic, foreign, or international economic conditions, (ii) changes affecting generally the industries or markets in which the Company or any Company Subsidiary (other than an Excluded Entity) operates, (iii) any changes in applicable laws or accounting rules or principles, including changes in GAAP, (iv) any action expressly required to be taken by this Agreement or the Ancillary Documents, (v) the announcement or pendency of the transactions contemplated by this Agreement and the Ancillary Documents, *provided* that the exception contained in this clause (v) shall not apply to the use of Material Adverse Effect with respect to the representations and warranties set forth in [Sections 3.5](#) or [4.5](#), including for purposes of the conditions set forth in [Sections 9.1\(a\)](#); (vi) the failure of the Company or any Company Subsidiary (other than an Excluded Entity) to meet internal expectations or projections, *provided* that any event that caused or contributed to such failure shall not be excluded under this clause (vi), (vii) any adverse effect resulting directly or indirectly from natural disasters, such as hurricanes, tornadoes, floods, or earthquakes, (viii) any epidemic or pandemic, whether or not occurring or commenced before or after the date of this Agreement, including any event, fact, condition, or circumstance resulting from COVID-19 or the worsening thereof, and (ix) any adverse effect resulting directly or indirectly from any acts of war (whether or not declared), armed hostilities, sabotage or terrorism, or the escalation or worsening thereof; except, in the case of the immediately preceding clauses (i), (ii), (iii), (vii), (viii) or (ix), to the extent such change or act has a disproportionate impact on the Company or any Company Subsidiary (other than an Excluded Entity) or its business relative to the effect on other Persons operating in the same industry in which the Company or such Company Subsidiary (other than an Excluded Entity) operates.

“*Material Contracts*” has the meaning assigned to such term in [Section 4.16\(a\)](#).

“*Material Customer*” has the meaning assigned to such term in [Section 4.20](#).

“*Material Supplier*” has the meaning assigned to such term in [Section 4.20](#).

“*Most Recent Balance Sheet*” has the meaning assigned in [Section 4.6\(a\)](#).

“*NISPOM*” has the meaning assigned to such term in Section 4.23.

“*NIST*” has the meaning assigned to such term in Section 4.18(a).

“*Non-Owned Intellectual Property*” means all Intellectual Property used by the Company or any Company Subsidiary or necessary for the operation of the business of the Company or any Company Subsidiary that is not Owned Intellectual Property.

“*OCI*” has the meaning assigned to such term in Section 4.28(c).

“*Open Source Materials*” means open source, public source or freeware Intellectual Property, or any modification or derivative thereof, including any version of any Software licensed pursuant to any GNU General Public License (GPL), the GNU Lesser General Public License (LGPL), the Mozilla Public License (MPL), the Berkeley Software Distribution (BSD) licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL), the Sun Industry Standards License (SISL) and the Apache License, any derivative of the foregoing, or other Software that is licensed pursuant to a license that purports to require the distribution of or access to Source Code or purports to restrict one’s ability to charge for distribution of or to use Software for commercial purposes.

“*Order*” means any outstanding order, ruling, temporary restraining order, judgment, writ, preliminary or permanent injunction, stipulation, award or decree.

“*Owned Intellectual Property*” means all Intellectual Property owned (or purported to be owned) by the Company or any Company Subsidiary.

“*Party*” or “*Parties*” has the meaning assigned to such term in the opening paragraph of this Agreement.

“*Pass-Through Tax Return*” means any Tax Return filed by Seller in respect of any income Tax that is imposed on and payable by the beneficial owners of Seller with respect to the income or profits of Seller.

“*Patents*” has the meaning assigned to such term in the definition of Intellectual Property.

“*Per Share Amount*” means an amount equal to (i) the sum of (A) the Estimated Transaction Consideration, plus (B) the Aggregate Exercise Amount, divided by (ii) the Fully Diluted Share Number.

“*Per Share Escrow Amount*” means an amount equal to (i) the sum of (A) the Indemnity Escrow Amount and (B) the Adjustment Escrow Amount, divided by (ii) the Closing Share Number.

“*Per Share Seller Stockholder Rep Amount*” means an amount equal to (i) Seller Stockholder Representative Expense Fund, divided by (ii) the Closing Share Number.

“*Permits*” means all licenses, permits, franchises, approvals, registrations, authorizations, consents or orders of, or filings with, any Governmental Entity.

“*Permitted Liens*” means the following Liens: (i) statutory Liens for Taxes, assessments or other governmental charges or levies that are not yet due or payable, (ii) zoning ordinances, variances, conditional use permits and similar regulations, permits, approvals and conditions which are not violated by the current use and operation of the assets and properties of the Company or any Company Subsidiary, and (iii) Liens not created by the Company or any Company Subsidiary that affect the underlying fee interest of any Leased Real Property, including master leases or ground leases, easements (including for gas pipelines and power lines), declarations, covenants, rights-of-way, restrictions and other charges, instruments or encumbrances, recorded in the public real estate records that do not or would not, individually or in the aggregate impair the continued use and operation of such Leased Real Property as used by the Company or any Company Subsidiary as of the Closing Date; *provided, however*, to the extent such Liens secure monetary indebtedness, then such Liens shall constitute Permitted Liens solely to the extent that lenders to such lessor have provided commercially reasonable non-disturbance agreements to the applicable Company or Company Subsidiary with regard to the applicable Lease.

“*Person*” means an individual, partnership (general or limited), corporation, limited liability company, joint venture, association or other form of business organization (whether or not regarded as a legal entity under applicable Law), trust or other entity or organization, including a Governmental Entity.

“*Personal Information*” means any information that identifies or, alone or in combination with any other information, could reasonably be used to identify, locate, or contact a natural Person, including name, street address, telephone number, email address, identification number issued by a Governmental Entity, credit card number, bank information, customer or account number, online identifier, device identifier, IP address, browsing history, search history, or other website, application, or online activity or usage data, location data, biometric data, or any other information that is considered “Controlled Information,” “personally identifiable information,” “personal information,” or “personal data” under applicable Law.

“*Post-Closing Adjustment*” has the meaning assigned to such term in [Section 2.9\(b\)](#).

“*Post-Closing Excluded Entity Liability Payments*” has the meaning assigned to such term in [Section 7.8](#).

“*Post-Closing Retention Bonus Recipients*” has the meaning assigned to such term in [Section 7.2\(a\)](#).

“*Post-Closing Tax Period*” means all taxable periods beginning after the Closing Date, including the portion of the Straddle Period beginning on the day after the Closing Date.

“*PPACA*” has the meaning assigned to such term in [Section 4.11\(c\)](#).

“*Pre-Closing Period*” means the period from the date of this Agreement through the earlier of the Closing or the termination of this Agreement pursuant to Section 11.1.

“*Pre-Closing Reorganization*” means (i) the Conversions and (ii) the transactions contemplated by Section 6.6.

“*Pre-Closing Tax Period*” means all taxable periods ending on or prior to the Closing Date, including the portion of the Straddle Period ending on and including the Closing Date.

“*Pre-Closing Statement*” has the meaning assigned to such term in Section 2.1(a).

“*Privacy Commitments*” has the meaning assigned to such term in Section 4.18(a).

“*Privacy and Security Laws*” means all applicable Laws concerning the privacy, security, or Processing of Personal Information (including Laws of jurisdictions where Personal Information was collected), including, as applicable, data-breach notification Laws, consumer protection Laws, Laws concerning requirements for website and mobile application privacy policies and practices, Social Security number protection Laws, data security Laws, and Laws concerning email, text message, or telephone communications.

“*Pro Rata Share*” means, with respect to each Seller Stockholder, the *quotient*, expressed as a percentage rounded down to the nearest fourth decimal place, of: (i) the number of shares of Seller Common Stock held by such Seller Stockholder immediately prior to Closing, *divided by* (ii) the aggregate amount of shares of Seller Common Stock outstanding as of immediately prior to Closing.

“*Process*” (and the corollary term “*Processing*”) means to perform any operation or set of operations upon electronic data, whether manually or by automatic means, including blocking, erasing, destroying, collecting, compiling, combining, adopting, analyzing, enhancing, enriching, recording, sorting, organizing, structuring, accessing, storing, processing, adapting, retaining, retrieving, consulting, using, transferring, aligning, transmitting, disclosing, altering, distributing, disseminating, or otherwise making available electronic data.

“*Proposed Purchase Price Allocation*” has the meaning assigned to such term in Section 8.6.

“*Purchase Price*” means \$400,000,000.

“*Purchase Price Allocation Dispute Notice*” has the meaning assigned to such term in Section 8.6.

“*R&W Insurance Policy*” means that certain representation and warranty insurance policy with respect to the representations and warranties of the Company, Seller and Seller Stockholders under this Agreement purchased by Buyer in connection with the execution and delivery of this Agreement

“*Regulatory Laws*” means the HSR Act and any applicable foreign antitrust Laws relating to the transactions contemplated by the Transaction.

“*Related Party*” means (i) any officer, director, employee, stockholder or Affiliate of any of the Company or any Company Subsidiary; (ii) any Family Member of such Person in clause (i); or (iii) any entity in which any such Person in clause (i) owns any beneficial interest.

“*Release*” means any actual or threatened release, spilling, leaking, pumping, pouring, placing, depositing, dispersing, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

“*Representative*” or “*Representatives*” means, with respect to a particular Person, any director, manager, officer employee, consultant, financial advisor, counsel, accountant or other representative of such Person, including outside legal counsel, accountants and financial advisors.

“*Resolution Period*” has the meaning assigned to such term in [Section 2.9\(c\)\(ii\)](#).

“*Restricted Party*” has the meaning assigned to such term in [Section 4.21\(c\)](#).

“*Restrictive Covenant Agreements*” has the meaning assigned to such term in the Recitals.

“*Retention Bonus Agreements*” has the meaning assigned to such term in the Recitals.

“*Retention Bonus Recipient*” has the meaning set forth in the Recitals.

“*Review Period*” has the meaning assigned to such term in [Section 2.9\(c\)\(i\)](#).

“*Sanctions Laws*” means applicable economic or financial sanctions or trade embargoes imposed, administered, or enforced by relevant Governmental Entities, including those administered by the U.S. government through the U.S. Treasury Department’s Office of Foreign Assets Control (“*OFAC*”) or the U.S. Department of State, the European Union or its Member States, or Her Majesty’s Treasury of the United Kingdom.

“*SPBSR*” means SPBSR Holdings, Inc., a Delaware corporation.

“*Security Incident*” has the meaning assigned to such term in [Section 4.18\(d\)](#).

“*Seller Option Plan*” means the Xator Holdings Corporation 2013 Stock Incentive Plan, as may be amended from time to time.

“*Seller SAR*” has the meaning assigned to such term in the Preamble.

“*Seller SARs Plan*” has the meaning assigned to such term in the Preamble.

“*Seller Stockholder Fundamental Representations*” means the representations and warranties set forth in Sections 3.1 (Organization and Qualification), 3.2 (Authority Relative to this Agreement), 3.3 (Title to Shares), 3.5(b)(i) (Consents and Approvals; No Violations) and 3.7 (Brokers).

“*Seller Stockholder Indemnified Parties*” has the meaning assigned to such term in Section 10.3(a).

“*Seller Stockholder Representative*” has the meaning assigned to such term in the opening paragraph of this Agreement.

“*Seller Stockholder Representative Expense Fund*” means an amount designated by the Stockholder Representative to Buyer prior to the Closing, but not to exceed \$1,000,000.

“*Seller Stockholder Representative Expenses*” has the meaning assigned to such term in Section 2.11(d).

“*Service Provider*” means an employee, director, officer or individual consultant or independent contractor of the Company or a Company Subsidiary.

“*Software*” means any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in Source Code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (iv) all documentation, including user manuals and other training documentation related to any of the foregoing.

“*Source Code*” means computer software and code, in form other than object code form, including related programmer comments and annotations, help text, data and data structures, instructions and procedural, object-oriented and other code, which may be printed out or displayed in human readable form.

“*Split Fees*” means (i) all fees, cost and expenses incurred by the Parties and payable to the Escrow Agent pursuant to Section 2.6, (ii) all Transfer Taxes payable pursuant to Section 8.3, and (iii) all fees, cost and expenses incurred by the Parties in connection with the D&O Tail Policy.

“*Statement of Objections*” has the meaning assigned to such term in Section 2.9(c)(ii).

“*Straddle Period*” means any taxable period that includes, but does not end on, the Closing Date.

“*Subcontract Pending Novation Agreement*” means the Subcontract Pending Novation Agreement to be entered by and among the Parties in the form attached hereto as Exhibit E-3.

“*Subsidiary*” means, with respect to any Person, any corporation, entity or other organization whether incorporated or unincorporated, of which (i) such first Person directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions or (ii) such first Person is a general partner or managing member.

“*SPARC*” means Summit Point Automotive Research Center, LLC, a West Virginia limited liability company.

“*SPRA*” means Summit Point Raceway Associates, Inc., a West Virginia corporation.

“*Target Net Working Capital*” means \$20,500,000.

“*Tax*” means any federal, state, local or foreign taxes of any kind, including income, profits, license, severance, occupation, premium, windfall profits, capital gains, capital stock, transfer, branch, registration, social security, production, franchise, gross receipts, payroll, sales, employment, social security, use, property, environmental, escheat or abandoned property, excise, value added, estimated, stamp, alternative or add-on minimum, withholding, or other tax, exclusive of duties payable upon imports into the United States, including any interest, additional tax and penalties imposed with respect to such amounts, whether disputed or not, including any liability in respect of any item described herein payable by reason of contract, assumption, transferee or successor liability, operation of Law, Treasury Regulations Section 1.1502-6(a) (or any similar provision of Law or any predecessor or successor thereof) or otherwise.

“*Tax Authority*” means any domestic, foreign, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising Tax regulatory authority.

“*Tax Liability Amount*” means the sum of (i) all Transfer Taxes for which Seller and Seller Stockholders are liable pursuant to Section 8.3 and (ii) an amount, if any (and not less than zero), equal to all Taxes of the Company and any Company Subsidiary with respect to any Straddle Period (determined in accordance with Section 8.1(b)) or any Pre-Closing Tax Period, including, (A) any Taxes not covered under the R&W Insurance Policy, (B) any Taxes attributable to the income, earnings or profits of the Excluded Entities and (C) any and all Taxes of the Company and any Company Subsidiary (1) imposed on or incurred in connection with (x) all prepaid amounts and advance payments received for which income inclusion was deferred to a Post-Closing Tax Period under Section 451(c) of the Code (or any similar provision of Law) and (y) all adjustments relating to the use of an improper method of accounting or pursuant to Section 481 of the Code (or any similar provision of Law), including any such adjustment arising as a result of the transactions contemplated by this Agreement, (2) arising from the transactions contemplated by this Agreement, excluding all Transfer Taxes for which Buyer is liable pursuant to Section 8.3, but including any Taxes of the Company and any Company Subsidiary resulting from (x) the Pre-Closing Reorganization and (y) any pre-Closing sale, distribution or other disposition of assets by the Company or any Company Subsidiary, and (3) payable by reason of Contract, assumption, transferee or successor liability, operation of Law, Treasury Regulations Section 1.1502-6(a) (or any similar provision of Law or any predecessor or successor thereof) or

otherwise. For purposes of calculating the Tax Liability Amount, any available elections shall be made under Revenue Procedure 2011-29, 2011-18 I.R.B. to treat seventy percent (70%) of any success-based fees, within the meaning of Treasury Regulations Section 1.263(a)-5(f) and Revenue Procedure 2011-29, that are economically borne by the Holder as an amount that does not facilitate the transactions contemplated hereby. Notwithstanding anything to the contrary in this Agreement, the Tax Liability Amount shall be determined without regard to any Tax attributes of (1) the Company and any Company Subsidiary that were generated in, or are attributable to, any Post-Closing Tax Period, (2) Buyer or any of its Affiliates (other than the Company and any Company Subsidiary that is not an Excluded Entity) that were generated in, or are attributable to, any taxable period (or portion thereof) and (3) any Excluded Entity.

“*Tax Proceeding*” means any audit, examination, contest, litigation, notice of deficiency or other similar proceeding with or against any Tax Authority.

“*Tax Return*” means any return, declaration, report, claim for refund, information return, schedule, form or statement, including any schedules or amendments thereto, filed with or submitted to, or required to be filed with or submitted to, any Tax Authority relating to Taxes.

“*Technology*” means, collectively, all Software, APIs, SDKs, information, designs, formulae, algorithms, procedures, methods, techniques, ideas, know-how, proprietary information, research and development, technical data, programs, subroutines, tools, materials, specifications, processes, protocols, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, circuit designs and assemblies, gate arrays, net lists, test vectors, design rules, models, databases, data collections, diagrams, creations, improvements, logos, marks (including brand names, Company Product or Service names, logos and slogans), network configurations and architectures, schematics, techniques, user interfaces, URLs, websites, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology, that are used in, incorporated in, embodied in, displayed by or relate to, or are used in connection with the foregoing.

“*Third-Party Claim*” has the meaning assigned to such term in [Section 10.4\(a\)](#).

“*Total Retention Bonus Pool*” means the aggregate amount of all payments to be made to Retention Bonus Recipients pursuant to Retention Bonus Agreements pursuant to the terms of this Agreement, which amount is set forth on [Annex III](#) and is equal to \$6,000,000.

“*Trade Secrets*” means anything that would constitute a “trade secret” under applicable Law, and, whether or not confidential, all business information (including inventions, ideas, research and development information, know-how, formulas, compositions, technical data, designs, drawings, specifications, research records, records of inventions, test information, financial, marketing and business data, customer and supplier lists and information, pricing and cost information, business and marketing plans and proposals).

“*Trademarks*” has the meaning assigned to such term in the definition of Intellectual Property.

“*Transaction*” has the meaning assigned to such term in the Recitals.

“*Transaction Bonuses*” means the transaction bonuses and/or success fees set forth on Section 1.1 (TB) of the Disclosure Schedules.

“*Transaction Consideration*” has the meaning assigned to such term in Section 2.4.

“*Transaction Expenses*” means, without duplication, (i) the Company Employee Payables, including any severance payable pursuant to the employment agreements with Jerry Pfeiffer, David Scott and Mark Skinner (unless the individual’s right to such severance is terminated, without payment of any amounts to the individual, prior to Closing pursuant to a form of termination agreement reasonably acceptable to Buyer), and any fees, costs, expenses of, or payments made by, Seller, the Company or any Company Subsidiary or other Liabilities of Seller, the Company or any Company Subsidiary related to or arising from the Company Employee Payables, (ii) fifty percent (50%) of the Split Fees, (iii) the aggregate amount of all fees, costs and expenses (including fees, costs and expenses of legal counsel, accountants, investment bankers, experts, consultants, brokers and other representatives and consultants; appraisal fees, finders’ fees, costs and expenses; and travel, lodging, entertainment and associated expenses) payable by, or Liabilities of, Seller, the Company or any Company Subsidiary in connection with the consideration of, planning for, the negotiation of, the performance of or all the other efforts to implement, this Agreement, any Ancillary Document or the transactions contemplated hereby or thereby, in each case to the extent that such fees, expenses and disbursements have not been paid by Seller, the Company or any Company Subsidiary prior to the Determination Date, (iv) any transaction fees, expenses or other amounts payable as management services fees by Seller, the Company or any Company Subsidiary to Seller or any Holder or Affiliate thereof pursuant to any advisory, management or similar agreement (including any amounts payable upon the termination of such agreement), and (v) the employer portion of any applicable Taxes payable in respect of (A) the Company Employee Payables, (B) the forgiveness of any of the Company Employee Loans, and (C) any amounts payable in respect of the Seller Options, Seller SARs or Seller Warrants pursuant to Sections 2.3(b) and 2.3(c) (in the case of each of clauses (i) through (v), whether incurred or accrued before or after the Closing and whether or not such amounts have been billed as of or before the Closing). Notwithstanding the foregoing, references to the Company Subsidiaries in this definition shall not include the Excluded Entities.

“*Transfer Taxes*” has the meaning assigned to such term in Section 8.3.

“*Transition Services Agreement*” means the Transition Services Agreement dated as of the Closing Date by and between the Company and SPBSR in the form attached to this Agreement as Exhibit E-1.

“*Travel Expense Matter*” means any failure to report taxable wage income or compensation to current or former employees or independent contractors of Seller, the Company or any Company Subsidiary, or to withhold any amount therefrom, for travel expenses or allowances paid on long-term or indefinite assignments that should have been treated as compensation according to Revenue Ruling 93-86 and Revenue Ruling 99-7, any audit, investigation, Tax Proceeding, claim or corrective action related thereto, and any amounts payable to or on behalf of any current or former employee of Seller, the Company or any Company Subsidiary arising out of or related thereto (including any Taxes, interest or penalties, social insurance or other required withholdings imposed on or payable or reimbursed by any Buyer

Indemnified Party as a result of the Travel Expense Matter, including any pyramiding Taxes and any employer Taxes resulting from such payments).

“*Treasury Regulations*” means the final and temporary United States Treasury Regulations promulgated under the Code.

“*WARN Act*” means the Worker Adjustment and Retraining Notification Act (or any successor provision) and any applicable state equivalent.

“*Warrant Holder Acknowledgement Agreement*” has the meaning assigned to such term in Section 2.3(d)(ii).

ARTICLE II. THE PURCHASE AND SALE

2.1 Delivery of Pre-Closing Statement.

(a) At least three Business Days prior to the Closing Date, the Company shall prepare in good faith and deliver to Buyer a statement (the “*Pre-Closing Statement*”) setting forth a calculation of its good faith estimate of (A) Closing Net Working Capital (the “*Estimated Closing Net Working Capital*”), (B) Closing Cash (the “*Estimated Closing Cash*”), (C) Closing Indebtedness (the “*Estimated Closing Indebtedness*”), (D) Closing Transaction Expenses (the “*Estimated Closing Transaction Expenses*”), (E) the Tax Liability Amount (the “*Estimated Tax Liability Amount*”), (F) the Closing Share Number, (G) the Fully Diluted Share Number, (H) the aggregate amount to be paid to each Holder at Closing in accordance with Section 2.3 hereof, (I) the Per Share Amount, (J) the Per Share Escrow Amount, (K) each Seller Stockholder’s Pro Rata Share, (L) each Seller Optionholder’s Closing Seller Option Consideration, (M) each Seller SARs Holder’s Closing Seller SARs Consideration, and (N) each Seller Warrant Holder’s Closing Seller Warrant Consideration, together with reasonable supporting detail.

(b) During the period between the delivery of the Pre-Closing Statement and the Closing, the Company shall make available to Buyer and its representatives such information as Buyer may reasonably request in connection with their review of the Pre-Closing Statement. The Company shall review any comments proposed by Buyer and its representatives with respect to the Pre-Closing Statement and shall consider, in good faith, and incorporate any appropriate changes requested by Buyer; *provided*, that, the Estimated Tax Liability Amount shall not exceed \$500,000.

2.2 Closing. On the terms and subject to the conditions set forth in this Agreement, the closing of the transactions contemplated by this Agreement (the “*Closing*”) will take place via email (in PDF or image format) transmission to the respective offices of legal counsel for the Parties at 10:00 a.m. Eastern Time (a) on May 31, 2022, subject to the satisfaction or waiver of the conditions set forth in Article IX (other than those that by their terms are to be satisfied at the Closing), (b) if the Closing does not occur on May 31, 2022, then on or before the fifth Business Day following satisfaction or waiver of the conditions set forth in Article IX (other than those that by their terms are to be satisfied at the Closing), or (c) at such other time and date as Seller Stockholders Representative and Buyer may in writing designate or such exchange actually occurs. The date of the Closing hereunder is referred to herein as the “*Closing Date*” and the Closing Date

will be deemed to have occurred at 12:01 a.m. Eastern Time on the date upon which the Closing occurs.

2.3 Purchase and Sale of Equity; Treatment of Seller Options; Treatment of Seller SARs; Treatment of Seller Warrants.

(a) Equity. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Buyer shall purchase and acquire from Seller, and Seller shall sell, convey, transfer, assign and deliver to Buyer, all right, title and interest (record and beneficial) in and to the Equity, free and clear of all Liens (other than restrictions imposed on transfer under applicable federal and state securities Laws or regulations). The purchase price to be paid by Buyer to Seller with respect to the Equity shall consist of (i) delivery at the Closing of a promissory note in the form attached as Exhibit G (the "Closing Note"), which will be distributed by Seller to the Seller Stockholders following the Closing as part of a plan of liquidation and will be payable to Seller Stockholders in accordance with their Pro Rata Shares on the first Business Day following the Closing by wire transfer of immediately available funds to the accounts designated by Seller in the Consideration Spreadsheet, of an amount equal to (A) the Estimated Transaction Consideration, minus (B) the Indemnity Escrow Amount, minus (C) the Adjustment Escrow Amount, minus (D) Seller Stockholder Representative Expense Fund, and (ii) the Post-Closing Adjustment. Buyer is not assuming and shall not assume any obligations or Liabilities under (a) any options or warrants to purchase or otherwise acquire any shares of Seller Common Stock or other Equity Interests, or (b) any other direct or indirect rights to acquire any shares of Seller Common Stock or other Equity Interests. Seller shall take all actions necessary or appropriate, including providing any such required notices, so that any such options, warrants or other direct or indirect rights to acquire Equity or other Equity Interests in the Company are terminated as of the Closing. The Transaction is intended to be a purchase of the equity interests of the Company.

(b) Seller Options.

(i) Prior to the Initial Payment Time, Seller and the Company shall take such actions as it deems necessary or desirable to provide that: (i) each Seller Option outstanding as of the Initial Payment Time (including those that become vested immediately prior to the Initial Payment Time) shall, in accordance with the Seller Option Plan, be cancelled, terminated and extinguished at the Initial Payment Time in exchange for the right to receive the consideration set forth in Section 2.3(b)(ii); and (ii) the Seller Option Plan shall terminate as of the Closing.

(ii) Pursuant to the terms and subject to the conditions set forth herein and subject to and conditioned upon the Seller Optionholder's execution and delivery to the Company of an Equity Award Holder Acknowledgment Agreement in the form of Exhibit H-1 (an "*Equity Award Holder Acknowledgement Agreement*"), Seller shall, or shall cause the Company to, at any time prior to Closing and after the Pre-Closing Statement has become final pursuant to Section 2.1(b), pay (the date of such payment, the "*Initial Payment Time*") to each Seller Optionholder an amount in cash per Seller Option equal to the result of the product of (A) the aggregate number of shares of Seller Common Stock such Seller Optionholder could have purchased if such holder had exercised such Seller Option in full immediately prior to the Initial Payment Time, *multiplied by* (B) the difference between (x) the Per Share Amount *minus* (y) the applicable exercise price per share of Seller Common Stock of such Seller Option. A Seller Option

eligible to receive the payments pursuant to this Section 2.3(b) is referred to herein as an “*In-the-Money Seller Option*.”

(iii) If the exercise price per share of any Seller Option is equal to or greater than the Per Share Amount (each an “*Out-of-the-Money Seller Option*”), such Seller Option shall be cancelled immediately prior to the Closing without any cash payment being made in respect thereof.

(iv) Upon the surrender and cancellation of each Seller Option in accordance with this Section 2.3(b), each Seller Optionholder shall cease to have any rights with respect thereto, except the right to receive from Seller the consideration payable with respect thereto pursuant to this Section 2.3(b).

(v) All cash amounts payable to Seller Optionholders in accordance with this Section 2.3(b) shall be paid pursuant to Seller’s or the Company’s standard payroll procedures subject to applicable Tax withholding and in compliance with applicable Law. Prior to the Initial Payment Time, Seller and the Company shall take all actions reasonably necessary to effect the transactions contemplated by this Section 2.3(b), including any actions as may be required under the Seller Option Plan and all Seller Option agreements and any other applicable plan or arrangement of Seller, the Company or any Company Subsidiary (whether written or oral, formal or informal), including delivering all notices required thereby. Materials to be submitted to the Seller Optionholders in connection with any notice required under this Section 2.3(b) shall be subject to review and comment by Buyer (which comments shall be considered by Seller and the Company in good faith), which review shall not be unreasonably withheld, conditioned or delayed. In the event the Closing Seller Option Consideration is not paid by Seller or the Company prior to the Closing pursuant to this Section 2.3(b), Buyer shall cause the Company to pay such amounts to the Seller Optionholders as soon as reasonably practicable following the Closing in accordance with this Section 2.3(b). The Company’s payment of the Closing Seller Option Consideration shall completely satisfy Buyer’s payment obligations to Seller and to any Seller Optionholder with respect to that portion of the Transaction Consideration otherwise payable by Seller that is paid by the Company or any Company Subsidiary to the Seller Optionholders with regard to the Seller Options.

(c) Seller SARs.

(i) Prior to the Initial Payment Time, Seller and the Company shall take such actions as it deems necessary or desirable to provide that: (i) each Seller SAR outstanding at the Initial Payment Time (including those that become vested immediately prior to the Initial Payment Time) shall, in accordance with the Seller SARs Plan, be cancelled, terminated and extinguished at the Initial Payment Time in exchange for the right to receive the consideration set forth in Section 2.3(c)(ii); and (ii) the Seller SARs Plan shall terminate as of the Closing.

(ii) Pursuant to the terms and subject to the conditions set forth herein and subject to such Seller SARs Holder’s execution of an Equity Award Holder Acknowledgment Agreement, at the Initial Payment Time, Seller shall or shall cause the Company to pay to each Seller SARs Holder an amount in cash per Seller SAR equal to the result of the product of (A) the aggregate number of vested shares of Seller Common Stock attributable to such Seller SARs

Holder's Seller SARs as of immediately prior to the Initial Payment Time, *multiplied by* (B) the difference between (x) the Per Share Amount *minus* (y) the applicable strike price per share of such Seller SAR. A Seller SAR eligible to receive the payments pursuant to this Section 2.3(c) is referred to herein as an "*In-the-Money Seller SAR*."

(iii) If the strike price per share of any Seller SAR is equal to or greater than the Per Share Amount (each an "*Out-of-the-Money Seller SAR*"), such Seller SAR shall be cancelled without any cash payment being made in respect thereof.

(iv) Upon the surrender and cancellation of each Seller SAR in accordance with this Section 2.3(c), each Seller SARs Holder shall cease to have any rights with respect thereto, except the right to receive from Buyer the consideration payable with respect thereto pursuant to this Section 2.3(c).

(v) All cash amounts payable to Seller SARs Holders in accordance with this Section 2.3(c) shall be paid pursuant to Seller's or the Company's standard payroll procedures subject to applicable Tax withholding and in compliance with applicable Law. Prior to the Initial Payment Time, Seller and the Company shall take all actions reasonably necessary to effect the transactions contemplated by this Section 2.3(c), including any actions as may be required under the Seller SARs Plan and all Seller SARs agreements and any other applicable plan or arrangement of Seller, the Company or any Company Subsidiary (whether written or oral, formal or informal), including delivering all notices required thereby. Materials to be submitted to the Seller SARs Holders in connection with any notice required under this Section 2.3(c) shall be subject to review and comment by Buyer (which comments shall be considered by Seller and the Company in good faith), which review shall not be unreasonably withheld, conditioned or delayed. In the event the Closing Seller SARs Consideration is not paid by Seller or the Company prior to the Closing pursuant to this Section 2.3(c), Buyer shall cause the Company to pay such amounts to the Seller SARs Holders as soon as reasonably practicable following the Closing in accordance with this Section 2.3(c). The Company's payment of the Closing Seller SARs Consideration shall completely satisfy Buyer's payment obligations to Seller and to any Seller SARs Holder with respect to that portion of the Transaction Consideration otherwise payable by Seller that is paid by the Company or any Company Subsidiary to the Seller SARs Holders with regard to the Seller SARs.

(d) Seller Warrants.

(i) Prior to the Initial Payment Time, Seller shall take such actions as it deems necessary or desirable to provide that each Seller Warrant outstanding immediately prior to the Initial Payment Time be cancelled, terminated and extinguished at the Initial Payment Time in exchange for the right to receive the consideration set forth in Section 2.3(c)(ii).

(ii) Pursuant to the terms and subject to the conditions set forth herein and subject to such Seller Warrant Holder's execution of a Warrant Holder Acknowledgment Agreement in the form of Exhibit H-2 (a "*Warrant Holder Acknowledgement Agreement*"), at the Initial Payment Time, Seller shall pay to each Seller Warrant Holder an amount in cash per Seller Warrant equal to the result of the product of (A) the aggregate number of shares of Seller Common Stock attributable to such Seller Warrant Holder's Seller Warrants as of immediately prior to the

Initial Payment Time, *multiplied by* (B) the difference between (x) the Per Share Amount *minus* (y) the applicable strike price per share of such Seller Warrant. A Seller Warrant eligible to receive the payments pursuant to this Section 2.3(d) is referred to herein as an “*In-the-Money Seller Warrant*.”

(iii) If the strike price per share of any Seller Warrant is equal to or greater than the Per Share Amount (each an “*Out-of-the-Money Seller Warrant*”), such Seller Warrant shall be cancelled without any cash payment being made in respect thereof.

(iv) Upon the surrender and cancellation of each Seller Warrant in accordance with this Section 2.3(d), each Seller Warrant Holder shall cease to have any rights with respect thereto, except the right to receive from Buyer the consideration payable with respect thereto pursuant to this Section 2.3(d).

(v) Prior to the Initial Payment Time, Seller shall take all actions reasonably necessary to effect the transactions contemplated by this Section 2.3(d), including any actions as may be required under Seller Warrants and any other applicable arrangement of Sellers (whether written or oral, formal or informal), including delivering all notices required thereby. Materials to be submitted to the Seller Warrant Holders in connection with any notice required under this Section 2.3(d) shall be subject to review and comment by Buyer (which comments shall be considered by Seller in good faith), which review shall not be unreasonably withheld, conditioned or delayed. In the event the Closing Seller Warrant Consideration is not paid by Seller or the Company prior to the Closing pursuant to this Section 2.3(d), Buyer shall cause the Company to pay such amounts to the Seller Warrant Holders as soon as reasonably practicable following the Closing in accordance with this Section 2.3(d). The Company’s payment of the Closing Seller Warrant Consideration shall completely satisfy Buyer’s payment obligations to Seller and to any Seller Warrant Holder with respect to that portion of the Transaction Consideration otherwise payable by Seller that is paid by the Company or any Company Subsidiary to the Seller Warrant Holders with regard to the Seller Warrants.

(e) Notwithstanding anything to the contrary set forth herein, in no event shall the aggregate purchase price paid at the Initial Payment Time and Closing (as applicable) pursuant to this Section 2.3 exceed an amount equal to (i) the Estimated Transaction Consideration, *minus* (ii) the Indemnity Escrow Amount, *minus* (iii) the Adjustment Escrow Amount, *minus* (iv) Seller Stockholder Representative Expense Fund.

2.4 Transaction Consideration.

(a) The aggregate consideration (such amount, the “*Transaction Consideration*”) payable by Buyer to Seller (or to Seller Stockholders pursuant to disbursements by Seller Stockholder Representative from the Seller Stockholder Representative Expense Fund pursuant to Section 2.11(d)) pursuant to the terms of this Agreement is an amount equal to (i) the Closing Transaction Consideration, *plus* (ii) that portion of the Escrow Funds, if any, that Seller becomes entitled to receive pursuant to the terms of this Agreement and the Escrow Agreement, *plus* (iii) that portion of the Seller Stockholder Representative Expense Fund, if any, that is distributed by Seller Stockholder Representative to Seller Stockholders pursuant to Section

2.11(d), plus (iv) the Post-Closing Adjustment, if any positive Post-Closing Adjustment is determined pursuant to Section 2.9(b).

(b) At the Closing, Buyer shall deliver the Closing Note and make payments in accordance with Section 2.5(b) and the Consideration Spreadsheet in an aggregate amount equal to the “*Estimated Transaction Consideration*” (less the Closing Seller Option Consideration, the Closing Seller SARs Consideration and the Closing Seller Warrant Consideration, to the extent paid by Seller prior to Closing pursuant to Sections 2.3(b), (c) and (d)). For purposes hereof, the “*Estimated Transaction Consideration*” is equal to the sum of the following:

- (i) the Purchase Price; *plus*
- (ii) the Estimated Closing Cash; *minus*
- (iii) the Estimated Closing Indebtedness; *plus*
- (iv) the amount, if any, by which the Estimated Closing Net Working Capital exceeds the Target Net Working Capital; *minus*
- (v) the amount, if any, by which the Target Net Working Capital is greater than the Estimated Closing Net Working Capital; *minus*
- (vi) the Estimated Closing Transaction Expenses, *minus*
- (vii) the Estimated Tax Liability Amount.

2.5 Pre-Closing & Closing Deliveries.

(a) Seller, the Company and the Holders shall deliver or cause to be delivered to Buyer the following on or prior to the Closing Date each of the items below, *provided* that, the items required to be delivered by Section 2.5(a)(viii) (C) below shall be delivered by the Company to Buyer at least five Business Days prior to Closing:

- (i) the Escrow Agreement duly executed by Seller Stockholder Representative;
- (ii) a certificate representing all of the ownership interests in the Company held by Seller, free and clear of all Liens, duly endorsed for transfer or accompanied by an appropriate transfer document;
- (iii) a certificate duly executed by an authorized officer or manager of each of Seller and the Company certifying that (A) attached thereto are true and complete copies of all resolutions adopted by the Boards or manager(s) (as the case may be) (1) approving this Agreement and the Ancillary Documents to which Seller or the Company is or will be a party and the Transaction and the Pre-Closing Reorganization, (2) determining that the terms of this Agreement, the Transaction and the Pre-Closing Reorganization are in the best interests of Seller Stockholders, and (3) adopting this Agreement and the Ancillary Documents to which Seller or the Company is or will be a party, (B) all such resolutions are in full force and effect and are all

the resolutions adopted in connection with the transactions contemplated hereby and thereby, and (C) the fact that this Agreement and the Pre-Closing Reorganization have been duly approved and adopted by the requisite vote of Seller Stockholders and Seller in accordance with their respective organizational documents and applicable Law and that such approval and adoption is in full force and effect;

(iv) a good standing certificate (or its equivalent) for the Company and each Company Subsidiary (other than an Excluded Entity) from the secretary of state or other appropriate Governmental Entity from the state of incorporation, formation or organization, as the case may be, dated within fifteen Business Days of the Closing Date;

(v) a duly completed and executed IRS Form W-9 by Seller, dated as of the Closing Date;

(vi) [reserved];

(vii) written resignations in a form reasonably acceptable to Buyer of each director, manager and statutory officer (President, Secretary and Treasurer) of the Company or the Company Subsidiaries (other than the Excluded Entities) previously identified by Buyer, effective as of the Effective Time;

(viii) (A) evidence of the termination of all agreements set forth on Section 2.5(a)(viii)(A) of the Disclosure Schedules, including, with respect to the employment agreements with each of David Scott, Jerry Pfeiffer and Mark Skinner, a waiver of any right to severance thereunder and, in the case of Mark Skinner, an acknowledgement of receipt of all amounts due under Section 2(b)(ii) of his employment agreement with the Company), in each case pursuant to a form of termination agreement reasonably acceptable to Buyer; (B) evidence of the release of all Liens (other than any Permitted Liens) related to the assets and properties of the Company or any Company Subsidiary (other than an Excluded Entity), which Liens are set forth on Section 2.5(a)(viii)(B) of the Disclosure Schedules; (C) duly executed payoff letters with respect to any Indebtedness for borrowed money outstanding as of the Closing (in each case on terms and conditions reasonably satisfactory to Buyer) (the “*Payoff Letters*”); and (D) copies of the consents, if any, listed on Section 2.5(a)(viii)(D) of the Disclosure Schedules and identified with an asterisk (*) each duly executed by the applicable parties;

(ix) Equity Award Holder Acknowledgment Agreements executed by each Seller Optionholder and Seller SARs Holder, Warrant Holder Acknowledgment Agreements executed by each Seller Warrant Holder, and such other documentation reasonably requested by Buyer, in a form reasonably acceptable to Buyer evidencing termination of the Seller Option Plan, the Seller SARs Plan and all outstanding Seller Options, Seller SARs and Seller Warrants, effective no later than immediately prior to the Closing;

(x) copies of invoices relating to all unpaid Transaction Expenses of Seller, the Company or any Company Subsidiary (other than the Excluded Entities), to the extent received, certifying that there are no further liabilities or obligations for Transaction Expenses, except for payment of the amount set forth therein;

- (xi) the Transition Services Agreement, duly executed by the Company and SPBSR;
- (xii) Facility Access and Use Agreement, duly executed by the Company and SPRA; and
- (xiii) the Subcontract Pending Novation Agreement, duly executed by the Company and Seller Stockholder Representative.

(b) Buyer shall deliver or cause to be delivered to Seller Stockholder Representative (or such other Person as may be specified herein) the following on or prior to the Closing Date:

- (i) the Escrow Agreement duly executed by Buyer;
- (ii) a Closing Note providing for payment to Seller Stockholders of the consideration specified in Section 2.4(a) on the first Business Day following the Closing Date by wire transfer of immediately available funds to the accounts designated by Seller Stockholder Representative in the Consideration Spreadsheet;
- (iii) payment to the Escrow Agent, by wire transfer of immediately available funds, of the Adjustment Escrow Amount and the Indemnity Escrow Amount, as provided in Section 2.6;
- (iv) payment to third parties, by wire transfer of immediately available funds, that amount of money due and owing from the Company or any Company Subsidiary (other than an Excluded Entity) to such third parties of the Estimated Closing Transaction Expenses, as set forth in the Consideration Spreadsheet (or to the Company or a Company Subsidiary (other than an Excluded Entity), for payment through normal payroll practices, to the extent payable to current or former employees of the Company or a Company Subsidiary);
- (v) payment to holders of outstanding Indebtedness for borrowed money, if any, by wire transfer of immediately available funds, that amount of money due and owing from the Company or any Company Subsidiary (other than an Excluded Entity) to such holders of outstanding Indebtedness for borrowed money, as set forth in the applicable Payoff Letters and the Consideration Spreadsheet;
- (vi) Facility Access and Use Agreement, duly executed by Buyer; and
- (vii) the Subcontract Pending Novation Agreement, duly executed by Buyer.

2.6 Escrow Funds. In accordance with the Escrow Agreement, Buyer shall deposit or cause to be deposited with the Escrow Agent at the Closing, by wire transfer of immediately available funds, the Adjustment Escrow Amount (such amount, including any interest of other amounts earned thereon (if any) and less any disbursements therefrom in accordance with the Escrow Agreement, the “*Adjustment Escrow Fund*”), to be held for the sole purpose of securing and satisfying the obligations, if any, of Seller Stockholders in Section 2.9 in a separate account

of the Escrow Agent (the “*Adjustment Escrow Account*”), and the Indemnity Escrow Amount (such amount, including any interest of other amounts earned thereon (if any) and less any disbursements therefrom in accordance with the Escrow Agreement, the “*Indemnity Escrow Fund*”), to be held for the sole purpose of securing and satisfying the obligations, if any, of Seller Stockholders in Section 2.9 or Article X in a separate account of the Escrow Agent (the “*Indemnification Escrow Account*”).

2.7 No Further Ownership Rights in the Company, Seller Options, Seller SARs or Seller Warrants. All Transaction Consideration paid or payable upon the surrender of the Equity in accordance with the terms hereof shall be deemed to have been paid or payable in full satisfaction of all rights pertaining to the Company and all Transaction Consideration paid or payable upon the surrender of Seller Options, Seller SARs or Seller Warrants in accordance with the terms hereof shall be deemed to have been paid or payable in full satisfaction of all rights pertaining to the Holders other than the holders of Seller Common Stock.

2.8 Withholding Rights. Each of Buyer, Seller, the Company, the Escrow Agent, and their respective Affiliates is entitled to deduct and withhold from the consideration otherwise payable to any Person under this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under any provision of Tax Law, and the withholding party shall pay or cause to be paid such amounts over to the applicable Tax Authority. Any such deducted and withheld amounts are treated for all purposes of this Agreement as having been paid to the Person in respect of which Buyer, Seller, the Company, the Escrow Agent, or their respective Affiliates, as the case may be, made such deduction and withholding.

2.9 Post-Closing Adjustment.

(a) Within 120 days after the Closing Date, Buyer shall prepare and deliver to Seller Stockholder Representative a statement (the “*Closing Statement*”) setting forth its calculation of (A) Closing Net Working Capital, (B) Closing Cash, (C) Closing Indebtedness, (D) Closing Transaction Expenses and (E) the Tax Liability Amount and reasonable support therefor.

(b) The “*Post-Closing Adjustment*” is an amount (which may be a positive or negative number) equal to (A) the Closing Net Working Capital, as finally determined pursuant to this Section 2.9, *minus* the Estimated Closing Net Working Capital, which may be a positive or negative number, *plus* (B) the Closing Cash, as finally determined pursuant to this Section 2.9, *minus* the Estimated Closing Cash, which may be a positive or negative number, *minus* (C) the Closing Indebtedness, as finally determined pursuant to this Section 2.9, *minus* the Estimated Closing Indebtedness, which may be a positive or negative number, *minus* (D) the Closing Transaction Expenses, as finally determined pursuant to this Section 2.9, *minus* the Estimated Closing Transaction Expenses, which may be a positive or negative number, *minus* (E) the Tax Liability Amount, as finally determined pursuant to this Section 2.9, *minus* the Estimated Tax Liability Amount, which may be a positive or negative number.

(c) Examination and Review.

(i) Examination. After receipt of the Closing Statement, Seller Stockholder Representative shall have 45 days (the “*Review Period*”) to review the Closing Statement. During the Review Period, Seller Stockholder Representative and Seller Stockholder Representative’s accountants shall have reasonable access during normal business hours to the books and records of the Company (including the Company Subsidiaries) to the extent that they relate to the Closing Statement; *provided, however*, that such access must be in a manner that does not interfere unduly with the normal business operations of Buyer or the Company.

(ii) Objection. On or prior to the last day of the Review Period, Seller Stockholder Representative may object to the Closing Statement and the calculations of any of (A) Closing Net Working Capital, (B) Closing Cash, (C) Closing Indebtedness, (D) Closing Transaction Expenses and (E) Tax Liability Amount as set forth therein, as applicable, by delivering to Buyer a written statement setting forth its objections in reasonable detail, indicating each disputed item or amount and the basis for its disagreement therewith, including documentation supporting such objections (the “*Statement of Objections*”). If Seller Stockholder Representative does not deliver a Statement of Objections before the expiration of the Review Period with respect to any of the calculation, then the Closing Statement and the calculation of (A) Closing Net Working Capital, (B) Closing Cash, (C) Closing Indebtedness, (D) Closing Transaction Expenses and (E) the Tax Liability Amount set forth therein are deemed to have been accepted by Seller Stockholder Representative and shall be final, binding and conclusive for all purposes hereunder. Any calculation that is not disputed in any Statement of Objections shall also be final, binding and conclusive for all purposes hereunder. If Seller Stockholder Representative delivers a Statement of Objections before the expiration of the Review Period, Buyer and Seller Stockholder Representative shall negotiate in good faith to resolve the objections made therein within 30 days (or such other time as Seller Stockholder Representative and Buyer agree in writing) after the delivery of the Statement of Objections (the “*Resolution Period*”) and such negotiations shall be governed by Rule 408 of the Federal Rules of Evidence and any applicable similar law. If the same are so resolved within the Resolution Period, then such resolution shall be evidenced in writing and be final and binding.

(iii) Resolution of Disputes. If Seller Stockholder Representative and Buyer fail to reach an agreement with respect to all the matters set forth in any Statement of Objections before expiration of the Resolution Period, then any amounts remaining in dispute (“*Disputed Amounts*”) shall be submitted for resolution to the Independent Accountant. Buyer and Seller Stockholder Representative shall instruct the Independent Accountant to, and the Independent Accountant, acting as an expert and not an arbiter, shall make a final determination of the items in the Closing Statement (to the extent such amounts are in dispute) based solely on written submission by Buyer and Seller Stockholder Representative and in accordance with the guidelines and procedures set forth in this Agreement (i.e., not on the basis of an independent review). Buyer and Seller Stockholder Representative shall cooperate with the Independent Accountant during the term of its engagement. Buyer and Seller Stockholder Representative shall instruct the Independent Accountant not to, and the Independent Accountant shall not, assign a value to any item in dispute greater than the greatest value for such item assigned by Buyer, on the one hand, or Seller Stockholder Representative, on the other hand, or less than the smallest value for such item assigned by Buyer, on the one hand, or Seller Stockholder Representative, on the

other hand. The Closing Statement and the resulting calculation of (A) Closing Net Working Capital, (B) Closing Cash, (C) Closing Indebtedness, (D) Closing Transaction Expenses and (E) the Tax Liability Amount shall become final and binding on the Parties, if not already mutually agreed by Buyer and Seller Stockholder Representative, on the date the Independent Accountant delivers its final determination in writing to Buyer and Seller Stockholder Representative (which final determination shall be requested by Buyer and Seller Stockholder Representative to be no later than 30 days following submission of such disputed matters). The final determination by the Independent Accountant shall not be subject to court review, absent manifest error but judgment may be entered upon such determination and statement in any court of competent jurisdiction. The “*Determination Date*” is the earlier of (a) such final determination by the Independent Accountant, and (b) final resolution by the Company and Seller Stockholder Representative under Section 2.9(c)(ii) above.

(iv) Fees of the Independent Accountant. The fees and expenses of the Independent Accountant shall be paid by each Party in accordance with a percentage amount determined by dividing, with respect to each Party, (i) the portion of Disputed Amounts not awarded to such Party, by (ii) the aggregate amount of all Disputed Amounts.

(d) Payment of Post-Closing Adjustment.

(i) If the Post-Closing Adjustment is a negative number, Seller and Buyer shall, within five Business Days after the Determination Date, jointly instruct the Escrow Agent to disburse from the Adjustment Escrow Fund, by wire transfer of immediately available funds, (A) the Post-Closing Adjustment (up to the amount in the Adjustment Escrow Fund) to Buyer, and (B) the remainder, if any, of the Adjustment Escrow Fund after the disbursement of the Post-Closing Adjustment pursuant to the foregoing clause (A) to Seller (for further distribution to Seller Stockholders in accordance with their Pro Rata Shares); *provided*, that if the absolute value of the Post-Closing Adjustment is greater than the amount in the Adjustment Escrow Fund, Buyer shall be entitled to recover such shortfall, at Buyer’s election, from the Indemnity Escrow Fund, or directly from Seller or Seller Stockholders in accordance with their Pro Rata Shares.

(ii) If the Post-Closing Adjustment is a positive number, then (A) Seller and Buyer shall, within five Business Days after the Determination Date, jointly instruct the Escrow Agent to disburse from the Adjustment Escrow Fund, by wire transfer of immediately available funds, the Adjustment Escrow Fund (up to the value of the aggregate amount remaining in the Adjustment Escrow Fund at the time of such disbursement) to Seller for further distribution to Seller Stockholders in accordance with their Pro Rata Shares and (B) Buyer shall, within five Business Days after the Determination Date pay, or cause to be paid, by wire transfer of immediately available funds, an amount equal to the Post-Closing Adjustment to Seller for further distribution to Seller Stockholders in accordance with their Pro Rata Shares.

(e) Adjustments for Tax Purposes. Any payments made pursuant to this Section 2.9 shall be treated as an adjustment to the Purchase Price by the Parties for U.S. federal, (and applicable state and local) income Tax purposes, unless otherwise required by Law.

2.10 Consideration Spreadsheet.

(a) At least five Business Days prior to the Closing Date, Seller shall prepare and deliver to Buyer a spreadsheet (the “*Consideration Spreadsheet*”), certified by an Officer of Seller, which sets forth, as of immediately prior to the Closing, the following:

(i) the names and addresses (including email addresses), and wire instructions of each Seller Stockholder;

(ii) calculations of the Closing Transaction Consideration, the Closing Share Number, the Fully Diluted Share Number, the Per Share Amount, the Per Share Escrow Amount and the Per Share Stockholder Rep Amount;

(iii) the Pro Rata Share of each Seller Stockholder (as a percentage interest), with separate identification of the Closing Transaction Consideration in dollar terms of to be received by each Seller Stockholder;

(iv) the aggregate amount in dollar terms to be contributed by each Seller Stockholder to each of the Adjustment Escrow Amount and the Indemnity Escrow Amount;

(v) the aggregate amount in dollar terms to be contributed by each Seller Stockholder to the Seller Stockholder Representative Expense Fund;

(vi) the names and addresses (including email addresses) of all Seller Optionholders, whether each Seller Optionholder is a current or former employee or an independent contractor, the number of Seller Options held by such Persons, the number of vested and unvested Seller Options held by such Persons, and the Closing Seller Option Consideration payable to each such Seller Optionholder as well as any applicable Tax withholding and the employer portion of any Taxes payable with respect thereto and, with respect to each Seller Optionholder;

(vii) the names and addresses (including email addresses) of all Seller SARs Holders, whether each Seller SARs Holder is a current or former employee or an independent contractor, the number of Seller SARs held by such Persons, the number of vested and unvested Seller SARs held by such Persons, and the Closing Seller SARs Consideration payable to each such Seller SARs Holder as well as any applicable Tax withholding and the employer portion of any Taxes payable with respect thereto and with respect to each Seller SARs Holder;

(viii) the names and addresses (including email addresses) of all Seller Warrant Holders, the number of shares of Seller Common Stock subject to Seller Warrants held by such Persons and the Closing Seller Warrant Consideration payable to each such Seller Warrant Holder as well as any applicable Tax withholding and the employer portion of any Taxes payable with respect thereto and with respect to each Seller Warrant Holder; and

(ix) the names and addresses, invoices, and wire instructions of any recipients of payments by or on behalf of Buyer pursuant to Section 2.5(b).

(b) The Parties agree that Buyer is and shall be entitled to rely on the Consideration Spreadsheet in making payments under Article II (including as it may be adjusted pursuant to Section 2.9), and that Buyer is and shall not be responsible for the calculations or the determination of the amounts payable as a result of such calculations in such Consideration Spreadsheet or liable to any Person for the accuracy of any payments made to such holders in accordance therewith.

2.11 Seller Stockholder Representative.

(a) In order to efficiently administer certain matters contemplated hereby following the Closing, including any actions that Seller Stockholder Representative may, in its sole discretion, determine to be necessary, desirable or appropriate in connection with the matters set forth in Sections 2.6, 2.9 and Article X, Seller Stockholders hereby designate Seller Stockholder Representative as the representative of Seller Stockholders.

(b) In the event Seller Stockholder Representative dies, becomes unable to perform its responsibilities hereunder or resigns from such position, Seller Stockholders who hold at least a majority in interest of the Pro Rata Shares at such time shall be authorized to and shall select another representative to fill such vacancy and such substituted representative shall be deemed to be Seller Stockholder Representative for all purposes of this Agreement and the documents delivered pursuant hereto.

(c) Each Seller Stockholder agrees, in addition to the foregoing, that:

(i) Seller Stockholder Representative shall be appointed and constitute the true and lawful attorney-in-fact of each Seller Stockholder, with full power in his, her or its name and on his, her or its behalf to act according to the terms of this Agreement and in general to do all things and to perform all acts including, without limitation, executing and delivering any agreements, amendments, modifications, waivers, certificates, receipts, instructions, notices or instruments contemplated by or deemed advisable in connection with this Agreement. Seller Stockholder Representative hereby accepts such appointment;

(ii) no Seller Stockholder shall have any cause of action against Seller Stockholder Representative for any action taken, decision made or instruction given by Seller Stockholder Representative under this Agreement, except for fraud or willful breach of this Agreement on the part of Seller Stockholder Representative;

(iii) Seller Stockholder Representative shall have full authority to (A) execute, deliver, acknowledge, certify and file on behalf of Seller Stockholders (in the name of any or all of Seller Stockholders or otherwise) any and all documents that Seller Stockholder Representative may, in its sole discretion, determine to be necessary, desirable or appropriate, in such forms and containing such provisions as Seller Stockholder Representative may, in its sole discretion, determine to be appropriate, (B) give and receive notices and other communications relating to this Agreement and the transactions contemplated hereby and thereby (except to the extent that this Agreement contemplates that such notice or communication shall be given or received by Seller Stockholders individually), (C) take or refrain from taking any actions (whether by negotiation, settlement, litigation or otherwise) to resolve or settle all matters and disputes

arising out of or related to this Agreement and the transactions contemplated hereby and thereby and (D) engage attorneys, accountants, financial and other advisors, paying agents and other persons necessary or appropriate in the judgment of Seller Stockholder Representative for the accomplishment of the foregoing;

(iv) Buyer shall be entitled to rely conclusively on the instructions and decisions given or made by Seller Stockholder Representative as to any of the matters described in this Section 2.11, and no party shall have any cause of action against Buyer for any action taken by Buyer in reliance upon any such instructions or decisions;

(v) all actions, decisions and instructions of Seller Stockholder Representative shall be conclusive and binding upon each of Seller Stockholders, and no Seller Stockholder shall have any cause of action against Seller Stockholder Representative for any action taken, decision made or instruction given by Seller Stockholder Representative under this Agreement, except for fraud or willful breach of this Agreement on the part of Seller Stockholder Representative;

(vi) the provisions of this Section 2.11 are independent and severable, are irrevocable and coupled with an interest, and shall be enforceable notwithstanding any rights or remedies that any Seller Stockholder may have in connection with the transactions contemplated by this Agreement; and

(vii) the provisions of this Section 2.11 shall be binding upon the executors, heirs, legal representatives successors and assigns of each Seller Stockholder, and any references in this Agreement to a Seller Stockholder or Seller Stockholders shall mean and include the successors to Seller Stockholders' rights hereunder, whether pursuant to testamentary disposition, the laws of descent and distribution or otherwise.

(d) At the Closing, Buyer shall cause to be deposited, in an account designated by the Stockholder Representative, Seller Stockholder Representative Expense Fund. Seller Stockholder Representative Expense Fund (and earnings thereon) may be applied as Seller Stockholder Representative, in its sole discretion, determines to be appropriate to defray, offset, or pay any charges, fees, costs, liabilities or expenses that Seller Stockholder Representative incurred in connection with the transactions contemplated by this Agreement, and the evaluation or defense of any claim for indemnification under this Agreement (the "*Seller Stockholder Representative Expenses*"). The balance of Seller Stockholder Representative Expense Fund held pursuant to this Section 2.11(d), if any, and any income earned thereon, shall, at the sole discretion of Seller Stockholder Representative and at such time to be determined in the sole discretion of Seller Stockholder Representative, be distributed to Seller Stockholders according to each such Seller Stockholder's Pro Rata Share. Prior to any such distribution of Seller Stockholder Representative Expense Fund, Seller Stockholder Representative shall deliver to Buyer an updated Consideration Spreadsheet (which need not be certified by an officer of the Company) setting forth the portion of Seller Stockholder Representative Expense Fund payable to each Seller Stockholder.

(e) As between Seller Stockholders and Seller Stockholder Representative, Seller Stockholder Representative shall not be liable for any act done or omitted hereunder as Seller Stockholder Representative while acting in good faith, and any act done or omitted to be

done pursuant to the advice of counsel shall be conclusive evidence of such good faith. Seller Stockholder Representative shall be indemnified and held harmless and reimbursed by Seller Stockholders against any loss, liability or expense incurred without bad faith, gross negligence or willful misconduct on the part of Seller Stockholder Representative and arising out of or in connection with the acceptance or administration of its duties hereunder and in connection with any Seller Stockholder Representative Expenses, at the election of Seller Stockholder Representative, at any time (i) from Seller Stockholder Representative Expense Fund, to the extent any funds remain in such fund and (ii) following exhaustion of Seller Stockholder Representative Expense Fund, from Seller Stockholder according to each Seller Stockholder's Pro Rata Share; *provided, however*, that no Seller Stockholder shall be liable to Seller Stockholder Representative for any amount in excess of the applicable portion of the Transaction Consideration actually paid to such Seller Stockholder.

ARTICLE III. REPRESENTATIONS AND WARRANTIES OF SELLER AND SELLER STOCKHOLDERS

Except as set forth in the disclosure schedules dated as of the date of this Agreement and delivered to Buyer herewith (the "*Disclosure Schedules*"), Seller and each Seller Stockholder hereby represents and warrants to Buyer as of the date hereof and as of the Closing Date as follows:

3.1 Organization and Qualification. Each of Seller, and such Seller Stockholder, if not a natural person, is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and is in good standing in each jurisdiction in which the nature of its business or the ownership, lease or operation of its properties or assets makes such qualification necessary, except where the failure to so exist, be in good standing, and qualify would not be material to Seller or such Seller Stockholder or would not materially adversely affect Seller's or such Seller Stockholder's ability to consummate the transactions contemplated hereby.

3.2 Authority Relative to this Agreement. Each of Seller and such Seller Stockholder has all necessary organizational power and authority, and if such Seller Stockholder is not a natural person, to execute, deliver and perform his, her or its obligations under this Agreement. Each of Seller and such Seller Stockholder has all necessary power and authority to execute and deliver each Ancillary Document to which Seller or such Seller Stockholder is or will be a party, to perform its or his obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. All organizational actions and proceedings required to be taken by or on the part of Seller or such Seller Stockholder to authorize and permit the execution, delivery and performance by Seller or such Seller Stockholder of this Agreement and the Ancillary Documents to which Seller or such Seller Stockholder is or will be a party, have been duly and validly taken. This Agreement has been duly executed and delivered by Seller and such Seller Stockholder and, assuming the due and valid authorization, execution and delivery of this Agreement by the other Parties, shall constitute a valid and binding obligation of Seller and such Seller Stockholder, enforceable in accordance with its terms, in each case subject to the effect of any applicable bankruptcy, reorganization, insolvency, fraudulent transfer, moratorium or similar Laws from time to time in effect affecting creditors' rights generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) (the "*Enforceability Exceptions*").

The Ancillary Documents, when executed and delivered by Seller or such Seller Stockholder, shall have been duly executed and delivered by Seller or such Seller Stockholder, and, assuming the due and valid authorization, execution and delivery of this Agreement by the other Parties, shall constitute the valid and binding obligation of Seller or such Seller Stockholder, enforceable in accordance with their terms, except as limited by the Enforceability Exceptions.

3.3 Title to Seller Common Stock. Such Seller Stockholder is the record and beneficial owner of the shares of Seller Common Stock set forth opposite such Seller Stockholder's name on Section 4.3(a) of the Disclosure Schedules, free and clear of all Liens or any other restrictions on transfer other than restrictions on transfer arising under applicable federal and state securities Laws. Other than this Agreement or as set forth on Section 3.3 of the Disclosure Schedules, such Seller Common Stock are not subject to any voting trust agreement or any other Contract restricting or otherwise relating to the voting, dividend rights or disposition of such Seller Common Stock.

3.4 Seller's Operations. Seller is, and has always been, a holding company with no material operations, other than (a) immaterial operations in connection with its direct or indirect ownership interests in the Company and the Company Subsidiaries and engaging in transactions related to the Seller Common Stock, Seller Options, Seller SARs and Seller Warrants including activities related or incidental thereto and (b) activities in connection with the Transaction (including the Pre-Closing Reorganization). Seller has no material Liabilities or assets other than (i) those Liabilities and assets arising out of its existence or the direct or indirect ownership interests in the Company and the Company Subsidiaries, (ii) Liabilities for Taxes or (iii) arising under its organizational documents. Seller does not, and has never had, any employees (other than officers), leased employees or contractors.

3.5 Consents and Approvals; No Violations.

(a) Except as may be required by the HSR Act or novation agreements that may be required as a result of the Pre-Closing Reorganization, no filing with or notice to, and no permit, authorization, registration, consent or approval of, any Governmental Entity is required on the part of Seller or such Seller Stockholder for the execution, delivery and performance by Seller or such Seller Stockholder of this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is or will be a party, or the consummation by Seller or such Seller Stockholder of the transactions contemplated by this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is or will be a party.

(b) Neither the execution, delivery, or performance by Seller or such Seller Stockholder of this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is or will be a party nor the consummation by Seller or such Seller Stockholder of the transactions contemplated by this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is or will be a party will (A) conflict with or result in any breach, violation or infringement of any provision of organizational documents of Seller or, if such Seller Stockholder is an entity, such Seller Stockholder, (B) result in a breach, violation or infringement of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to the creation of any Lien, except for Permitted Liens, or any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any Contract to which Seller or

such Seller Stockholder is a party or by which any of his, her, or its properties or assets or any of his, her or its Affiliates may be bound, or (C) violate or infringe any Law applicable to Seller or such Seller Stockholder or any of his, its Affiliates or their respective properties or assets. Neither Seller nor such Seller Stockholder is not a party to or bound by any Contract or understanding with respect to a Company Transaction other than this Agreement, and each of Seller and such Seller Stockholder has terminated all discussions with third parties (other than with Buyer and its Affiliates) regarding Company Transactions.

3.6 Legal Proceedings; Orders. There are no Actions or Orders pending or, to Seller's or such Seller Stockholder's knowledge, threatened against or affecting Seller or such Seller Stockholder, or pending or threatened by Seller or such Seller Stockholder against any Person, at law or in equity, or before or by any Governmental Entity (including any Actions with respect to the transactions contemplated by this Agreement), that (x) could reasonably be expected to adversely affect the ability of Seller or such Seller Stockholder to consummate the transactions contemplated by this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is a party or (y) challenge or that could reasonably be expected to prevent, impede, hinder, delay, make illegal, impose limitations or conditions on, or otherwise interfere with, any of the transactions contemplated by this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is or will be a party. Seller or such Stockholder is not subject to any Order that relates to the business of, or any assets owned or used by, the Company or any Company Subsidiary.

3.7 Brokers. There are no claims for brokerage commissions, finders' fees, financial advisors' fees or similar compensation in connection with the transactions contemplated by this Agreement or any Ancillary Document to which Seller or such Seller Stockholder is a party or based on any Contract to which Seller or such Seller Stockholder is a party or that is otherwise binding upon Seller or such Seller Stockholder and no Person is entitled to any fee or commission or like payment in respect thereof. All fees, commissions or like payments to any Person listed on Section 3.7 of the Disclosure Schedules (or pursuant to the agreement(s) listed therein) shall be paid at Closing and, following Closing, none of the Company, Buyer or any of their respective Affiliates will have any obligation of any kind with respect to the matters or agreements listed on Section 3.7 of the Disclosure Schedules.

3.8 Affiliate Transactions. Neither Seller nor such Seller Stockholder nor any Affiliate of Seller or such Seller Stockholder that is a Related Party provides property, Technology or Intellectual Property to the Company or any Company Subsidiary or has any other material interest in any property or assets of the Company or any Company Subsidiary.

3.9 No Other Representations. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES MADE BY SELLER AND EACH SELLER STOCKHOLDER CONTAINED IN THIS Article III AND Article IV (IN EACH CASE, AS MODIFIED BY THE DISCLOSURE SCHEDULES), IN ANY ANCILLARY DOCUMENT AND IN ANY CERTIFICATE DELIVERED BY OR ON BEHALF OF SELLER OR SUCH SELLER STOCKHOLDER HEREUNDER, NEITHER SELLER NOR SUCH SELLER STOCKHOLDER MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO SELLER OR SUCH SELLER STOCKHOLDER, THE COMPANY OR ANY COMPANY

SUBSIDIARY, AND SELLER AND SUCH SELLER STOCKHOLDER HEREBY DISCLAIM ANY SUCH REPRESENTATION OR WARRANTY.

3.10 Non-Reliance. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES MADE BY BUYER IN Article V, IN ANY ANCILLARY DOCUMENT AND IN ANY CERTIFICATE DELIVERED BY OR ON BEHALF OF BUYER HEREUNDER, NEITHER BUYER NOR ANY OTHER PERSON OR ENTITY ON BEHALF OF BUYER MAKES OR HAS MADE, AND NEITHER SELLER NOR ANY SELLER STOCKHOLDER HAS RELIED UPON, ANY REPRESENTATION OR WARRANTY, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO BUYER. THIS SECTION 3.10 DOES NOT WAIVE ANY CLAIM OR RIGHTS OF SELLER STOCKHOLDER INDEMNIFIED PARTIES IN ANY CASE OF ANY FRAUD.

**ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

Except as set forth in the Disclosure Schedules, Seller, the Company and each Seller Stockholder hereby represent and warrant to Buyer as of the date hereof and as of the Closing Date as follows:

4.1 Organization and Qualification; Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of Florida and is in good standing in each jurisdiction in which the nature of its business or the ownership, lease or operation of its properties or assets makes such qualification necessary, except where the failure to so exist, be in good standing, and qualify would not reasonably be expected to be material to the Company or would not materially adversely affect the Company's ability to consummate the transactions contemplated hereby, as applicable. The Company has all requisite corporate power and authority necessary to own, lease, and operate its properties and to carry on its business as now conducted, except where the failure to have such power and authority would not, individually or in the aggregate, be or reasonably be expected to result in a material loss to the Company. Copies of the current organizational documents of the Company have been made available to Buyer and are correct and complete and reflect all amendments made thereto at any time prior to the Closing.

4.2 Authority Relative to this Agreement. The Company has all necessary organizational power and authority, including under applicable laws of the state of Florida, and the Company organizational documents, to execute and deliver this Agreement. The Company has all necessary power and authority to execute and deliver each Ancillary Document to which the Company is or will be a party, to perform its or his obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The Board, by resolutions duly adopted at a meeting duly called and held or by written consent in lieu of a meeting of the Board has (i) approved and authorized the execution and delivery of this Agreement, (ii) approved the consummation of the transactions contemplated hereby and (iii) determined that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby is advisable, and no other action on the part of the Company is required to duly authorize this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Company and, assuming the due and valid authorization, execution and delivery of this Agreement by the other Parties, shall constitute a valid and binding

obligation of the Company, enforceable in accordance with its terms, except as limited by the Enforceability Exceptions. The Ancillary Documents, when executed and delivered by the Company, shall have been duly executed and delivered by the Company, and, assuming the due and valid authorization, execution and delivery of this Agreement and the Ancillary Documents by the other Parties hereto or thereto, as applicable, shall constitute the valid and binding obligation of the Company, enforceable in accordance with their terms, except as limited by the Enforceability Exceptions.

4.3 Capitalization and Related Matters.

(a) Section 4.3(a) of the Disclosure Schedules sets forth as of the date hereof (i) the number of authorized shares of each class of Seller Common Stock, (ii) the number of issued and outstanding shares of each class of Seller Common Stock, and (iii) a true, correct and complete list of the record holders of such shares of Seller Common Stock, listing for each Person: (A) his, her or its name, and if not a natural person, its type of entity and jurisdiction of incorporation or organization and (B) the number of shares of each class of Seller Common Stock owned by such Person. Section 4.3(a) of the Disclosure Schedules also sets forth as of the date hereof (i) the number of outstanding Seller Warrants, (ii) the number of shares of Seller Common Stock subject to each such Seller Warrant, and the applicable exercise prices and (iii) a true, correct and complete list of the record holders of such Seller Warrants, listing for each Person: his, her or its name, and if not a natural person, its type of entity and jurisdiction of incorporation or organization.

(b) All of the issued and outstanding shares of Seller Common Stock have been duly authorized and validly issued, and are fully paid and non-assessable. Seller is the record and beneficial owner of the Equity, free and clear of all Liens or any other restrictions on transfer other than restrictions on transfer arising under applicable federal and state securities Laws and such Equity constitutes all outstanding equity interests in the Company. Seller has all requisite power to sell, transfer, assign and deliver the Equity as provided herein and the Ancillary Documents to which Seller is a party, and at Closing, Seller shall transfer good and marketable title to the Equity to Buyer. Immediately after the Closing, Buyer shall own all of the outstanding Equity, free and clear of any Liens or any other restrictions on transfer, other than restrictions on transfer arising under applicable federal and state securities Laws. Except for the Equity, the Seller Common Stock, Seller Options, Seller SARs or Seller Warrants, there are no issued, reserved for issuance or outstanding (i) shares of capital stock of, or other equity or voting interests in, Seller or the Company; (ii) securities of Seller or the Company convertible into or exchangeable or exercisable for shares of capital stock of, or other equity or voting interests in, Seller or the Company or containing any profit participation features; or (iii) options, warrants, stock appreciation rights, phantom stock, calls, subscriptions or other rights to acquire from Seller or the Company or other obligations of Seller or the Company to issue or allot, any capital stock or securities convertible into, or exchangeable or exercisable for, or evidencing the right to subscribe for, capital stock of, or other equity or voting interests in, Seller or the Company or any equity appreciation rights or phantom equity plans. There are no outstanding obligations of Seller or the Company to repurchase, redeem or otherwise acquire or retire for value any Equity, Seller Common Stock, Seller Options, Seller SARs or Seller Warrants. There are no statutory or contractual equityholder preemptive or similar rights, rights of first refusal, rights of first offer or registration rights with respect to the Equity, Seller Common Stock, Seller Options, Seller SARs or Seller Warrants. There are no agreements with respect to the voting or transfer of the Equity, Seller Common Stock, Seller

Options, Seller SARs or Seller Warrants to which Seller, the Company or any of its Subsidiaries is a party or, to the knowledge of the Company, to which any Holder is a party. Neither Seller nor the Company has violated any applicable federal or state securities Laws or any preemptive or similar rights created by statute, organizational document or agreement in connection with the offer, sale, issuance or allotment of any of the Equity, Seller Common Stock, Seller Options, Seller SARs or Seller Warrants. Neither Seller nor the Company has liability for, or obligation with respect to, the payment of dividends, distributions or similar participation interests, whether or not declared or accumulated, and there are no restrictions of any kind which prevent the payment of the foregoing by Seller or the Company.

(c) Except for the Seller Option Plan and the Seller SARs Plan, neither Seller nor the Company has adopted, sponsored or maintained any equity-based or stock option plan or any other plan or agreement providing for equity compensation to any Person. As of the date of this Agreement, (i) Seller has reserved 211,268 shares of Seller Class B Non-Voting Common Stock for issuance under the Seller Option Plan, of which 50,000 shares are issuable upon the exercise of currently outstanding, unexercised Seller Options; (ii) Seller has reserved no shares of Seller Common Stock for issuance under the Seller SARs Plan; and (iii) 75,768 shares of Seller Class B Non-Voting Common Stock remain available for future grant under the Seller Option Plan. Section 4.3(c) of the Disclosure Schedules sets forth for each Seller Option and Seller SAR outstanding as of the date of this Agreement, as applicable: (A) the name of the holder of such Seller Option or Seller SAR; (B) the domicile address of such holder; (C) the number of shares of Seller Common Stock issuable or cash payable upon the exercise of such Seller Option or Seller SAR; (D) the exercise price or strike price of such Seller Option or Seller SAR; (E) the date of grant of such Seller Option or Seller SAR; (F) the extent vested to date and whether the vesting of such Seller Option or Seller SAR is subject to acceleration as a result of the transactions contemplated by this Agreement or the Ancillary Documents or any other events; and (G) whether any Seller Option is a nonqualified stock option or intended to qualify as an incentive stock option as defined in Section 422 of the Code. True, correct and complete copies of the Seller Option Plan, Seller SARs Plan and all forms of agreements and instruments relating to or issued under the Seller Option Plan and Seller SARs Plan (including any agreements and instruments that differ materially in substance from such forms) have been delivered to Buyer, and, except as indicated in the copies delivered to Buyer, such agreements and instruments have not been amended, modified or supplemented, and there are no agreements to amend, modify or supplement such agreements or instruments from the forms thereof delivered to Buyer. As of the date of this Agreement, all holders of Seller Options and Seller SARs are (and as of the Closing Date are expected to be) current employees of the Company. The Seller Option Plan, Seller SARs Plan and award agreements under the Seller Option Plan and Seller SARs Plan permit the treatment of Seller Options and Seller SARs as contemplated by this Agreement.

4.4 Subsidiaries.

(a) Section 4.4(a) of the Disclosure Schedules sets forth a true, correct and complete list of each Company Subsidiary, including each Company Subsidiary's name, type of entity, jurisdiction and date of incorporation or organization, authorized capital stock, partnership or membership interests or similar ownership interests, the number and type of its issued and outstanding Subsidiary Equity Interests, and the current ownership of such Subsidiary Equity Interests.

(b) Except for the Company Subsidiaries or as set forth on Section 4.4(a) of the Disclosure Schedules, neither the Company nor any Company Subsidiary owns, of record or beneficially, any direct or indirect equity or other ownership, capital, voting or participation interest or any right (contingent or otherwise) to acquire the same in any Person.

(c) Each Company Subsidiary (i) is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization and all other jurisdictions in which its ownership of property or conduct of business requires it to be qualified, except where the failure to so exist, be in good standing, and qualify would not reasonably be expected to be material to the Company or such Company Subsidiary or would not materially adversely affect the Company's or such Company Subsidiary's ability to consummate the transactions contemplated hereby, as applicable, and (ii) possesses all requisite organizational power and authority to own, operate, lease and license its properties, to carry on its business as now conducted and to consummate the transactions contemplated by this Agreement and the Ancillary Documents to which it is or will be a party, in each such case, except where the failure to have such power and authority would not, individually or in the aggregate, be or reasonably be expected to be material to the Company or such Company Subsidiary. True, correct and complete copies of each Company Subsidiary's organizational documents have been provided to Buyer and reflect all amendments made thereto at any time prior to the Closing Date.

(d) All of the issued and outstanding shares of capital stock, partnership or membership interests and other similar ownership interests of each Company Subsidiary ("*Subsidiary Equity Interests*") have been duly authorized and validly issued, and are fully paid and non-assessable. The Company or one or more Company Subsidiaries owns (beneficially and of record) all of the outstanding Subsidiary Equity Interests, free and clear of any Liens, other than restrictions on transfer arising under applicable federal and state securities Laws; provided that, as of Closing, the ownership of the Excluded Entities will be distributed out of the Company as provided in Section 6.6. Except as set forth on Section 4.4(d) of the Disclosure Schedules, there are no issued, reserved for issuance or outstanding (i) Subsidiary Equity Interests; (ii) securities convertible into or exchangeable for Subsidiary Equity Interests or containing any profit participation features; or (iii) options, warrants, stock appreciation rights, phantom stock, calls, subscriptions or other rights to acquire, or obligations to issue or allot, Subsidiary Equity Interests or any equity appreciation rights or phantom equity plans. There are no outstanding obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire or retire for value any Subsidiary Equity Interests. There are no statutory or contractual equityholder preemptive or similar rights, rights of first refusal or registration rights with respect to any security of any Company Subsidiary. There are no agreements with respect to the voting or transfer of any security of any Company Subsidiary. No Company Subsidiary has violated any applicable federal or state securities Laws or any preemptive or similar rights created by statute, organizational document or agreement in connection with the offer, sale, issuance or allotment of any security of any Company Subsidiary. No Company Subsidiary has any liability for, or obligation with respect to, the payment of dividends, distributions or similar participation interests, whether or not declared or accumulated, and there are no restrictions of any kind which prevent the payment of the foregoing by any Company Subsidiary.

4.5 Consents and Approvals; No Violations.

(a) Except as may be required by the HSR Act, no filing with or notice to, and no permit, authorization, registration, consent or approval of, any Governmental Entity is required on the part of the Company for the execution, delivery and performance by the Company of this Agreement or any Ancillary Document to which the Company is or will be a party, or the consummation by the Company of the transactions contemplated by this Agreement or any Ancillary Document to which the Company is or will be a party.

(b) Neither the execution, delivery, or performance by the Company of this Agreement or any Ancillary Document to which the Company is a party nor the consummation by the Company of the transactions contemplated by this Agreement or any Ancillary Document to which the Company is or will be a party will (i) conflict with or result in any breach, violation or infringement of any provision of the organizational documents of the Company or any Company Subsidiary, (ii) result in a breach, violation or infringement of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to the creation of any Lien on any property or asset of the Company, any Company Subsidiary or any of their respective Affiliates, except for Permitted Liens, or any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any Contract, including the Leases, to which the Company or any Company Subsidiary is a party or by which any of its or their or their respective Affiliates' properties or assets may be bound, or (iii) violate or infringe any Law applicable to the Company, any Company Subsidiary or any of their respective Affiliates or any of their respective properties or assets; other than, in the case of the foregoing clauses (ii) and (iii), such breaches, violations, infringements and defaults that have not had, do not have and would not reasonably be expected to have, individually or in the aggregate, a material impact on or be material to the Company and the Company Subsidiaries, taken as a whole. The Company is not a party to or bound by any Contract or understanding with respect to a Company Transaction other than this Agreement, and each such Person has terminated all discussions with third parties (other than with Buyer and its Affiliates) regarding Company Transactions.

4.6 Financial Statements; No Undisclosed Liabilities.

(a) Section 4.6(a) of the Disclosure Schedules sets forth the following financial statements of Seller, the Company and the Company Subsidiaries: (i) audited consolidated balance sheets as of December 31, 2020 and December 31, 2021, and related audited consolidated statements of income, changes in stockholders' equity, and cash flow for the fiscal years ended December 31, 2020 and December 31, 2021 (the "*Audited Financial Statements*"), and (ii) unaudited consolidated balance sheet as of March 31, 2022 (the "*Most Recent Balance Sheet*") and related unaudited consolidated statements of income, changes in stockholders' equity and cash flow for the three months then ended (the "*Unaudited Financial Statements*" and together with the Audited Financial Statements, the "*Financial Statements*"). Each of the Financial Statements (i) was prepared from, and is consistent with, the books and records of Seller, the Company and each Company Subsidiary, (ii) has been prepared in accordance with GAAP consistently applied throughout the periods covered thereby, and (iii) presents fairly, in all material respects, the financial position and the consolidated results of operations of Seller, the Company and the Company Subsidiaries as of the respective dates thereof or the respective periods then ended (subject, in the case of the Unaudited Financial Statements, to the absences of footnotes thereto

and normal year-end adjustments, in each case, none of which are or will be, individually or in the aggregate, material).

(b) Neither the Company nor any Company Subsidiary has any material Liability, other than (i) Liabilities reflected on the Most Recent Balance Sheet, (ii) Liabilities which have arisen after the date of the Most Recent Balance Sheet in the ordinary course of business (none of which is a Liability for breach of contract, breach of warranty, tort, infringement, violation of Law or any Action), and (iii) obligations under Contracts and commitments described on the attached Section 4.16 of the Disclosure Schedules or under Contracts and commitments entered into in the ordinary course of business which are not required to be disclosed on Section 4.16 of the Disclosure Schedules (but not Liabilities for any breach of any such Contract or commitment).

(c) The Company has established and maintains a system of internal accounting controls which is designed to provide assurance regarding the reliability of financial reporting of the Company and the Company Subsidiaries. In the past five years, there has never been (i) any fraud or other wrongdoing that involves any of the management or other employees of the Company or any Company Subsidiary who have a role in the preparation of financial statements or the internal accounting controls used by the Company or any Company Subsidiary or (ii) any claim or allegation regarding any of the foregoing.

(d) All accounts receivable of the Company and the Company Subsidiaries (including costs incurred and income recognized in excess of billings) (i) are bona fide and valid receivables arising from sales actually made or services actually performed, in each case, on an arm's length basis, and were incurred in the ordinary course of business (ii) are properly reflected on the Company's and each Company Subsidiary's books and records and balance sheets, (iii) are not subject to any setoffs, counterclaims, credits or other offsets, and (iv) are current and collectible and will be collected in accordance with their terms at their recorded amounts, subject only to the reserve for bad debts set forth on the face of the Most Recent Balance Sheet (rather than in the notes thereto). No Person has any Lien on any accounts receivable or any part thereof, and no agreement for deduction, free goods or services, discount or other deferred price or quantity adjustment has been made by the Company or any Company Subsidiary with respect to any accounts receivable other than in the ordinary course of business. There is no pending contest or dispute with respect to the amount or validity or any amount of any such accounts receivable that exceeds \$250,000 individually or in the aggregate. The reserves for uncollectable accounts receivable accrued in the Financial Statements have been calculated in accordance with the Accounting Principles.

4.7 Absence of Certain Changes or Events. Since the date of the most recent Audited Financial Statements, (i) the Company has operated in the ordinary course of business in all material respects, (ii) there has not occurred any event that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and (iii) there has not occurred any event or action that would require the consent of Buyer pursuant to Section 6.1 if such event or action occurred during the period prior to Closing.

4.8 Litigation. There are no (and, during the five (5) years preceding the date hereof, there have not been any) material Actions or Orders pending or, to Company's Knowledge,

threatened against or affecting the Company or any Company Subsidiary (or to Company's Knowledge, pending or threatened against or affecting any of the officers, directors or employees of the Company or any Company Subsidiary with respect to their activities for or on behalf of the Company or any Company Subsidiary), or pending or threatened by the Company or any Company Subsidiary against any Person, at law or in equity, or before or by any Governmental Entity (including any Actions or Orders with respect to the transactions contemplated by this Agreement). Neither the Company nor any Company Subsidiary is subject to any grievance or arbitration proceeding under any collective bargaining agreements or otherwise or any governmental investigation or inquiry with respect to any collective bargaining agreement. Neither the Company nor any Company Subsidiary is subject to any judgment, settlement, award, order or decree involving any Governmental Entity or other Person, and neither the Company nor any Company Subsidiary has during the five (5) years preceding the date hereof received any written opinion or memorandum or written advice from legal counsel to the effect that it is exposed, from a legal standpoint, to any material Liabilities.

4.9 Compliance with Laws. The Company and each Company Subsidiary, and each Leased Real Property, are and have, at all times during the past five years, been in compliance in all material respects with all Laws and Orders applicable to them, in each case, except for such failures that are not, have not been and would not reasonably be expected to be, individually or in the aggregate, material to the Company and the Company Subsidiaries (other than the Excluded Entities), taken as a whole. Neither the Company nor any Company Subsidiary has received any written notice of the violation of any Laws applicable to it. To the Company's Knowledge, there are not any facts or circumstances in existence as of the Agreement Date or as of the Closing Date that could reasonably be expected to result in material liability to the Company or any Company Subsidiary with respect to any Laws (including, to the Company's Knowledge, any threatened Actions or violations of Laws), except for Actions and violations that are immaterial.

4.10 Permits. The Company and each Company Subsidiary currently have all material Permits which are required to permit, immediately following the Closing, the operation of its and their business as presently conducted, except for those Permits the absence of which would not reasonably be expected to be material to the Company and the Company Subsidiaries (other than the Excluded Entities), taken as a whole, and each such Permit is valid and in full force ownership and effect. Neither the Company nor any Company Subsidiary is, nor has the Company or any Company Subsidiary, during the past five years, been in default or violation (and, to the Company's Knowledge, no event has occurred that, with notice or the lapse of time or both, would constitute a default or violation) of any term, condition or provision of any Permit held by the Company or any Company Subsidiary, except as would not be material to the Company or such Company Subsidiary. Neither the Company nor any Company Subsidiary has during the past five years, received any notice (i) terminating, suspending, revoking, cancelling, withdrawing or modifying in an adverse manner any Permits, (ii) of any intent to impose any civil penalties on the Company or any Company Subsidiary as a result of any deviation of the term of any Permit or (iii) threatening to do any of the foregoing. All applications and filings required to have been filed for the renewal and effectiveness of each Permit required to permit the operation, following the Closing, of the Company or any Company Subsidiary, have been duly filed on a timely basis with the appropriate Governmental Entity. No Permits used in the business of the Company or any Company Subsidiary is held in the name of any Person other than the Company or any Company Subsidiary, as applicable.

(a) Section 4.11(a) of the Disclosure Schedules sets forth a complete and accurate list of each Benefit Plan. Each Benefit Plan that is solely sponsored or maintained by, contributed to by Seller is referred to herein as a “Seller Benefit Plan.” Section 4.11(a) of the Disclosure Schedules sets forth each Benefit Plan that is a Seller Benefit Plan.

(b) With respect to each Benefit Plan, the Company has provided a correct and complete copy of the following documents, to the extent applicable: (i) all plan documents, including any related trust documents, insurance contracts or other funding arrangements, and all amendments thereto, (ii) for the three most recent plan years, (A) the IRS Form 5500 and all schedules thereto, (B) audited financial statements and (C) actuarial or other valuation reports; (iii) the most recent IRS determination letter or opinion letter, as applicable, (iv) the most recent summary plan descriptions and other material communications to employees regarding the Benefit Plans, (v) non-routine correspondence with any Governmental Entity over the last three years and (vi) written summaries of all non-written Benefit Plans.

(c) Each Benefit Plan has been established, maintained and administered in compliance, in all material respects, with its terms and with applicable Law, including ERISA and the Code to the extent applicable thereto. Each of the Benefit Plans intended to be “*qualified*” within the meaning of Section 401(a) of the Code has received a favorable determination letter from the IRS or is entitled to rely upon a favorable opinion issued by the IRS, and, to the Company’s Knowledge, as of the Agreement Date and as of the Closing Date, there are no existing circumstances (and no event has occurred) that have adversely affected or would reasonably be expected to adversely affect, the qualified status of any such plan. Neither Seller, nor the Company, nor any Company Subsidiary, nor, to the Knowledge of the Company, any other Person has engaged in any non-exempt “*prohibited transaction*”, as defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any Benefit Plan. No Benefit Plan provides medical or other welfare benefits with respect to any current or former Service Providers beyond their period of service, other than coverage mandated by applicable Law at the sole expense of the participant. There are no pending or, to the Knowledge of the Company, threatened in writing claims (other than routine claims for benefits in accordance with the terms of the Benefit Plans) by, on behalf of or against any of the Benefit Plans or any trusts related thereto. All required contributions, premiums or other payments have been made or properly accrued with respect to each Benefit Plan, in each such case, except for such claims that have not had, do not have and would not reasonably be expected to have, individually or in the aggregate, an adverse effect material to the Company and the Company Subsidiaries, taken as a whole. Seller, the Company and each Company Subsidiary have complied, and are in compliance with the requirements of COBRA as well as the Patient Protection and Affordable Care Act, including the Health Care and Education Reconciliation Act of 2010, as amended and including any guidance issued thereunder (“*PPACA*”) and the Company has not incurred (whether or not assessed) any material Tax, penalty or other liability that may be imposed under PPACA, including pursuant to Sections 4980D or 4980H of the Code.

(d) Neither Seller, nor the Company, nor any Company Subsidiary, nor any of their ERISA Affiliates has at any time sponsored or has ever been obligated to contribute to, or had any liability in respect of, (i) an “employee pension benefit plan” (as defined in Section 3(2)

of ERISA) subject to Title IV of ERISA, Section 412 of the Code or Section 302 of ERISA (including a Multiemployer Plan), (ii) a “multiple employer plan” as defined in Section 413(c) of the Code, or (iii) a “multiple employer welfare arrangement” within the meaning of Section 3(40) of ERISA.

(e) No proceeding is pending or, to the Company’s Knowledge, threatened in writing against, by or on behalf of any Benefit Plan or the assets, fiduciaries, or administrators thereof (other than claims for benefits in the ordinary course). With respect to each Benefit Plan, (i) no breaches of fiduciary duty or other failures to act or comply in connection with the administration or investment of the assets of such Benefit Plan have occurred, and (ii) no lien has been imposed under the Code, ERISA or any other applicable Law. None of Seller, nor the Company, nor any Company Subsidiary has made any filing in respect of any Benefit Plan under the Employee Plans Compliance Resolution System or the Department of Labor Delinquent Filer Program.

(f) No Benefit Plan, and none of Seller, the Company, any Company Subsidiary or any Benefit Plan fiduciary with respect to any Benefit Plan, in any case, is, to the Knowledge of the Company, the subject of an audit or investigation by the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity, and no such audit or investigation is pending or, to the Company’s Knowledge, threatened.

(g) No amount or benefit that will (or could be, or has been, received (whether in cash or property or the vesting of property or the cancellation of indebtedness or otherwise) by any current or former Service Provider who is a “disqualified individual” within the meaning of Section 280G of the Code would be characterized or could reasonably be expected to be characterized as an “excess parachute payment” (as defined in Section 280G(b)(1) of the Code) as a result of the consummation of the transactions contemplated by this Agreement (either alone or in combination with any other event). Except as set forth on Section 4.11(g) of the Disclosure Schedules, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will, either alone or in combination with another event, (i) entitle any current or former Service Provider to any compensation, payment or benefit (including severance, change in control or transaction payments, or otherwise), except as required by applicable Law, (ii) accelerate the time of payment, vesting or funding of any compensation or benefits, or trigger or increase any compensation or benefits due to any current or former Service Provider, or (iii) limit the right to merge, amend or terminate any Benefit Plan (except any limitations imposed by applicable Law, if any).

(h) Each Benefit Plan that is a “nonqualified deferred compensation plan” (within the meaning of Section 409A of the Code) complies and has at all times complied in form and operation with the rule of Section 409A of the Code. No Tax penalties or additional Taxes have been imposed or would be reasonably expected to be imposed on any current or former employee or independent contractor of Seller, the Company or any Company Subsidiary, and no acceleration of Taxes has occurred or would be reasonably expected to occur with respect to any current or former employee or independent contractor of Seller, the Company or any Company Subsidiary, in each case as a result of a failure to comply with Section 409A of the Code with respect to any Benefit Plan that is a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code.

(i) There is no contract, agreement, plan or arrangement to which Seller, the Company or any Company Subsidiary is a party which requires Seller, the Company or any Company Subsidiary to pay a Tax gross-up or reimbursement payment to any Person, including without limitation, with respect to any Tax-related payments under Section 409A of the Code or Section 280G or Section 4999 of the Code. Each Seller Option and Seller SAR has an exercise price or strike price that is not less than the fair market value of the Common Stock attributable to such Seller Option or Seller SAR, as applicable, on the date that such Seller Option or Seller SAR was granted and is otherwise exempt from Section 409A of the Code.

(j) Seller, the Company and each Company Subsidiary have not: (i) taken any action since January 1, 2020 related to any workforce changes due to COVID-19, or otherwise, whether directly or indirectly, including any actual or expected group terminations, layoffs, furloughs, shutdowns (whether voluntary or by applicable Law), reduced working schedules or any material changes to benefit or compensation programs, including material reductions in compensation, benefits or working schedules, or material changes to any Benefit Plan; (ii) claimed any Tax credits under Section 2301 of the CARES Act or Sections 7001-7003 of the Families First Coronavirus Response Act or I.R.S. Notice 2020-65 or any similar applicable Law; or (iii) deferred any Taxes under Section 2302 under the CARES Act or any similar applicable Law, and, in each case, none of the foregoing actions are reasonably anticipated. None of Seller, the Company nor any Company Subsidiary is party to any plan, program, arrangement or Contract with any employee currently on furlough, leave or other alternative work arrangement pursuant to which any employee's continued employment or reinstatement (including any reinstatement of any reduction or change in compensation or benefits) is guaranteed.

(k) None of Seller, the Company nor any Company Subsidiary has sponsored, maintained, contributed to, or been required to sponsor, maintain, participate in or contribute to, any employee benefit plan, program, or other arrangement providing compensation or benefits to any Service Provider (or any dependent thereof) which is subject to the Laws of any jurisdiction outside of the United States.

4.12 Employees; Labor Matters.

(a) (i) Seller does not now have and never has had any employees; (ii) none of Seller, the Company nor any Company Subsidiary is, or has at any time been, party to or bound by any collective bargaining agreement or other contract with a labor union or labor organization, no employee of the Company or any Company Subsidiary is represented by any labor organization with respect to such employee's employment with the Company or any Company Subsidiary and no union organization activity is pending or, to the Company's Knowledge, threatened involving any employee of the Company or any Company Subsidiary; (iii) there are no strikes, work stoppages, picketings, slowdowns, walkouts, lockouts or other organized work interruptions pending or, to the Company's Knowledge, threatened with respect to any employees of the Company or any Company Subsidiary, and neither the Company nor any Company Subsidiary has experienced any such organized work interruption during the past three years; (iv) there is no union organizing effort pending or, to the Knowledge of the Company, threatened involving the employees of the Company or any Company Subsidiary; (v) there is no unfair labor practice charge, labor dispute (other than non-material, routine individual grievances) or labor arbitration proceeding pending or, to the Knowledge of the Company, threatened in writing with respect to

the employees of the Company or any Company Subsidiary, (vi) there has been no “mass layoff” or “plant closing” (as defined under the WARN Act or any state or local statute of similar effect) with respect to the Company or any Company Subsidiary within the three years prior to the date hereof, and neither the Company nor any Company Subsidiary has incurred any liability under the WARN Act or any state or local statute of similar effect that remains unsatisfied, (vii) no individual who has performed services for Seller, the Company or any Company Subsidiary has been improperly excluded from participation in any Benefit Plan, and (viii) none of Seller, the Company nor any Company Subsidiary has incurred or reasonably expects to incur any current or contingent liability or obligation with respect to any misclassification of any person as an independent contractor rather than as an employee, or as exempt rather than non-exempt, or with respect to any employee leased from another employer.

(b) Seller, the Company and each Company Subsidiary are and at all relevant times in the preceding five years have been, in material compliance with all applicable Laws respecting (i) employment and employment practices, (ii) terms and conditions of employment and wages and hours, and (iii) unfair labor practices, discrimination, sexual harassment, harassment, fair labor standards and occupational health and safety, wrongful discharge or violation of the personal rights of employees, former employees or prospective employees, wages, hours, social benefits contributions, severance pay, the WARN Act, collective bargaining, civil rights, safety, health, immigration, workers’ compensation and the collection and payment of withholding or social security taxes and any similar tax. Seller, the Company and each Company Subsidiary have properly classified all current and former Service Providers as either employees or independent contractors, employed or self-employed, and as exempt or non-exempt for all purposes and have made all appropriate filings in connection with services provided by, and compensation paid to, such Service Providers, and none of Seller, the Company nor any Company Subsidiary has received written notice of any pending or threatened inquiry or audit from any Governmental Entity concerning any such classifications.

(c) (i) Seller, the Company and each Company Subsidiary have paid in full to all Service Providers or adequately accrued for in accordance with GAAP all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such Service Providers; and (ii) there is no claim with respect to payment of wages, salary or overtime pay that has been asserted or is now pending or, to the Company’s Knowledge, threatened in writing before any Governmental Entity with respect to any Person currently or formerly employed by Seller, the Company or any Company Subsidiary.

(d) Seller, the Company and each Company Subsidiary (i) are and at all relevant times have been in compliance in all material respects with Laws arising from or relating to the COVID-19 pandemic (or any mutation or evolution thereof) related to safety and health standards and regulations issued and enforced by the Occupational Safety and Health Administration (OSHA) and any applicable OSHA-approved state plan, and (ii) are and at all relevant times have been in compliance in all material respects with the paid and unpaid leave requirements of the Families First Coronavirus Response Act. To the extent the Company or any Company Subsidiary has granted employees paid sick leave or paid family leave under the Families First Coronavirus Act, the Company and each Company Subsidiary, as applicable, have obtained and retained all documentation required to substantiate eligibility for sick leave or family leave tax credits.

(e) Section 4.12(e) of the Disclosure Schedules sets forth a correct and complete (in all material respects) list, as of April 8, 2022, of all full-time, part-time or temporary employees and independent contractors (and indication as such) of Seller, the Company and each Company Subsidiary, identified by “EE Key,” including: (i) the annual dollar amount of salary payable to each person; (ii) dates of employment or service; (iii) title; (iv) job location; (v) with respect to employees, a designation of whether they are classified as exempt or non-exempt for purposes of the U.S. Fair Labor Standards Act and any similar state law; and (vi) the entity employing or retaining such employee or independent contractor (including whether such entity is an Excluded Entity). Except as set forth on Section 4.12(e) of the Disclosure Schedules, all of the individuals employed or retained by the Company and each Company Subsidiary (other than the Excluded Entities), are citizens of the United States.

4.13 Property.

(a) Except as set forth in Section 4.13(a) of the Disclosure Schedules, the Company or a Company Subsidiary, as applicable, has good and marketable title to all of the property and assets that the Company or each Company Subsidiary purports to own are free and clear of all Liens except Permitted Liens. With respect to the personal property and assets it leases, the Company and each Company Subsidiary are in compliance in all material respects with such leases and holds a valid leasehold interest free of any Liens other than Permitted Liens. The Company and each Company Subsidiary have good and marketable title to, or a valid and enforceable interest in, all facilities, buildings, machinery, fixtures, equipment, and other tangible assets used in or necessary for the conduct of their business as presently conducted, free and clear of all Liens (other than Permitted Liens and Liens set forth on Section 2.5(a)(viii)(B) of the Disclosure Schedules that will be fully discharged and released at Closing in connection with payment of Indebtedness). Each such tangible asset is free from material defects (patent and latent), has been maintained in accordance with Law and normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it presently is used.

(b) Neither the Company nor any Company Subsidiary currently owns, or has since its inception owned, fee simple title to any real property.

(c) Section 4.13(c) of the Disclosure Schedules sets forth a complete and accurate list of all the real property currently or formerly leased, subleased, licensed or sublicensed by the Company or a Company Subsidiary or in which the Company or a Company Subsidiary holds an easement, right-of-way or similar interest (the “*Leased Real Property*”) together with a list of all leases, licenses, easement or other vesting instrument pursuant to which the Company and Company Subsidiaries hold such interests, together with all amendments, modifications and guaranties thereof (collectively, the “*Leases*”, and each a “*Lease*”). The Leased Real Property comprises all real property used in the conduct of the business and operations of the Company and Company Subsidiaries as currently conducted. The Company and the Company Subsidiaries have a good and valid leasehold, subleasehold, license, sublicense, easement or similar interest (as applicable) in the Leased Real Property, free and clear of all Liens, other than Permitted Liens. Each Lease is in writing. All Leases are valid and binding on the Company or Company Subsidiary, as applicable, and, to the Knowledge of the Company, the other parties thereto, and are in full force and effect, except as limited by the Enforceability Exceptions. Neither the

Company, nor any Company Subsidiary, nor, to the Knowledge of the Company, any other party thereto, is in breach of or in default under any such Lease, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by the Company, any Company Subsidiary, or, to the Knowledge of the Company, any other party thereto, except for such breaches and defaults that have not had, do not have and would not reasonably be expected to have, individually or in the aggregate, an adverse effect material to the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has subleased, licensed or otherwise granted any other party the right to use or occupy the Leased Real Property or any portion thereof and there are no outstanding options, rights of first refusal or rights of first offer to purchase either the Company's or a Company Subsidiary's interests in such Leased Real Property. Neither the Company nor any Company Subsidiary has any contractual right or obligation to purchase any real property or interest therein. Correct and complete copies of each of the Leases, including all amendments, modifications, and supplemental agreements thereto and guaranties thereof, have been made available to Buyer.

(d) The Leased Real Property is (i) in good operating condition and repair, subject to ordinary wear and tear (consistent with the age of such Leased Real Property); (ii) not in need of maintenance or repair except for ordinary routine maintenance and repair; and (iii) is structurally sound with no known defects and in conformity with all applicable Laws relating thereto currently in effect.

(e) After taking into consideration the services to be provided following the Closing pursuant to the Transition Services Agreement and the assets to be leased following the Closing pursuant to the Facility Access and Use Agreement and after giving effect to the distribution of interests in the Excluded Entities to Seller Stockholders pursuant to Section 6.6, the assets and properties of the Company and each Company Subsidiary are, and the condition of such assets and properties is, sufficient for the conduct of the business of the Company and the Company Subsidiaries as currently conducted in all material respects.

(f) There are no pending or, to the Knowledge of the Company, threatened in writing appropriation, condemnation, eminent domain, rezoning or like proceedings or similar actions that affect any Leased Real Property. As of the date hereof, neither the Company nor any Company Subsidiary has received any written notice of the intention of any Governmental Entity or other Person to take or use any of the Leased Real Property.

4.14 Taxes. Except as set forth in Section 4.14 of the Disclosure Schedules:

(a) all income and other material Tax Returns required to be filed by or with respect to the Company or any Company Subsidiary have been timely filed and all such Tax Returns are correct and complete in all material respects;

(b) all income and other material Taxes due and owing by the Company or any Company Subsidiary to a Tax Authority, whether or not shown as due on any Tax Return, have been timely paid;

(c) the Financial Statements fully accrue all liabilities for Taxes with respect to all periods through the dates thereof, and such liabilities do not exceed the reserve provided for in

the Financial Statements as adjusted for the passage of time through the Closing Date, in each case, in accordance with GAAP;

(d) all deficiencies asserted or assessments for any income or other material Taxes made as a result of any audits, examinations or other Tax Proceedings by any Tax Authority with respect to the Company or any Company Subsidiary have been fully paid;

(e) there is no Tax Proceeding ongoing, pending or, to the Knowledge of the Company, threatened with respect to any income or other material Taxes of the Company or any Company Subsidiary, and neither the Company nor any Company Subsidiary is a party to any agreement with any Tax Authority that would be terminated or adversely affected as a result of the transactions contemplated by this Agreement;

(f) the Company and each Company Subsidiary have withheld or collected and timely remitted to the appropriate Tax Authority all material amounts that the Company and each Company Subsidiary was obligated to withhold or collect from amounts owing to any current or former employee, independent contractor, creditor or third party;

(g) neither the Company nor any Company Subsidiary has requested or been given an extension or waiver having the effect of extending the statutory period of limitation with respect to any Tax Returns or Taxes required to be filed or paid with respect to the Company or any Company Subsidiary;

(h) no power of attorney with respect to any Taxes of the Company or any Company Subsidiary has been filed or executed with any Tax Authority that is still in effect;

(i) neither the Company nor any Company Subsidiary has a request for any private letter ruling, administrative relief or technical advice pending with any Tax Authority that relates to Taxes of the Company or any Company Subsidiary;

(j) no written claim has been made by a Tax Authority in a jurisdiction where the Company or any Company Subsidiary files Tax Returns that the Company or such Company Subsidiary, as applicable, is or may be subject to taxation by, or required to file any Tax Return in, that jurisdiction;

(k) neither the Company nor any Company Subsidiary has constituted either a “distributing corporation” or a “controlled corporation” in a distribution of stock intended to qualify under Section 355(a) or Section 361 of the Code;

(l) Seller has, since July 19, 2013, been a validly electing “S” corporation within the meaning of Sections 1361 and 1362 of the Code (and applicable provisions of state and local Tax Law), and Seller will be an S corporation up to and including the Closing Date;

(m) Each of the Company and the Company Subsidiaries has (i) since becoming a subsidiary of Seller until the effective time of the Conversions, either been (A) a validly electing “qualified subchapter S subsidiary” within the meaning of Section 1361 of the Code (and applicable provisions of state and local Tax Law) or (B) classified as an entity disregarded as separate from Seller for U.S. federal (and applicable state and local) income Tax purposes and (ii)

from the effective time of the Conversions, other than the Excluded Entities, (x) been classified as an entity disregarded as separate from Seller for U.S. federal (and applicable state and local) income Tax purposes and (y) not filed an election with any Tax Authority to be classified as an association taxable as a corporation for U.S. federal (and applicable state and local) income Tax purposes;

(n) neither the Company nor any Company Subsidiary (i) will be liable for any Tax under Section 1374 of the Code (or any corresponding or similar provision of state or local Tax Law) as a result of the transactions contemplated by this Agreement and (ii) has, since its date of formation, acquired assets from another corporation in a transaction in which the Company's or any Company Subsidiary's Tax basis of the acquired assets was determined, in whole or in part, by reference to the Tax basis of the acquired assets (or any other property) in the hands of the transferor;

(o) neither the Company nor any Company Subsidiary will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (i) installment sale or open transaction disposition made on or prior to the Closing Date, (ii) advanced or prepaid amount, or deferred revenue accrued, by the Company or any Company Subsidiary on or prior to the Closing Date, (iii) election pursuant to Section 108(i) of the Code or any similar provision of Law, (iv) adjustment pursuant to Section 481(a) of the Code (or any similar provision of Law) or other accounting method change or agreement with a Tax Authority filed or made on or prior to the Closing Date, or (v) closing agreement pursuant to Section 7121 of the Code (or any similar provision of Law);

(p) there are no Liens (other than Permitted Liens) with respect to Taxes on any of the assets of the Company or any Company Subsidiary;

(q) neither the Company nor any Company Subsidiary (i) has been a member of an affiliated, consolidated, combined, unitary or similar Tax group, (ii) has any liability for any Taxes of any other Person as a transferee or successor or pursuant to Contract (other than this Agreement or pursuant to customary provisions in any Contract entered into in the ordinary course of business and the primary purpose of which is not related to Taxes), assumption, operation of Law, Treasury Regulations Section 1.1502-6(a) (or any similar provision of Law or any predecessor or successor thereof) or otherwise, or (iii) has engaged in any "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b) (or any corresponding or similar provision of state or local Tax Law);

(r) neither the Company nor any Company Subsidiary is a party to or bound by, or has any obligation under, any Tax allocation agreement, Tax indemnity agreement, Tax sharing agreement or similar arrangement (other than this Agreement or pursuant to any customary agreement or arrangement entered into in the ordinary course of business and the primary purpose of which is not related to Taxes);

(s) neither the Company nor any Company Subsidiary conducts a trade or business, has a permanent establishment (within the meaning of an applicable Tax treaty), operates

or conducts business through any branch or is otherwise subject to taxation in any country other than the country of its formation;

(t) since the date of the Most Recent Balance Sheet, and except as required by the Pre-Closing Reorganization, neither the Company nor any Company Subsidiary has (i) made or changed any election in respect of income or other material Taxes, (ii) adopted or changed any method of accounting or annual reporting, (iii) settled or compromised any federal, state, local or foreign income or other material Tax Liability, claim or assessment, (iv) filed any amended income or other material Tax Return, (v) entered into any closing agreement relating to any income or other material Tax, (vi) agreed to an extension or waiver of a statute of limitations period applicable to any Tax claim or assessment, (vii) failed to pay any income or other material Tax when due and payable, (viii) incurred any liability for Taxes other than in the ordinary course of business consistent with past practices of the Company or such Subsidiary, as applicable, (ix) surrender any right to a claim an income or other material Tax refund or credit or (x) prepared any Tax Return in a manner inconsistent with past practices of the Company or such Company Subsidiary, as applicable; and

(u) neither the Company nor any Company Subsidiary has (i) made an election to defer any Taxes under Section 2302 of the CARES Act (or any similar election under state or local Tax Law) or (ii) failed to comply with all applicable Laws and duly accounted for any available Tax credits under Sections 7001 through 7005 of the Families First Coronavirus Response Act for 2020 (or any similar election under state or local Tax Law) and Section 2301 of the CARES Act(or any similar election under state or local Tax Law).

4.15 Environmental Matters.

(a) The Company and each Company Subsidiary are in and always have been in compliance in all material respects, with all Environmental Laws.

(b) Neither the Company nor any Company Subsidiary has received any (i) Environmental Notice or Environmental Claim, or (ii) written request for information pursuant to Environmental Law, nor to the Company's Knowledge are there any facts in existence that would form the basis for a material Environmental Claim against the Company or any Company Subsidiary.

(c) There has not been any Action threatened or pending against the Company or any Company Subsidiary related to an actual or alleged violation of Environmental Laws or Losses arising under Environmental Laws.

(d) The Company and each Company Subsidiary have obtained and are in material compliance with all Environmental Permits necessary for the Company's or Company Subsidiary's business, operations, Leased Real Property, and assets, and no Governmental Entity has taken action or threatened to take action to adversely modify or rescind such Environmental Permits, and no actions are required prior to the Closing to maintain the validity of such Environmental Permits following the consummation of this transaction.

(e) Neither the Company nor any Company Subsidiary has assumed, by Contract or by operation of Law, the material Liability of any other Person with respect to

Hazardous Materials or arising under Environmental Law, and, to the Company's Knowledge, there are no facts or conditions in existence that could reasonably be expected to subject the Company or any Company Subsidiary to Liability under any Environmental Law.

(f) There has been no material Release of, or exposure of any Person to, Hazardous Materials with respect to the assets of Seller, the Company or any Company Subsidiary, any Leased Real Property, or any other currently or formerly owned, operated, or leased real property, and neither Seller, the Company nor any Company Subsidiary nor any of the Holders has received an Environmental Notice that any Leased Real Property or currently or formerly owned, operated, or leased real property (including soils, groundwater, surface water, buildings and other structure located on any such real property) has been contaminated with any Hazardous Material which would reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Laws or term of any Environmental Permit by, the Holders, Seller, the Company or any Company Subsidiary. Neither Seller, the Company nor any Company Subsidiary has engaged in the Handling of Hazardous Materials except in material compliance with applicable Environmental Laws and in a manner that has not resulted in and is not reasonably likely to result in an Environmental Claim or require investigation, reporting or remediation under any Environmental Laws.

(g) No product of the Company or any Company Subsidiary contains a Hazardous Material in a quantity or at a concentration that requires a warning to customers or other Persons, or that is prohibited by, or in exceedance of applicable limits established by Environmental Law.

(h) The Company has previously provided to Buyer true, complete and accurate copies of all Phase I and II environmental site assessments and Environmental Permits under Environmental Laws, and any and all environmental reports, studies, investigations, audits, records, sampling data, site assessments, correspondence with Governmental Entities or other Persons, and other similar documents with respect to the business or assets of the Company or any Company Subsidiary or any currently or formerly owned, operated, or leased real property, in each case received by the Company or any Company Subsidiary since June 1, 2018 or otherwise in any Holder's, the Company's, or any Company Subsidiary's possession or control and relating to potentially material Liability arising under Environmental Law.

4.16 Material Contracts.

(a) Section 4.16(a) of the Disclosure Schedules sets forth, a true and complete list of the following Contracts, to which the Company or any Company Subsidiary is a party, or pursuant to which the Company or any Company Subsidiary has any continuing obligation. Each such Contract of the type described in clauses (i) through (xvii) below is referred to herein as a "*Material Contract*."

(i) any Contract (including any related purchase orders or similar documents) that requires future payments by or to the Company or any Company Subsidiary or generates revenue to the Company or any Company Subsidiary in excess of \$1,000,000 in any calendar year, in each case to the extent the contract is not terminable without penalty on 30 days' or shorter notice;

- (ii) any Contract containing any future capital expenditure obligations of the Company or any Company Subsidiary in excess of \$100,000;
- (iii) any Contract providing for an advance, extension of credit or capital contribution or any indenture, loan or credit agreement or other Contract relating to Indebtedness of the Company or any Company Subsidiary or for the making of loans to or investments in any Person;
- (iv) any Contract which contains a license of, release, immunity from suit, covenant not to sue, or covenant not to assert any Intellectual Property (A) from the Company or any Company Subsidiary to any third party (other than non-exclusive licenses granted to customers of the Company or any Company Subsidiary in the ordinary course of business on the Company's or the Company Subsidiary's standard form) and (B) to the Company or any Company Subsidiary from a third party (other than licenses for "off-the-shelf" Software that is commercially available on non-discriminatory terms and conditions, at an annual price not exceeding \$50,000, individually or in the aggregate, and which Software has not been materially modified or misused, or incorporated into, or used in the development of, any Company Products or Services);
- (v) any Contract providing for the development, distribution, modification, or delivery, deposit into escrow, or release from escrow, of any Company Products or Services or Intellectual Property, independently or jointly, by or for the Company or any Company Subsidiary or that otherwise materially affects the use or enforcement by the Company or any Company Subsidiary of any Owned Intellectual Property (including any settlement agreement, covenant not to assert, and consent to use) (other than Contracts with employees, consultants or independent contractors of the Company or any Company Subsidiary that are on the Company's standard forms);
- (vi) any joint venture, partnership or other similar agreement involving co-investment or the sharing of profits, losses, costs or liabilities between the Company or any Company Subsidiary and a third party;
- (vii) any Contract that contains (A) non-competition, (B) non-solicitation covenants or (C) most-favored nation or (D) other limitations restricting the ability of the Company or any Company Subsidiary or any of its or their Affiliates to compete with any Person or operate in any line of business or in any geographic location or to solicit the employees or customers of any Person;
- (viii) any Contract that obligates the Company or any Company Subsidiary or any of its or their Affiliates to conduct business on an exclusive basis with any Person;
- (ix) any Contract which, excluding non-disclosure agreements, in each case, cannot be cancelled by the Company or any Company Subsidiary without material penalty or without more than 60 days' notice;
- (x) any Contract pursuant to which the Company or any Company Subsidiary indemnifies a director or officer of the Company;

(xi) any Affiliate Contract;

(xii) any Contract (A) relating to the sale or acquisition of any of the capital stock or assets of the Company or any Company Subsidiary or any other Person (whether by merger, sale of stock, sale or purchase of assets or otherwise), other than any Contract that provides for the sale or disposition of services or equipment in the ordinary course of business, and (B) any Contract that relates to similar transactions, pursuant to which the Company or any Company Subsidiary has (1) continuing indemnification obligations or (2) any “earn-out” or similar contingent payment obligations;

(xiii) any settlement and similar agreements with respect to any Action;

(xiv) any employment, consulting or similar Contract between any current or former employee or consultant of the Company or any Company Subsidiary, on the one hand, and the Company, on the other hand, involving payment of annual base compensation in excess of \$200,000, and any agreement containing severance, success, stay, retention or change of control fees, bonuses or other payments as a result of a change-in-control of the Company or any Company Subsidiary;

(xv) any Contract under which (i) any Person has directly or indirectly guaranteed outstanding liabilities of the Company or any Company Subsidiary or (ii) the Company or any Company Subsidiary has directly or indirectly guaranteed outstanding liabilities of any Person;

(xvi) any collective bargaining agreement or other contract with a labor union or labor organization; and

(xvii) any commitment of the Company or any Company Subsidiary to enter into any of the foregoing.

(b) Each Material Contract is a valid and binding obligation of the Company or Company Subsidiary, as applicable, and, to the Knowledge of the Company, of each counterparty thereto, and enforceable in accordance with its terms, and will be in full force and effect without penalty in accordance with its terms upon consummation of the transactions contemplated hereby, subject to the Enforceability Exceptions. Except as set forth on Section 4.16(b) of the Disclosure Schedules, (i) the Company or Company Subsidiary, as applicable, has performed all obligations required to be performed by it under each Material Contract and neither the Company nor Company Subsidiary, as applicable (with or without the lapse of time or the giving of notice, or both) is in breach or default thereunder, (ii) no event has occurred which with the passage of time or the giving of notice or both would result in a material default, breach or event of noncompliance by the Company or Company Subsidiary, as applicable, under any Material Contract, (iii) no Material Contract is currently subject to or is expected to be subject to cancellation or any other material modification by the other party thereto or is subject to any penalty, right of set-off or other charge by the other party thereto for late performance or delivery, and (iv) neither the Company nor Company Subsidiary, as applicable, has knowledge of any breach or anticipated breach by the other parties to any Material Contract; in each case, except for such failures, events, or breaches that have not been, are not, and would not reasonably be expected to be, individually or in the

aggregate, material to the Company and the Company Subsidiaries, taken as a whole. To the Company's Knowledge, there are no renegotiations of, or attempts or requests to renegotiate or outstanding rights to renegotiate, any terms of any of the Material Contracts. No party to a Material Contract has given written or, to the Knowledge of the Company, oral notice of any material dispute with respect to any Material Contract.

4.17 Intellectual Property.

(a) Section 4.17(a) of the Disclosure Schedules sets forth a correct and complete list of all the following Owned Intellectual Property: (i) Patents; (ii) registered Trademarks and applications therefor and unregistered Trademarks that are material to the Company or any Company Subsidiary; (iii) registered Copyrights and applications therefor, and (iv) domain names (including social media accounts registered in the name of the Company or any Company Subsidiary), including for each item listed in (i) through (iii), as applicable, the owner, the jurisdiction, the application/serial number, the patent/registration number, the filing date, and the issuance/registration date, and for each item listed in (iv), the registrant, the registrar, and the expiration date. Each item of the Owned Intellectual Property listed in Section 4.17(a) of the Disclosure Schedules is subsisting, valid, and enforceable, and has not been cancelled, expired or abandoned.

(b) Except as set forth on Section 4.17(b) of the Disclosure Schedules, the Company or a Company Subsidiary has the sole and exclusive ownership of all right, title and interest (including the right to enforce) in and to each item of Owned Intellectual Property, and has a valid and continuing license or right to use all material Non-Owned Intellectual Property for the operation of the business of the Company or Company Subsidiary, as applicable, as currently conducted and as currently contemplated to be conducted, in each case, free and clear of all Liens (other than Permitted Liens).

(c) The Company Intellectual Property constitutes all the Intellectual Property necessary and sufficient for the operation of the Company's and the Company Subsidiaries' business as conducted on the Agreement Date.

(d) Neither the Company nor any Company Subsidiary has entered into any Contract that (i) grants any Person exclusive rights in, to or under any Owned Intellectual Property, or (ii) grants any Person the right to sublicense any Owned Intellectual Property.

(e) Except as set forth on Section 4.17(e) of the Disclosure Schedules:

(i) the Company, each Company Subsidiary, the conduct of the business of the Company and each Company Subsidiary, the Owned Intellectual Property, and the making, using, selling, importing, offering for sale, sale, distribution, or other exploitation of Company Products or Services do not infringe, misappropriate, violate, or otherwise conflict with, and have not infringed, misappropriated, violated, or otherwise conflicted with, any other Person's Intellectual Property rights, violate any right to privacy or publicity, or constitute unfair competition or trade practices under the Laws of any jurisdiction;

(ii) during the past five-year period, neither the Company nor any Company Subsidiary has received any written notice, written invitation to license, cease and desist

or claim from any third party alleging that the Company Intellectual Property, the Company's or any Company Subsidiary's use of any Intellectual Property, the conduct of the Company's or any Company Subsidiary's business, or the making, using, selling, importing, offering for sale, distribution, or other exploitation of Company Products or Services infringes, misappropriates, violates or otherwise conflicts with any Intellectual Property rights of any third party, including any claim that the Company or any Company Subsidiary must license or refrain from using any Intellectual Property rights of any third party (nor to the Knowledge of the Company is there any basis therefor); and

(iii) (y) no Person has infringed, misappropriated, violated, diluted, disclosed or used in an unauthorized manner, or otherwise conflicted with, any Owned Intellectual Property or is infringing, misappropriating, violating, diluting, disclosing or using in an unauthorized manner, or otherwise conflicting with, any Owned Intellectual Property; and (z) no notices, written invitations to license, cease and desist letters or claims with respect to the foregoing have been asserted against any Person by the Company or any Company Subsidiary in the past five years; and

(iv) there is no (y) Action, charge, complaint or demand threatened or initiated by any Person pending, or outstanding, or, to the Knowledge of the Company, threatened, against the Company or any Company Subsidiary (1) concerning the matters described in Section 4.17(e)(ii) or (2) challenging the validity, enforceability, ownership or use of any Owned Intellectual Property; or (z) Order against the Company or any Company Subsidiary, or settlement agreement that the Company or any Company Subsidiary is a party to or, to the Knowledge of the Company, any other Order or settlement agreement restricting in any respect the use or exploitation of any Owned Intellectual Property.

(f) The Company and each Company Subsidiary have taken commercially reasonable measures to obtain, maintain, police and protect the secrecy, confidentiality and value of (i) all Owned Intellectual Property that is considered confidential or proprietary by the Company or any Company Subsidiary, including all material Trade Secrets included in the Owned Intellectual Property, and (ii) all such Intellectual Property of third parties that is considered confidential or proprietary by such third parties.

(g) Except as set forth on Section 4.17(g) of the Disclosure Schedules, the Company and each Company Subsidiary have executed valid and enforceable written agreements with all of its respective past and present employees, consultants and independent contractors pursuant to which such Persons have (i) agreed to hold all Owned Intellectual Property in confidence both during and after their employment or retention, as applicable, and (ii) presently assigned or otherwise vested to the Company or Company Subsidiary, as applicable, all of such Person's rights, title and interest in and to all Owned Intellectual Property created, invented or developed for or on behalf of the Company or any Company Subsidiary in the course of their employment or retention thereby, including all moral rights therein (each such past and present employee, consultant and independent contractor, a "Contributor"). To the Knowledge of the Company, no party thereto is in default or breach of any such agreements. Without limiting the foregoing, no Contributor owns or has any right, claim, interest or option, including the right to further remuneration or consideration, with respect to any Owned Intellectual Property, nor, to the Company's Knowledge, has any Contributor made any assertions in writing to the Company with

respect to any alleged ownership or any such right, claim, interest or option, nor threatened any such assertion; and neither this Agreement nor the Transaction contemplated hereby will provide any Contributor with any such right, claim, interest or option.

(h) Neither this Agreement nor the Transaction contemplated hereby will cause: (i) Buyer, any of its Affiliates or the Company to grant to any third party any right to any Intellectual Property owned by any of them (other than the current grants by the Company or any Company Subsidiary with respect to the Owned Intellectual Property), (ii) Buyer, any of its Affiliates or the Company or any Company Subsidiary to be obligated to pay any royalties or other fees or consideration with respect to Intellectual Property of any third party in excess of those payable by the Company or any Company Subsidiary in the absence of this Agreement or the Transaction, or (iii) the loss, forfeiture, termination, or impairment of, or give rise to a right of any Person to limit, terminate, or consent to the continued use of, any rights of the Company or any Company Subsidiary in any Owned Intellectual Property.

(i) Neither the Company nor any Company Subsidiary has entered into any Contracts with any Person requiring, upon the absence or occurrence of an event or default, the disclosure or license or release from escrow of any Source Code included in the Owned Intellectual Property. The execution of this Agreement will not result in the disclosure to a third party of any Source Code included in the Owned Intellectual Property (including any release from escrow of any such Source Code).

(j) At no time during the conception of or reduction to practice of any Owned Intellectual Property was any developer, inventor or other contributor to such Intellectual Property operating under any grants from any Governmental Entity, educational institution or private source, performing research sponsored by any Governmental Entity, educational institution or private source, utilizing the facilities of any Governmental Entity or educational institution, or subject to any employment agreement or invention assignment or nondisclosure agreement or other obligation with any third party.

(k) Neither the Company nor any Company Subsidiary has been a member or promoter of, or contributor to, any industry standards body or similar organization that could require or obligate the Company or any Company Subsidiary to grant or offer to any other Person any license or right to any Owned Intellectual Property.

(l) Section 4.17(l) of the Disclosure Schedules sets forth a list of any Open Source Materials that have been used in, incorporated into, embedded, integrated, or linked or bundled with any Company Products or Services or any other Software that is part of the Owned Intellectual Property or the Company Products or Services.

(m) No Open Source Materials have been modified or distributed by or on behalf of the Company or any Company Subsidiary in such a manner as would require the Company to (i) publicly make available any Source Code that is part of the Owned Intellectual Property or the Company Products or Services, (ii) license, distribute, or make available any Source Code for the purpose of reverse engineering or making derivative works of such Source Code, or to permit any other Person to perform such actions, or (iii) be restricted or limited from charging for distribution of any Owned Intellectual Property or Company Products or Services.

The Company and each Company Subsidiary are in compliance with all terms and conditions of any license or agreement for Open Source Materials that is or has been used by the Company or any Company Subsidiary or is otherwise contained in, incorporated into, linked or called by, distributed with, or otherwise used by any Company Product or Service or computer Software. None of the inventions claimed in any of the Patents included in the Company Intellectual Property are practiced by any of the Open Source Materials that have been used by the Company or any Company Subsidiary.

(n) The Company or a Company Subsidiary owns or has a valid right to access and use all computer systems, networks, hardware, Software, databases, websites, servers and equipment and other Technology and associated documentation used to process, store, maintain and operate data, information, and functions used in connection with the business of the Company and the Company Subsidiaries (the “*Company IT Systems*”). The Company IT Systems (to the Company’s Knowledge with respect to Company IT Systems owned or directly controlled by the Company or a Company Subsidiary) (i) are in good working order and condition in all material respects, and are adequate and sufficient for, and operate and perform in all material respects as required in connection with, the operation of the business of the Company and the Company Subsidiaries as currently conducted, and (ii) (A) do not contain any viruses, worms, trojan horses, time bombs, drop dead devices, back doors, spyware, adware, bugs, faults or other devices, errors, contaminants or code that would enable or assist any Person to, without authorization, disrupt, erase, destruct, disable, access or impair any Company IT Systems or Company Intellectual Property (or any parts thereof) or data or other Software of users (“*Malicious Code*”), (B) are free from any critical defects. The Company and the Company Subsidiaries take and have taken commercially reasonable steps intended to ensure that the Company IT Systems used in connection with the operation of the business of the Company and the Company Subsidiaries are free from Malicious Code. The Company and the Company Subsidiaries have disaster recovery plans, procedures and facilities that are consistent with the best practices of the industry of the Company and the Company Subsidiaries, and take and have taken commercially reasonable steps to safeguard and back-up at secure off-site locations the Company IT Systems. The Company and the Company Subsidiaries have implemented security patches or upgrades that are generally available for such Company IT Systems where such patches or upgrades are reasonably required to maintain their security. The Company and the Company Subsidiaries use reliable methods (including passwords) to ensure the correct identity of the users of their Software, databases, systems, networks and internet sites and the correct identity of their customers, and use reliable encryption (or equivalent) protection to guarantee the security and integrity of transactions executed through their Software, databases, systems, networks and internet sites. Except as set forth on Section 4.17(n) of the Disclosure Schedules, no Person has gained unauthorized access to, and there have otherwise been no unauthorized intrusions or breaches of the security of the Company IT Systems in the past five (5) years.

4.18 Data Privacy and Security.

(a) The Company and each Company Subsidiary (and, to the Knowledge of the Company, all vendors, processors, service providers, or other third parties with access to Personal Information in the Company’s control), comply and at all times have complied in all material respects with: (i) the Privacy and Security Laws; (ii) the rules of self-regulatory organizations and other industry standards, including the Payment Card Industry Data Security Standard; (iii) the

Company Privacy and Data Security Policies; (iv) applicable information security requirements, including the Defense Federal Acquisition Regulation Supplement and any other applicable standard established by U.S. customary industry standards and practices, including National Institute of Standards and Technology (“NIST”) Special Publication 800-171; and (v) all obligations, restrictions, or commitments concerning the privacy, security, or Processing of Personal Information under any Contract to which the Company or any Company Subsidiary is a party or otherwise bound ((i) – (v), the “*Privacy Commitments*”).

(b) The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not: (i) conflict with or result in a violation or breach of any of the Privacy Commitments; or (ii) require the consent of or notice to any Person concerning such Person’s Personal Information.

(c) The Company and the Company Subsidiaries have implemented, and at all times have maintained, and all vendors, processors, or other third parties that Process any Personal Information for or on behalf of the Company or any Company Subsidiary have maintained, all commercially reasonable security measures, plans, procedures, controls, and programs, including a written information security program, to: (i) identify and address internal and external risks to the privacy and security of Personal Information in their possession or control; (ii) implement, monitor, and improve adequate and effective administrative, technical, and physical safeguards to protect such Personal Information and the operation, integrity, and security of its software, systems, applications, and websites involved in the Processing of Personal Information; and (iii) provide prompt notification in compliance with the Privacy Commitments in the case of any Security Incident.

(d) The Company and the Company Subsidiaries: (i) conduct and have conducted vulnerability scanning, penetration testing and risk assessments of potential and actual Security Incidents (collectively, “*Information Security Reviews*”) as set forth on Section 4.18(d) of the Disclosure Schedules, (ii) have timely corrected any and all material findings, exceptions or vulnerabilities identified in such Information Security Reviews, including without limitation through the timeline installation of software security patches and other fixes; and (iii) made available to Buyer true and accurate copies of all Information Security Reviews.

(e) No Personal Information in the possession or control of the Company or any Company Subsidiary, or held or Processed by any vendor, processor, or other third party for or on behalf of the Company or any Company Subsidiary, has been subject to any data or security breach or unauthorized access, disclosure, use, loss, denial or loss of use, alteration, destruction, compromise, or unauthorized Processing, and there has been no unauthorized access to, disruption or violation of the security of the IT Systems or threat of such breach, disruption or violation in writing to such IT Systems, (a “*Security Incident*”); and neither the Company nor any Company Subsidiary has notified and, to the Knowledge of the Company, there have been no facts or circumstances through the Agreement Date that would require the Company or any Company Subsidiary to notify, any Governmental Entity or other Person of any Security Incident.

(f) Neither the Company nor any Company Subsidiary has received any notice, request, claim, complaint, correspondence, or other communication, in each case, in writing, from any Governmental Entity or other Person, and, to the Company’s Knowledge, there has not been

any audit, investigation, enforcement action (including any fines or other sanctions), or other Action relating to, any actual, alleged, or suspected Security Incident or violation of any Privacy and Security Law involving Personal Information in the possession or control of the Company or any Company Subsidiary, or held or Processed by any vendor, processor, or other third party for or on behalf of the Company or any Company Subsidiary.

4.19 Insurance. Section 4.19 of the Disclosure Schedules lists each material insurance policy maintained by or on behalf of the Company or any Company Subsidiary (the “*Company Insurance Policies*”), correct, and complete, except as would be immaterial to the Company or applicable Company Subsidiary, copies of which have been made available to Buyer. All premiums due in respect of the Company Insurance Policies have been paid in full (other than retroactive or retrospective premium adjustments that are not yet, but may be, required to be paid with respect to any period ending before the Closing Date) and all of the Company Insurance Policies are in full force and effect. Neither the Company nor any Company Subsidiary is, and to the Knowledge of the Company no other Person is, in material default with respect to any of its material obligations under any of the Company Insurance Policies or has received any written notice of cancellation or non-renewal or threatening the termination of any Company Insurance Policy. A claims history for each Company Insurance Policy for the past five years ending on the Agreement Date has been provided to Buyer.

4.20 Customers and Suppliers. Section 4.20 of the Disclosure Schedules lists (a) the largest ten customers of the Company and the Company Subsidiaries, taken as a whole, based on revenues from such customers for the 12 month period ended December 31, 2021 (each, a “*Material Customer*”) and (b) the largest ten suppliers of the Company and the Company Subsidiaries, taken as a whole, based on the aggregate amounts paid to such suppliers during the 12 month period ended December 31, 2021 (each, a “*Material Supplier*”). During the past five years, (i) no Material Customer has provided the Company or any Company Subsidiary with written or, to the Knowledge of the Company, oral notice that it intends to terminate its relationship with, or materially decrease the pricing or volume of services purchased from, the Company or any Company Subsidiary, (ii) no Material Supplier has provided the Company or any Company Subsidiary with written or, to the Knowledge of the Company, oral notice that it intends to terminate its relationship with, or materially increase the pricing or decrease the volume of goods or services supplied to, the Company or any Company Subsidiary and (iii) no disagreement, indemnity claim, claim for damages or other dispute has arisen between a Material Customer or Material Supplier, on the one hand, and the Company or any Company Subsidiary, on the other hand, with respect to the business relationship or any agreements between such Material Customer or Material Supplier and the Company or any Company Subsidiary that could reasonably be expected to be material to the Company, any Company Subsidiary, or such business relationships or agreement.

4.21 Compliance with Export Control Laws and Sanctions Laws.

(a) The Company, each Company Subsidiary and each of its and their Affiliates have at all times (i) conducted their businesses in compliance with applicable Sanctions Laws and Export Controls Laws, and (ii) maintained all records required to be maintained in the Company’s and each Company Subsidiaries’ possession under Sanctions Laws and Export Controls Laws.

(b) At all times, (i) neither the Company nor any Company Subsidiary nor any of its and their Affiliates has sold, exported, reexported, transferred, diverted, or otherwise disposed of any products, Software, or technology to any destination, entity or Person prohibited by applicable Sanctions Laws and Export Controls Laws, in each case without obtaining prior authorization from the applicable Governmental Entities, (ii) the Company and each Company Subsidiary and its and their Affiliates have complied with all terms and conditions of any material license issued or approved by the applicable Governmental Entities, including the Directorate of Defense Trade Controls, the Bureau of Industry and Security, and OFAC, and (iii) except pursuant to valid licenses, license exceptions or exemptions, the Company, each Company Subsidiary, and each of its and their Affiliates has not released or disclosed controlled technical data or technology to any foreign national for whom a license is required, whether in the United States or abroad.

(c) Neither the Company nor any Company Subsidiary, nor, any of its and their directors or officers, nor, to the Company's Knowledge, any of its and their employees, Affiliates, agents, or any other person acting on behalf of them: (i) is, or is owned or controlled by, a Person or entity subject to applicable Sanctions Laws, including the List of Specially Designated Nationals and Blocked Persons or Foreign Sanctions Evaders, Denied Persons List, Entities, List, Debarred Parties List, Excluded Parties List and Terrorism Exclusion List, or any other lists of known or suspected terrorists, terrorist organizations or other prohibited Persons made publicly available or provided to the Company or any Company Subsidiary by any Governmental Entities (such entities, Persons or organizations collectively, the "*Restricted Parties*"), or (ii) has conducted any business with or engaged in any transaction or arrangement with or involving directly or indirectly, any Restricted Parties or countries subject to Sanctions Laws (currently Cuba, Iran, North Korea, Syria, the Crimea region, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic Regions of Ukraine), or has otherwise been in violation of any applicable Sanctions Laws, or (iii) has engaged in any transactions, dealings, or activities that might reasonably be expected to cause such Person to become a Restricted Party.

(d) Neither the Company nor any Company Subsidiary nor any of its and their Affiliates (i) is subject to any pending or threatened in writing action by any Governmental Entity that would restrict its ability to engage in export transactions, bar it from exporting or otherwise limit its exporting activities or sales to any Governmental Entity; (ii) has received any written notice of material deficiencies in connection with any export controls, trade embargoes or economic sanctions matter from OFAC or any other Governmental Entity; or (iii) made any voluntary or involuntary disclosures to any OFAC or any other Governmental Entity of facts that could result in action being taken or any penalty being imposed by a Governmental Entity against the Company or any Company Subsidiary under Sanctions Laws and Export Control Laws.

4.22 Anti-Bribery, Anti-Corruption, and Anti-Money Laundering Laws. Neither the Company nor any Company Subsidiary nor any of its or their officers, directors, employees, agents, or any other Person acting for or on behalf of the Company or any Company Subsidiary, has, directly or indirectly, (a) made, offered, or promised to make or offer any payment, loan, or transfer of anything of value, including any reward, advantage, or benefit of any kind, to or for the benefit of any Government Official, candidate for public office, political party, or political campaign, for the purpose of (i) influencing any act or decision of such Government Official, candidate, party or campaign, (ii) inducing such Government Official, candidate, party or campaign to do or omit to do any act in violation of a lawful duty, (iii) obtaining or retaining

business for or with any Person, (iv) expediting or securing the performance of official acts of a routine nature, or (v) otherwise securing any improper advantage; (b) paid, offered, or promised to pay or offer any bribe, payoff, influence payment, kickback, unlawful rebate, or other similar unlawful payment of any nature; (c) made, offered or promised to make or offer any unlawful contributions, gifts, entertainment, or other unlawful expenditures; (d) established or maintained any unlawful fund of corporate monies or other properties; (e) created or caused the creation of any false or inaccurate books and records of the Company; or (f) otherwise violated any provision of the Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd-1, et seq., the UK Bribery Act 2010, the Money Laundering Control Act, the Currency and Foreign Transactions Reporting Act, The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or any other applicable anti-corruption, anti-bribery, or anti-money laundering Laws.

4.23 Facility Security Clearances. Section 4.23 of the Disclosure Schedules sets forth a correct and complete list of all facility security clearances held by the Company and each Company Subsidiary and all personnel security clearances by number and clearance level held by any officer, director or employee thereof relating to the business of the Company and Company Subsidiaries as currently conducted; in each case, except as such disclosure may be precluded or limited by applicable Law, rule, regulation or Contract. The Company and each Company Subsidiary presently possess all facility security clearances and personnel security clearances required to perform under any Government Contracts. The Company and each Company Subsidiary are in compliance in all material respects with the National Industrial Security Program Operating Manual Department of Defense Instruction 5520.22 M (“*NISPOM*”), and any other applicable national or industrial security regulations. There is no proposed or, to the Knowledge of the Company, threatened termination of any facility security clearance held by the Company or any Company Subsidiary or personnel security clearance held by any officer, director or employee of the Company or any Company Subsidiary. For the past five years, there have been no audits or investigations by any Governmental Entity that resulted in negative findings with respect to any such facility clearance or personnel security clearance.

4.24 Brokers. Except for the Persons set forth in Section 4.24 of the Disclosure Schedules, there are no claims for brokerage commissions, finders’ fees, financial advisors’ fees or similar compensation in connection with the transactions contemplated by this Agreement or any Ancillary Document to which the Company or a Company Subsidiary is or will be a party is a part based on any Contract to which the Company or a Company Subsidiary is a party or that is otherwise binding upon the Company or a Company Subsidiary and no Person is entitled to any fee or commission or like payment in respect thereof. All fees, commissions or like payments to any Person listed on Section 3.7 of the Disclosure Schedules (or pursuant to the agreement(s) listed therein) shall be paid at Closing and, following Closing, none of the Company, any Company Subsidiary, Buyer or any of their respective Affiliates will have any obligation of any kind with respect to the matters or agreements listed on Section 3.7 of the Disclosure Schedules.

4.25 Affiliate Transactions. Other than standard confidentiality agreements made available to Buyer prior to the Closing, Section 4.25 of the Disclosure Schedules sets forth a correct and complete list of all Contracts between (a) the Company or any Company Subsidiary, on the one hand, and (b) any Related Party (other than the Company or any Company Subsidiary), on the other hand (any such Contract, an “*Affiliate Contract*”). Except for (i) compensation and benefits

provided pursuant to Benefit Plans described in Section 4.11(a) of the Disclosure Schedules and travel advances in the ordinary course of business, and (ii) as set forth in Section 4.25 of the Disclosure Schedules, no Related Party is a party to any Contract with the Company or any Company Subsidiary, has any controlling interest in any Person providing property, products, services, Technology or Intellectual Property to the Company or any Company Subsidiary or has any other material interest in any property or assets of the Company or any Company Subsidiary.

4.26 Inventory. All inventory of the Company and the Company Subsidiaries presented in the Financial Statements consists in all material respects of items of a usable quality that are, with respect to finished goods, saleable, in the ordinary course of business, except for slow-moving or obsolete items and items of below-standard quality, all of which have been written off or written down to net realizable value in the Financial Statements. The quantities of inventory of the Company and the Company Subsidiaries (whether raw materials, intermediary goods, work-in-process, finished goods, spare parts or in-transit inventory) are sufficient in all material respects for the operations of the business of the Company and the Company Subsidiaries in the ordinary course of business consistent with past practice. The historical values at which the inventory of the Company and the Company Subsidiaries have been presented to Buyer have been determined in accordance with the customary valuation policies of the Company and the Company Subsidiaries and in accordance with the Company's and the Company Subsidiaries' books and records, as consistently applied the Company and the Company Subsidiaries, as applicable.

4.27 Bank Accounts; Names; Power of Attorney. Section 4.27 of the Disclosure Schedules lists all of the Company's and the Company Subsidiaries' bank accounts (designating each authorized signatory and the level of each signatory's authorization). Except as set forth on the Section 4.27 of the Disclosure Schedules, during the five-year period prior to the Agreement Date, neither the Company nor any Company Subsidiary has used any other name or names under which it has invoiced account debtors, maintained records concerning its assets or otherwise conducted business. There are no outstanding powers of attorney executed on behalf of the Company or any Company Subsidiary.

4.28 Government Contracts.

(a) Neither the Company nor any Company Subsidiary nor, to the Knowledge of the Company, any of its officers, employees, agents, nor any "Principal" (as defined in FAR 52.209-5) of the Company or any Company Subsidiary has been suspended or debarred, proposed for suspension or debarment, declared ineligible or determined non-responsive by any Governmental Entity from holding, performing or bidding on any Government Contract. To the knowledge of the Company, no suspension or debarment or ineligibility or non-responsibility proceeding with respect to Government Contracts or Government Contract Bids has been commenced or threatened against the Company or any Company Subsidiary or any of its or their officers or employees.

(b) Except as set forth in Section 4.28(b) of the Disclosure Schedules, during the past six years no Government Contract was awarded on the basis of any qualification of the Company as a "small business concern," "small disadvantaged business," protégé status or other preferential status (including disadvantaged-business, minority-owned business, women-owned business or other business status based on ownership or control, or participation in or qualification

under other preferential status programs, such as participation under Section 8(a) of the Small Business Act or similar preferences).

(c) In the past six years: (i) all representations, certifications and statements executed and submitted by the Company or any Company Subsidiary in connection with Government Contracts or Government Contract Bids were correct in all material respects as of their respective effective dates; (ii) the Company and each Company Subsidiary have complied in all material respects with all Laws applicable to Government Contracts or Government Contract Bids and the terms and conditions of each Government Contract or Government Contract Bid, including all incorporated clauses, provisions, certifications, representations, requirements, schedules, attachments, regulations, and including without limitation the Truth in Negotiations Act, the Federal Acquisition Regulations (“*FAR*”) (codified at 48 C.F.R. chap. 1), Defense Federal Acquisition Regulation Supplement (“*DFARS*”) (codified at 48 C.F.R. chap. 2); (iii) neither the Company nor any Company Subsidiary has received any written communication alleging any material violation of any Law applicable to any Government Contract or Government Contract Bid; (iv) there have not been pending, or to the Knowledge of the Company, threatened in writing, against the Company or any Company Subsidiary any subpoena, audit, or investigation relating to any Government Contract or Government Contract Bid (other than pre-award, post-award and indirect rate audits by the Defense Contract Audit Agency or the Defense Contract Management Agency or other Governmental Entities performing a similar function that have not resulted in any investigation or claim for fraud or defective pricing or resulted in any penalty or assessment) and neither the Company nor any Company Subsidiary has been notified in writing of any material claim, dispute, or protest relating to any Government Contract or Government Contract Bid; (v) neither the Company nor any Company Subsidiary has conducted any internal investigation for which it engaged outside counsel or a forensic accounting firm or made any voluntary or mandatory disclosure to any Governmental Entity with respect to or concerning any actual, alleged, or potential violation of Law under or relating to any Government Contract or Government Contract Bid; (vi) no Government Contract has been terminated for cause or default and no notice of termination for convenience, cause or default, cure notice or show cause notice has been issued with respect to any such Government Contract; (vii) there is no assignment of revenues or anticipated revenues under any Government Contracts; (viii) neither the Company nor any Company Subsidiary nor any of its officers or employees has had access to confidential or non-public information in connection with Government Contracts or Government Contract Bids to which they were not lawfully entitled; (ix) with respect to any Government Contract or Government Contract Bid, neither the Company nor any Company Subsidiary has received any written notice from a Governmental Entity raising questions or concerns with regarding the possibility of actual or potential material organizational conflicts of interest (“*OCI*”) (as defined in 48 C.F.R. § 9.501) and has not been required to implement any *OCI* mitigation plan, or agreed or undertaken to refrain from any material business activity for purposes relating to actual or perceived organizational conflicts of interest; and (x) except as set forth in Section 4.28(c)(x) of the Disclosure Schedules, none of the execution, delivery or performance of this Agreement will require the novation, assignment, or seeking the consent of a counterparty to any Government Contract, and none of the execution, delivery or performance of this Agreement, to the Knowledge of the Company will result in a breach, violation, default, or, to the Company’s Knowledge, *OCI* under any Government Contract.

(d) The Company and each Company Subsidiary have been in compliance for the past six years with FAR Part 31 and all Cost Accounting Standards and related regulations (to the extent applicable), and all indirect cost and general and administrative expense rates are and have been billed consistent with the applicable Government Contracts and applicable Laws, and the Company and each Company Subsidiary have complied with and are in compliance with all material requirements of the Government Contracts and applicable Laws relating to the establishment of final indirect cost rates, including FAR 52.216-7.

(e) All invoices and claims resulting from Government Contracts, including requests for progress payments and provisional cost payments, submitted by the Company or any Company Subsidiary to any Governmental Entity in the past six years were correct as of their submission date in all material respects, and related Cost Accounting Standard Disclosure Statements required to be submitted have been submitted and are correct in all material respect.

(f) Within the past three years, no cost in excess of \$100,000 incurred by the Company or any Company Subsidiary pertaining to such Government Contract has been questioned in writing by any Governmental Entity, is the subject of any audit (other than routine audits and similar inquiries) or, to the knowledge of the Company, is under investigation or has been disallowed by any Governmental Entity.

(g) There are (i) no outstanding material Government Contract Actions against the Company or any Company Subsidiary or by the Company or any Company Subsidiary, and (ii) within the past three years, no material costs incurred or invoices rendered by the Company or any Company Subsidiary have been disallowed (and the Company has no Knowledge that any material cost or invoice will be disallowed), or been under investigation by any individual or Governmental Entity or been subject to any penalty assessments. There has not been any material withholding or set off of any payment by a Governmental Entity or prime contractor or higher tier subcontractor nor, to the knowledge of the Company, has there been any attempt to withhold or set off, any material money due under any Government Contract on any basis at any time within the past three years, including but not limited to the basis that a cost incurred or invoice rendered by the Company or any Company Subsidiary was questioned or disallowed by a Governmental Entity or its audit representative, and the Company or Company Subsidiary, as applicable, is entitled to all progress or other payments received to date with respect thereto. There are no financing arrangements or assignments of proceeds with respect to any Government Contract of the Company or any Company Subsidiary.

(h) With respect to any active Government Contract or completed Government Contract under which final payment was received by the Company or any Company Subsidiary within three years prior to the date of this Agreement, neither the Company nor any Company Subsidiary have credible evidence of any significant overpayment(s) on such Government Contract, other than overpayments resulting from contract financing payment as defined in FAR 32.001, and neither the Company nor any Company Subsidiary has conducted or is conducting an investigation to determine whether credible evidence exists of any significant overpayment(s) on such Government Contract, other than overpayments resulting from contract financing payment as defined in FAR 32.001.

(i) To the Company's Knowledge, no Government Contract has, or is currently projected to have, fully burdened costs incurred materially in excess of the Government Contract or order price, or in the case of flexibly priced (as defined in FAR 52.230-6) or cost reimbursement contracts, fully burdened costs incurred materially in excess of the ceiling price or funded amount of the Government Contract or order, with the exception of temporary situations of excess costs due to incremental funding gaps in the ordinary course of business and for which the Company or a Company Subsidiary will be fully reimbursed by future funding.

4.29 Excluded Entities. None of the Excluded Entities hold or own any assets used in the operation of the business of the Company or the Company Subsidiaries as currently conducted or contemplated to be conducted, except for the Excluded Contracts and the facility, land and other assets which, following the Closing, will be subject to the Facility Access and Use Agreement.

4.30 No Other Representations. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES MADE BY EACH SELLER STOCKHOLDER AND THE COMPANY CONTAINED IN THIS Article IV (AS MODIFIED BY THE DISCLOSURE SCHEDULES), IN ANY ANCILLARY DOCUMENT AND IN ANY CERTIFICATE DELIVERED BY OR ON BEHALF OF THE COMPANY HEREUNDER, NEITHER SUCH SELLER STOCKHOLDER NOR THE COMPANY ANY NOR ANY OTHER PERSON OR ENTITY ON BEHALF OF SUCH SELLER STOCKHOLDER OR THE COMPANY MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY, AND EACH SELLER STOCKHOLDER AND THE COMPANY HEREBY DISCLAIMS ANY SUCH REPRESENTATION OR WARRANTY.

ARTICLE V. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller Stockholders, Seller and the Company as of the date hereof and as of the Closing Date as follows:

5.1 Organization and Corporate Power. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Nevada. Buyer has all requisite corporate power and authority necessary to enter into this Agreement and the Ancillary Documents to which it is a party, and consummate the transactions contemplated hereby and thereby.

5.2 Authority Relative to this Agreement. This Agreement and the Ancillary Documents to which Buyer is a party have been duly executed and delivered by Buyer and constitute the valid and binding obligation of Buyer, enforceable in accordance with their terms, except as limited by the Enforceability Exceptions.

5.3 Consents and Approvals; No Violations.

(a) Except as may be required by the HSR Act, no filing with or notice to and no permit, authorization, registration, consent or approval of any Governmental Entity is required on the part of Buyer for the execution, delivery, and performance by Buyer of this Agreement or the consummation by Buyer of the transactions contemplated by this Agreement.

(b) Assuming compliance with or the making or receipt of, as applicable, the item described in the preceding sentence, and except as would not impair in any material respect the ability of Buyer or the Company following the Closing, as the case may be, to perform their respective obligations under this Agreement or prevent or materially delay the consummation of the transactions contemplated by this Agreement, neither the execution, delivery and performance of this Agreement by Buyer nor the consummation by Buyer of the transactions contemplated by this Agreement will (i) conflict with or result in any breach, violation or infringement of any provision of the articles of incorporation or bylaws (or similar governing documents) of Buyer, (ii) result in or give rise to, under any of the terms, conditions or provisions of any Contract to which Buyer is a party or by which Buyer or its properties or assets may be bound, (A) a breach, violation or infringement of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to the creation of any Lien, except for Permitted Liens), (B) the payment of any fee, penalty, consent fee or other amount, (C) the loss of a benefit or require a consent, notice, authorization, approval or waiver, (D) any right by any party to terminate, cancel, accelerate or adversely modify, or (iii) violate or infringe any Law applicable to Buyer or any of its properties or assets.

5.4 Legal Proceedings. There are no Actions or Orders pending or, to Buyer's Knowledge, threatened against or affecting Buyer, at law or in equity, which would adversely affect Buyer's performance under this Agreement or the consummation of the transactions contemplated hereby. To Buyer's Knowledge, (x) neither Buyer nor any of its Affiliates has any material dispute with Cherokee Nation or Constellis and (y) there are no facts or circumstances in existence as of the Agreement Date that could reasonably be expected to result in any such dispute.

5.5 Financing(a). Buyer has as of the date hereof and will have as of the Closing sufficient funds on hand or available through existing credit facilities to pay the Estimated Transaction Consideration in accordance with Section 2.4(b).

5.6 Broker's Fees. No broker, finder, financial advisor or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer that would be an obligation of Seller, the Holders, the Company or any Company Subsidiary.

5.7 No Other Representation or Warranty. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS Article V AND IN ANY CERTIFICATE DELIVERED BY OR ON BEHALF OF BUYER HEREUNDER, BUYER MAKES NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY, AND BUYER HEREBY DISCLAIMS ANY SUCH REPRESENTATION OR WARRANTY, WITH RESPECT TO THE EXECUTION AND DELIVERY OF THIS AGREEMENT AND THE ANCILLARY DOCUMENTS AND THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THEREUNDER.

5.8 Non-Reliance and Acknowledgement. Buyer acknowledges that it has conducted an independent investigation and verification of the financial condition, results of operations, assets, liabilities, properties and projected operations of the Company and the Company Subsidiaries, and in making its determination to proceed with the transactions contemplated by this Agreement, Buyer has relied solely on the results of its own independent investigation and the

representations and warranties of the Company expressly set forth in Article IV as qualified by the Disclosure Schedules, the representations and warranties of Seller Stockholders expressly set forth in Article III as qualified by the Disclosure Schedules, the representations and warranties of the Company or the Holders set forth in the Ancillary Documents and the representations and warranties of the Company or Seller Stockholders set forth in any certificate delivered by the Company or Seller Stockholders in connection with Closing. Buyer acknowledges that, except as expressly set forth in this Agreement, the Disclosure Schedules, the Ancillary Documents and in any certificate delivered by the Company or Seller Stockholders in connection with Closing, neither the Company, any Seller Stockholder, nor any of their representatives makes or will be deemed to have made hereunder, and Buyer has not and will not be deemed to have relied on: (a) any representations or warranties, express or implied, regarding any Seller Stockholder, the Company or any Company Subsidiary, or (b) any representations or warranties, express or implied, at Law or in equity, of any kind or nature whatsoever concerning or as to the accuracy or completeness of any projections, budgets, forecasts or other forward-looking financial information concerning the future revenue, income, profit or other financial results of the Company or any Company Subsidiary. Buyer acknowledges that there are uncertainties inherent in attempting to make any such projections, budgets, forecasts or other forward-looking financial information and actual results of operations may differ materially from any such projections, budgets, forecasts or other forward-looking financial information. Buyer acknowledges that the Purchase Price has been negotiated based upon Buyer's express agreement that should the Closing occur, Buyer will acquire the Company and its businesses, properties, assets and liabilities in an "as is" condition and on a "where is" basis, without any representation or warranty of any kind, express or implied, except for the representations and warranties expressly set forth in Article III and Article IV, the Ancillary Documents and in any certificate delivered by the Company or Seller Stockholders in connection with Closing.

ARTICLE VI. PRE-CLOSING COVENANTS

6.1 Conduct of Business by the Company and Company Subsidiaries. During the Pre-Closing Period, except as set forth on Section 6.1 of the Disclosure Schedules or with Buyer's written consent, the Company shall, and shall cause each Company Subsidiary to, (a) conduct its respective businesses in the ordinary course of business consistent with past practice and (b) use commercially reasonable efforts to preserve intact their business operations, organization and goodwill and relationships with current officers, key employees, customers, suppliers and others having commercial relationships with the Company or any Company Subsidiary. In addition, and without limiting the generality of the foregoing, except for matters set forth on Section 6.1 of the Disclosure Schedules, during the Pre-Closing Period, Seller and the Company shall not (and shall cause each Company Subsidiary not to) do any of the following without the prior written consent of Buyer (which consent shall not be unreasonably withheld, conditioned or delayed):

- (a) amend its organizational documents;
- (b) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

(c) issue any shares of Seller or Company capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any such shares or other convertible securities; *provided, however*, that Seller may issue shares of Seller Common Stock in connection with the exercise of Seller Options outstanding on the date of this Agreement in accordance with their terms as in effect on the date of this Agreement;

(d) declare, set aside, or make any payment or distribution of cash or other property to its equity holders with respect to Seller Common Stock, Seller Options or Seller SARs or otherwise, or purchase, redeem or otherwise acquire any Seller Common Stock, Seller Options or Seller SARs or other Equity Interests of Seller, the Company or any Company Subsidiary, other than cash dividends on a pro-rata basis to Seller Stockholders;

(e) enter into or adopt any plan or agreement of complete or partial liquidation or dissolution, or file a voluntary petition in bankruptcy or commence a voluntary legal procedure for reorganization, arrangement, adjustment, release or composition of Indebtedness in bankruptcy or other similar Laws now or hereafter in effect;

(f) (i) incur or modify in any material respect any indebtedness for borrowed money (other than borrowings under existing lines of credit, letters of credit or similar arrangements issued for the benefit of suppliers or manufacturers in the ordinary course of business consistent with past practice), or guarantee any such indebtedness, or issue or sell any debt securities or guarantee any debt securities of others, (ii) issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any Company Subsidiary, guarantee any debt securities of another Person, enter into any “keep well” or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing or (iii) make any material loans, advances or capital contributions to, or investments in, any other Person, other than (A) to the Company or any Company Subsidiary and (B) advances to employees in respect of travel or other related ordinary expenses and advancement of expense to officers and directors in accordance with the Company organizational documents and any indemnification agreements to which the Company is a party, in the ordinary course of business consistent with past practice;

(g) (i) make any capital expenditures, capital additions or capital improvements, in excess of \$100,000 in the aggregate per month, for each full or partial calendar month in the Pre-Closing Period (other than in accordance with the budget for capital expenditures previously made available to Buyer) or (ii) fail to make capital expenditures in the ordinary course of business;

(h) acquire or agree to acquire (i) by merging or consolidating with, or by purchasing a portion of the equity interests, stock or assets of, or by any other manner, any business or any Person or (ii) any assets that are material to the Company or any Company Subsidiary, individually or in the aggregate;

(i) sell or otherwise dispose of, lease or exclusively license any properties or assets of the Company or any Company Subsidiary which are material to the Company or any Company Subsidiary, other than sales of inventory in the ordinary course of business;

(j) sell, dispose of, assign, transfer, lease, pledge, encumber, abandon, transfer, dedicate to the public, fail to maintain, or allow to lapse, in whole or in part, any Owned Intellectual Property other than in the ordinary course of business;

(k) grant to any third party any license with respect to Owned Intellectual Property, or enter into any release, immunity or covenant not to sue related to Owned Intellectual Property (other than non-exclusive licenses granted to customers of the Company or any Company Subsidiary in the ordinary course of business on the Company's or the Company Subsidiary's standard form);

(l) enter into any Material Contract or Lease, amend in any material respect any Material Contract or Lease or terminate any Material Contract or Lease, in each case other than in the ordinary course of business consistent with past practice;

(m) except as required by the Pre-Closing Reorganization, (i) make or change any election in respect of income or other material Taxes, (ii) adopt or change any method of accounting or annual reporting, (iii) settle or compromise any federal, state, local or foreign income or other material Tax Liability, claim or assessment, (iv) file any amended income or other material Tax Return, (v) enter into any closing agreement relating to any income or other material Tax, (vi) agree to an extension or waiver of a statute of limitations period applicable to any Tax claim or assessment, (vii) fail to pay any income or other material Tax when due and payable, (viii) incur any liability for Taxes other than in the ordinary course of business consistent with past practices of the Company or such Subsidiary, as applicable, (ix) surrender any right to a claim an income or other material Tax refund or credit or (x) prepare any Tax Return in a manner inconsistent with past practices of the Company or such Company Subsidiary, as applicable;

(n) except as required to comply with applicable Law, or (i) adopt, establish, enter into, amend or terminate any Benefit Plan or any plan, agreement, program, policy, trust, fund or other arrangement that would be a Benefit Plan if it were in existence as of the date of this Agreement, (ii) increase the compensation or fringe benefits of, or grant any bonus to, any current or former Service Provider, (iii) grant any severance or termination pay to any current or former Service Provider, (iv) hire or terminate the employment or service of any Service Provider, other than terminations for cause, or (v) enter into or amend any collective bargaining agreement or other contract with a labor union or labor organization; *provided*, that, the Company shall use commercially reasonable efforts to obtain a Retention Bonus Agreement from each of the Retention Bonus Recipients identified on Annex III;

(o) implement any plant closing or other layoff of employees;

(p) (i) waive, release, assign, compromise, commence, pay, discharge, satisfy, settle or agree to settle any Action or (ii) cancel any material Indebtedness (individually or in the aggregate) or waive any claims or rights of material value;

(q) make any material change in any of its methods of accounting or in any accounting policy, except as may be required by applicable Law or GAAP;

(r) accelerate the collection of or discounted accounts receivable, delay the payment of accounts receivable or accrued expenses, delay the purchase of supplies or delay

capital expenditures, repairs or maintenance, in each case, in any material respect and outside the ordinary course of business, consistent with past practices;

(s) take any action or fail to take any action that has had, or could reasonably be expected to have, the effect of accelerating to pre-Closing periods sales to customers or others that would otherwise be expected to occur after the Closing; or

(t) agree or commit to take any of the actions described in clauses (a) through (r) of this Section 6.1.

Notwithstanding anything to the contrary contained herein, (x) any action taken, or omitted to be taken, by the Company or any Company Subsidiary pursuant to any Law, directive, pronouncement or guideline issued by any Governmental Entity or industry group providing for business closures, “sheltering-in-place” or other restrictions that relates to, or arises out of, any pandemic, epidemic or disease outbreak shall in no event be deemed to constitute a breach of this Section 6.1; and (y) any action taken, or omitted to be taken, by the Company or any Company Subsidiary to protect the business of the Company or any Company Subsidiary that is responsive to any pandemic, epidemic or disease outbreak, as determined by the Company or any Company Subsidiary in its reasonable discretion (any action or inaction described in clauses (x) and (y), a “*COVID-19 Response*”), shall in no event be deemed to constitute a breach of this Section 6.1; provided, that, in the case of such actions or inactions described in clauses (x) and (y), such actions or inactions shall not be deemed to constitute a breach of this Section 6.1 only to the extent such actions or inactions are taken in good faith and in accordance with the Company’s reasonable business judgment with the intent to protect its employees and others with whom it has business relations from COVID-19 and is reasonably consistent with the Company’s past COVID-19 response actions (or inactions) taken prior to the date hereof in the affected geography, except that any inconsistent actions or omissions may be taken in good faith and in accordance with the Company’s reasonable business judgment if such actions or inactions are required by applicable Law, and, in each case, after reasonable consultation with Buyer prior to any such action or inaction.

6.2 No-Solicitation. From the date of this Agreement until the Closing, Seller Stockholder Representative, Seller and each Seller Stockholder shall not, and shall cause the Company, each Company Subsidiary and the officers, directors, employees, stockholders, representatives, agents, investment bankers and Affiliates of the Company and each Company Subsidiary not to, directly or indirectly, discuss, pursue, solicit, initiate, participate in, facilitate, encourage or otherwise enter into any discussions, negotiations, agreements or other arrangements regarding or which could lead to, a possible sale or other disposition (whether by merger, reorganization, recapitalization or otherwise) of all or any part of the capital stock or any substantial portion of the assets other than inventory to be sold in the ordinary course of business of the Company or any Company Subsidiary with any other Person other than Buyer or its Affiliates (an “*Acquisition Proposal*”) or provide any information to any Person other than Buyer and its Affiliates, representatives, agents and lenders other than information which is traditionally provided in the regular course of the Company’s and the Company Subsidiaries’ business operations to third parties where the Company and each Company Subsidiary and their officers, directors and Affiliates have no reason to believe that such information may be utilized to evaluate any Acquisition Proposal. No Seller Stockholder will vote any of the Common Stock in favor of

any Acquisition Proposal and Seller will not vote any Equity in favor of any Acquisition Proposal. Seller, the Company, Seller Stockholder Representative and each Seller Stockholder shall, and shall cause each Company Subsidiary and the officers, directors, employees, representatives, agents, investment bankers and Affiliates of the Company and each Company Subsidiary to, (a) immediately cease and cause to be terminated any and all contacts, discussions and negotiations with any Person other than Buyer and its Affiliates and representatives regarding the foregoing; (b) promptly (and within 24 hours) notify Buyer if any Acquisition Proposal, or any inquiry or contact with any Person with respect thereto which has been made as of the date of this Agreement or is subsequently made, and the details of such contact (including the identity of the third party or third parties and copies of any proposals and the specific terms and conditions discussed or proposed); and (c) keep Buyer fully informed with respect to the status of the foregoing. Seller, the Company and each Seller Stockholder agree not to, and to cause each Company Subsidiary not to, without the prior consent of Buyer, release any Person from, or waive any provision of, any standstill agreement or confidentiality agreement to which any Seller Stockholder, Seller, the Company or any Company Subsidiary is a party.

6.3 Regulatory Filings; Reasonable Best Efforts.

(a) Seller and Buyer have each filed with the U.S. Federal Trade Commission (the “*FTC*”) and the Antitrust Division of the U.S. Department of Justice (the “*DOJ*”) Notification and Report Forms relating to the transactions contemplated herein as required by the HSR Act. Seller, the Company and Buyer each shall (i) promptly supply any additional information, documentation, or other material or testimony which reasonably may be required by the FTC or the DOJ, and (ii) coordinate with the other party in making any such filings or information submissions pursuant to and in connection with the foregoing that may be necessary, proper, or advisable in order to consummate and make effective the Transaction.

(b) Without limiting the generality of anything contained in this Section 6.3, and subject to any limitations under applicable Laws, each party hereto shall use its reasonable best efforts to (i) give the other party prompt notice of the making or commencement of any request, inquiry, investigation, action or legal proceeding brought by a Governmental Entity or brought by a third party, in each case, with respect to the Transaction, (ii) keep the other party informed as to the status of any such request, inquiry, investigation, action or legal proceeding, (iii) promptly inform the other party of any communication to or from the FTC, DOJ or any other Governmental Entity in connection with any such request, inquiry, investigation, action or legal proceeding, (iv) upon request, promptly furnish to the other party, subject to an appropriate confidentiality agreement to limit disclosure to outside counsel and consultants retained by such counsel, with copies of documents provided to or received from any Governmental Entity in connection with any such request, inquiry, investigation, action or legal proceeding, (v) subject to an appropriate confidentiality agreement to limit disclosure to counsel and outside consultants retained by such counsel, and to the extent reasonably practicable, consult in advance and cooperate with the other party and consider in good faith the views of the other party in connection with any analysis, appearance, presentation, memorandum, brief, argument, opinion, proposal or other communication to be made or submitted in connection with any such request, inquiry, investigation, action or legal proceeding, and (vi) in connection with any such request, inquiry, investigation, action or legal proceeding in respect of the Transaction, each party hereto shall provide advance notice of and permit authorized Representatives of the other party to be present

at each in person meeting or telephone conference relating to such request, inquiry, investigation, action or legal proceeding; *provided*, that materials required to be provided pursuant to this Section 6.3 may be restricted to outside counsel and redacted to (a) remove references concerning the valuation of the Company and (b) to comply with customary confidentiality obligations and any attorney-client privilege, attorney work product protection or other privilege associated with such information. Neither party shall commit to or agree with any Governmental Entity to stay, toll or extend any applicable waiting period under the HSR Act or other applicable antitrust Laws, or pull and refile under the HSR Act, without the prior written consent of the other.

(c) As soon as reasonably practicable after the date of this Agreement, the Company shall submit to the United States Defense Counterintelligence and Security Agency (“DCSA”) and, to the extent applicable, any other Governmental Entity, a notification of the transfer of ownership contemplated hereby in accordance with NISPOM, and the other applicable national or industrial security regulations (the “DCSA Notification”). The Company shall reasonably cooperate with Buyer in preparing the DCSA Notification and any other submissions to DCSA required by NISPOM as soon as reasonably practical, and Buyer shall have the right to approve the DCSA Notification before its submission. The Company and Buyer shall use their commercially reasonable efforts to respond to any requests from DCSA as promptly as practicable for information DCSA requires for the continuation of all necessary U.S. government facility security clearances.

(d) In furtherance to and not in limitation of the foregoing, Buyer agrees that it shall, and shall cause its Subsidiaries to, use its and their reasonable best efforts to take or cause to be taken all actions, and to do, or cause to be done, all things necessary, proper or advisable to obtain all approvals or clearances of the Transaction required pursuant to applicable Regulatory Laws or the expiration or termination of any applicable waiting periods (and any extension thereof) in connection therewith in order for the parties hereto to consummate the Transaction as promptly as reasonably practicable and in any event prior to the End Date (as the same may be extended), and to avoid any impediment to the consummation of the Transaction; *provided* that neither Buyer nor its Subsidiaries shall be required (and none of Seller, the Company or any of the Company Subsidiaries shall agree to any of the following without the express written consent of Buyer) under this Section 6.3(d) (i) to proffer to, or agree to, sell, divest, hold separate, lease, license, transfer, dispose of or otherwise encumber, limit or impair before or after the Closing any of their assets, licenses, operations, rights, properties, businesses, product lines or interests therein of Buyer or any of its Subsidiaries; (ii) to consent to any agreement to take any of the foregoing actions; or (iii) to offer, negotiate, commit to, effect or implement, by agreement, consent decree, hold separate order or otherwise, any requirement to obtain any approvals that would restrict (A) the integration of the Company, the Company Subsidiaries and their business, products and technology with (x) Buyer or its Affiliates or (y) the business, products or technology of Buyer or its Affiliates, (B) the ability of Buyer to control the Company or the Company Subsidiaries, or (C) the Company’s or the Company Subsidiaries’ ability to continue to operate their business and operations in the ordinary course and as contemplated as of the date hereof. Notwithstanding the foregoing or any other provision of this Agreement, in no event shall Buyer or any of its Subsidiaries be required to agree to, nor shall Seller, the Company or any of the Company Subsidiaries be permitted to agree to unless Buyer so directs them (and they shall, if Buyer so directs, agree to, so long as such agreements are conditioned upon the Closing), any action,

concession or undertaking, unless such action, concession or undertaking is conditioned on the Closing.

6.4 Pre-Closing Access to Information. During the Pre-Closing Period, Seller and the Company shall provide Buyer and Buyer's representatives, during normal business hours, upon reasonable advance notice and in such a manner as not to unreasonably interfere with the regular operations of Seller, the Company and the Company Subsidiaries, access to the books, records and properties of Seller, the Company and the Company Subsidiaries to the extent that such access may be reasonably requested by Buyer for the purpose of enabling Buyer to plan the integration of the business of the Company and the Company Subsidiaries into Buyer, or perform other reasonable activities related to the post-Closing operations of the Company and the Company Subsidiaries, and to verify the accuracy of Seller, Seller Stockholders' and the Company's representations and warranties contained in this Agreement, subject to customary confidentiality obligations and any attorney-client privilege, attorney work product protection or other privilege associated with such information. Notwithstanding anything to the contrary contained herein, no access or disclosure pursuant to this Agreement that is restricted or limited by any COVID-19 Response by the Company or any Company Subsidiary shall be deemed to violate or breach this Section 6.4 in any way or serve as a basis for Buyer to terminate this Agreement or assert that any of the conditions to Closing contained herein have not been satisfied. Notwithstanding anything to the contrary set forth in this Agreement, Seller, the Company, each Company Subsidiary, Seller Stockholders and their Affiliates shall use reasonable best efforts to provide to Buyer any and all information and cooperation reasonably requested by Buyer and its Affiliates in connection with Closing and any due diligence required by the R&W Insurance Policy, including the provision of any certificates and any "no claims declarations" in relation to Closing

6.5 Disclosure; Confidentiality.

(a) During the Pre-Closing Period, none of Seller, the Company, or any Company Subsidiary, on the one hand, nor Buyer, on the other hand, shall issue any press release or make any public statement regarding this Agreement or the Transaction, or regarding any of the other transactions contemplated by this Agreement, without the prior written consent of the other party, except (a) in the case of any Party, as may be required by Law or stock exchange rules or by any Governmental Entity in connection with the making of any filings required to be made hereunder, in which case the Party required to publish such press release or public announcement or make such other communication shall use reasonable efforts to provide the other Party a reasonable opportunity to comment on, and shall consider in good faith such comments to, such press release or public announcement in advance of such publication or such other communication in advance of the time it is made, (b) in the case of any Party, in connection with the enforcement of any right or remedy relating to this Agreement and the transactions contemplated hereunder or (c) in the case of Buyer, as may be determined by Buyer in good faith in connection with its regular shareholder communications, *provided* that Buyer shall use reasonable efforts to provide the Company with a reasonable opportunity to comment on, and shall consider in good faith such comments to, any such shareholder communications. Notwithstanding the foregoing, Buyer may disclose any information previously provided as part of a press release or public announcement or other communication issued or made with the prior written consent of the other Parties pursuant to this Section 6.5(a).

(b) Each of Buyer, Seller, the Company and the Company Subsidiaries shall comply with, and shall cause its respective Representatives to comply with, all of its respective obligations under the Confidentiality Agreement. Notwithstanding anything to the contrary contained herein, the Confidentiality Agreement shall terminate upon Closing.

6.6 Excluded Entities and Excluded Contracts.

(a) During the Pre-Closing Period, Seller and the Company shall cause the ownership interests in SPRA and SPARC (and all Liabilities associated with SPRA and SPARC), to be distributed or otherwise transferred to Seller or Seller Stockholders, on terms and conditions that are reasonably acceptable to Buyer, and pursuant to documents on which Buyer has had an opportunity to review and comment, such that, as of the Closing, none of the Excluded Entities is a Subsidiary of the Company.

(b) In connection with such disposition, the Company will assign and transfer the Excluded Contracts to SPRA, and enter into the Transition Services Agreement in the form of Exhibit E-1 attached hereto, and the Facility Access and Use Agreement in the form of Exhibit E-2 attached hereto, with SPRA and Buyer.

(c) The Excluded Entities, Seller, the Company and Buyer will use commercially reasonable efforts to complete and submit a request for approval and consent to the novation of each Excluded Contract from the Company to SPRA (each, a "*Novation Request*"), to be filed with the appropriate administrative contracting officer, in accordance with the requirements of Federal Acquisition Regulation (FAR) Subpart 42.12, on or before the Closing Date, *provided, that*, such filing may be made up to 30 days after the Closing as directed by Seller Stockholder Representative. The Excluded Entities, Seller, the Company and Buyer will thereafter, promptly and in coordination with the other parties, respond timely and appropriately to any requests from the appropriate contracting officer(s) for additional information relating to each Novation Request. Each party shall keep the other party reasonably informed, on a current and timely basis, as to the progress of the novation process and provide copies of all letters, correspondence, and other material written documents to or from the U.S. Government with respect thereto. Until such time as the required administrative contracting officer approves each Novation Request, nothing in this Agreement will constitute or be deemed to constitute a transfer, assignment, novation, attempted transfer or an attempted assignment or novation of any Excluded Contract. Upon Closing, the Parties will enter into a Subcontract Pending Novation Agreement with respect to the Excluded Contracts in the form of Exhibit E-3 attached hereto.

6.7 Pre-Closing Reorganization. As promptly as practicable after the date hereof and prior to Closing, the Company shall convert to a limited liability company organized under the Laws of the State of Florida and cause each of the Company Subsidiaries that are corporations to convert to limited liability companies organized under the Laws of their respective jurisdictions of incorporation, in each case, pursuant to documentation in form and substance reasonably satisfactory to Buyer, and shall, prior to Closing, deliver to Buyer evidence thereof reasonably satisfactory to Buyer.

6.8 Potential OCI. No more than one (1) Business Day following the signing of this Agreement, the Company agrees that it will notify the customers set forth on Section 6.8 of the Disclosure Schedules in writing regarding the potential organizational conflict of interest arising from the Company personnel identified on Section 6.8 of the Disclosure Schedules working on the contracts and matters set forth on Section 6.8 of the Disclosure Schedules. Such notice shall include steps the Company intends to take to avoid and mitigate any potential organizational conflict of interest concerns. The Company shall reasonably cooperate with Buyer in preparing this notification and any other submissions required by these customers, and Buyer shall have the right to approve any notification made pursuant to this paragraph before its submission. The Company and Buyer shall cooperate in good faith, and use their commercially reasonable efforts, to implement any mitigation actions required by these customers to be implemented prior to the Closing. The Parties agree and acknowledge that immediately upon Closing, the personnel set forth on Section 6.8 of the Disclosure Schedules shall be transferred to a business area at Buyer's discretion to avoid and mitigate any potential organizational conflict of interest concerns.

ARTICLE VII. ADDITIONAL COVENANTS

7.1 Access to Information.

(a) At and after the Closing, the Company and Buyer shall afford Seller Stockholder Representative and its attorneys and accountants, during normal business hours, upon reasonable advance notice and in such a manner as not to unreasonably interfere with the regular operations of the Company and the Company Subsidiaries, access to the books, records and properties of the Company and the Company Subsidiaries to the extent that such access may be reasonably requested by Seller Stockholder Representative with respect to periods or occurrences prior to or on the Closing Date to execute its duties hereunder and for other reasonable tax, accounting, and other legal compliance purposes, subject to customary confidentiality obligations and any attorney-client privilege, attorney work product protection or other privilege associated with such information; *provided, however*, this Section 7.1(a) shall not apply to the access of information in connection with a dispute between the Parties.

(b) Buyer agrees to use commercially reasonable efforts to hold all the books and records of the Company existing on the Closing Date and not to destroy or dispose of any of such books and records, other than in the ordinary course of business consistent with past practice or with the prior written consent of Seller Stockholder Representative, for a period of five years after the Closing Date.

7.2 Employee Benefits.

(a) Prior to the Closing, Buyer shall offer to enter into a Retention Bonus Agreement with each Retention Bonus Recipient listed on Annex III hereto in accordance with the allocations opposite each such Retention Bonus Recipient on Annex III. Prior to the date that is sixty (60) days following the Closing, Buyer will offer to enter into a Retention Bonus Agreement with certain Service Providers that continue to be employed by Buyer, the Company or its Subsidiaries following the Closing (such Service Providers, the "*Post-Closing Retention Bonus Recipients*"), *provided that*, (x) each of (A) the Post-Closing Retention Bonus Recipients and (B)

the allocation of the Available Retention Bonus Pool among such Post-Closing Retention Bonus Recipients, will be determined by Buyer, after consultation with the Chief Executive Officer of the Company, and (y) the aggregate amount offered to the Post-Closing Retention Bonus Recipients by Buyer in the applicable Retention Bonus Agreements will be an amount equal to the Available Retention Bonus Pool. The retention awards shall be evidenced by individual Retention Bonus Agreements, and subject to execution of the Retention Bonus Agreements by the Retention Bonus Recipients and the Post-Closing Retention Bonus Recipients. In the event that any amounts payable to a Retention Bonus Recipient or a Post-Closing Retention Bonus Recipient are forfeited in accordance with any Retention Bonus Agreement, or do not become payable as a result of the Retention Bonus Recipient or Post-Closing Retention Bonus Recipient failing to execute a Retention Bonus Agreement, such amounts may, in Buyer's discretion, after consultation with the Chief Executive Officer of the Company, be reallocated to other Retention Bonus Recipients, Post-Closing Retention Bonus Recipients or other employees of the Company or a Company Subsidiary, but Buyer shall have no obligation to pay any such forfeited amounts. For the avoidance of doubt, in no event shall such forfeited amounts be payable to the Escrow Agent or Seller Stockholder Representative for distribution to Seller Stockholders as additional Transaction Consideration.

(b) If, and only if, requested by Buyer at least five days before the Closing Date, Seller and the Company shall take (or cause to be taken) all actions necessary or appropriate to terminate, effective no later than the day immediately preceding the Closing Date, any Benefit Plan that is a 401(k) plan. If Buyer so provides notice to Seller and the Company, Seller and the Company shall deliver to Buyer, prior to the Closing Date, evidence that the Board has validly adopted resolutions to terminate such plans (the form and substance of which resolutions shall be subject to review and approval of Buyer, which approval shall not be unreasonably withheld, conditioned or delayed), effective no later than the date immediately preceding the Closing Date.

(c) The provisions of this Section 7.2 are solely for the benefit of the parties to this Agreement, and no employee of the Company or any Company Subsidiary (including any beneficiary or dependent thereof) shall be regarded for any purpose as a third party beneficiary of this Agreement, and no provision of this Section 7.2 shall create such rights in any such persons. Nothing herein shall (i) guarantee employment for any period of time or preclude the ability of Buyer or the Company or any Company Subsidiary to terminate the employment of any employee of the Company or any Company Subsidiary at any time and for any reason, (ii) require Buyer or the Company or any Company Subsidiary to continue any Benefit Plans, or other employee benefit plans or arrangements or prevent the amendment, modification or termination thereof after the Effective Time, or (iii) amend any Benefit Plans or other employee benefit plans or arrangements.

7.3 Indemnification of Officers and Directors.

(a) All rights to indemnification by the Company or any Company Subsidiary (other than an Excluded Entity) existing in favor of those Persons who are directors and officers of the Company or any Company Subsidiary (other than an Excluded Entity) as of the Agreement Date (the "*D&O Indemnified Persons*") for their acts and omissions occurring prior to the Closing, as provided in the Company's or any Company Subsidiary's (other than an Excluded Entity's) organizational documents (as in effect as of the date of this Agreement) and as provided in the indemnification agreements between the Company or any Company Subsidiary (other than an

Excluded Entity) and such D&O Indemnified Persons (as in effect as of the date of this Agreement) in the forms made available by the Company to Buyer prior to the date of this Agreement, shall survive the Transaction and shall be observed by the Company and Company Subsidiaries (other than an Excluded Entity) to the fullest extent available under applicable Law, and any claim made requesting indemnification pursuant to such indemnification rights shall continue to be subject to this Section 7.3(a) and the indemnification rights provided under this Section 7.3(a) until disposition of such claim.

(b) On or prior to the Closing Date, the Company shall have purchased and fully paid the premium for “tail” insurance policies (“*D&O Tail Policy*”) for the extension of (w) the directors’ and officers’ liability coverage of the existing directors’ and officers’ insurance policies of the Company, (x) the existing fiduciary liability insurance policies of the Company, (y) the existing crime insurance policy, and (z) the existing employment practices liability insurance policy, in each case for a claims reporting or discovery period of at least six years from and after the Closing Date from an insurance carrier with the same or better credit rating as the applicable insurance carrier of the Company as of the Agreement Date with terms, conditions, retentions and limits of liability that are at least as favorable to the insureds as the existing policies of the Company, including, in the case of directors’ and officers’ liability insurance, with respect to any matter claimed against a director or officer of the Company by reason of such individual’s serving in such capacity that existed or occurred on or prior to the Closing Date (including in connection with this Agreement or the transactions or actions contemplated hereby); *provided, however*, that, in the case of the directors’ and officers’ liability insurance, the annual premium of coverage obtained shall not exceed 350% of the annual premium for the current policies of directors’ and officers’ liability insurance; *provided further*, that fifty percent (50%) shall be included in Closing Transaction Expenses and fifty percent (50%) shall be borne by Buyer.

(c) In the event that the Company or any Company Subsidiary (other than an Excluded Entity) or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or Person of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each such case, Buyer shall ensure that the successors and assigns of the Company or any Company Subsidiary (other than an Excluded Entity), as the case may be, shall assume the obligations set forth in this Section 7.3.

(d) The provisions of this Section 7.3 shall survive the consummation of the Transaction and are (i) intended to be for the benefit of, and will be enforceable by, each of the D&O Indemnified Persons and their successors, assigns and heirs and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such D&O Indemnified Person may have by contract or otherwise. This Section 7.3 may not be amended, altered or repealed after the Effective Time without the prior written consent of the affected D&O Indemnified Person.

7.4 R&W Insurance Policy. The Company shall cooperate with Buyer’s efforts and provide assistance as reasonable requested by Buyer to obtain and bind the R&W Insurance Policy. Prior to the Closing or as otherwise required under the terms of the R&W Insurance Policy and corresponding binder, Buyer shall pay or cause to be paid, all costs and expenses with respect to

the R&W Insurance Policy, specifically the total premium, underwriting fee, brokerage commissions, and surplus lines tax with respect to such policy.

7.5 Termination of Certain Agreements. Before the Closing, Seller will take all actions necessary to terminate as of the Effective Time, and will cause to be terminated as of the Effective Time, each Affiliate Contract, including the Contracts listed on Section 7.5 of the Disclosure Schedule (collectively, the “*Terminated Agreements*”), in each case without any further Liability to the Company or the Company Subsidiaries.

7.6 Release. Seller and each Seller Stockholder, effective as of Closing, on behalf of himself, herself, or itself and his, her or its Affiliates and his, her or its and their respective current and former officers, directors, employees, members, representatives, agents, successors, and assigns (each, a “*Holder Releasing Party*”) hereby unconditionally and irrevocably releases and forever discharges, to the fullest extent permitted by Law, Buyer and the Company and any of its respective Affiliates, and each of its respective current and former officers, directors, members, managers, or equity or interest holders and each Person directly or indirectly controlling any of the foregoing Persons, on the one hand, and each Person who is now, or who will have been at any time prior to the Closing, an officer, director, member, manager, limited partner, or equity or interest holder of Buyer or the Company and each Person directly or indirectly controlling any of the foregoing Persons, on the other hand, respectively (each of the foregoing, a “*Buyer Released Party*”) from any and all claims, rights, obligations, debts, liabilities, actions or causes of action of every kind and nature, whether foreseen or unforeseen, contingent or actual, and whether now known or hereafter discovered, which any of the Holder Releasing Parties had, now has or may in the future have, at law or in equity, against any of Buyer Released Parties in any way arising out of, in connection with, pertaining to or by reason of any fact or circumstance existing on or prior to the Closing, other than claims for earned and vested compensation or benefits for services performed by any Holder Releasing Party who is also an employee of the Company or a Company Subsidiary (a “*Buyer Released Claim*”). Notwithstanding the foregoing, this Section 7.6 will not release any obligations under this Agreement or the Ancillary Documents to which Seller or such Seller Stockholder is a party. SELLER AND EACH SELLER STOCKHOLDER (ON HIS, HER OR ITS OWN BEHALF AND ON BEHALF OF HIS, HER OR ITS AFFILIATES) EXPRESSLY WAIVES AND RELINQUISHES ALL RIGHTS AND BENEFITS AFFORDED BY ANY APPLICABLE LAW, WHICH STATES AS FOLLOWS OR SOMETHING SIMILAR:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

7.7 Further Assurances. Following the Closing, upon the reasonable request of any Party, the other Parties agree to promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as may be reasonably requested to effectuate the purposes of this Agreement and the Ancillary Documents.

7.8 Post-Closing Excluded Entity Liabilities. In the event that following the Closing, Buyer or its Affiliates (including the Company and the Company Subsidiaries) becomes liable for any Liability of the Excluded Entities, Seller Stockholders will, each in accordance with their respective Pro Rata Shares, satisfy such Liability (or reimburse Buyer for any payments it has made on account of such Liability) promptly after receipt of written notice thereof from Buyer.

7.9 Post-Closing Receivables.

(a) In the event that following the Closing, Buyer, the Company or any Company Subsidiary (other than an Excluded Entity) receives (i) any payment on a receivable of the Excluded Entities (such amounts, the “*Excluded Entity Receivables*”), (ii) any payments on any unbilled or billed accounts receivable, or claims, related to the ESS VI Kabul Security Surveillance System (“*KSSS*”) task order (Project 04040.003) (such amounts, the “*KSSS Receivables*”) or (iii) any payments on any unbilled or billed accounts receivable, or claims, related to the Blue Grass (BGCAPP) (Project 04040.000) (such amounts, the “*Blue Grass Receivables*”), Buyer shall promptly pay such amounts to Seller for further distribution to Seller Stockholders in accordance with their Pro Rata Shares; *provided* that, any such Excluded Entity Receivables, KSSS Receivables and Blue Grass Receivables will be paid to Seller net of (x) any Liabilities incurred by Buyer, the Company or any Company Subsidiary (other than an Excluded Entity) following the Closing relating to the Excluded Entities, the KSSS task order, or the Blue Grass contract, and (y) any costs incurred in connection with collection or settling of the Excluded Entity Receivables, the KSSS Receivables or the Blue Grass Receivables, as applicable.

(b) Following the Closing, each of Buyer, the Company and the Company Subsidiaries (other than the Excluded Entities) shall use commercially reasonable efforts to pursue and collect the KSSS Receivables and the Blue Grass Receivables, which efforts shall include such reasonable actions as may be requested by Seller Stockholder Representative; *provided* that, notwithstanding the foregoing, Buyer will not be required to incur any Liability or cost under this clause (b) other than the Liabilities and costs that are satisfied under clauses (x) and (y) of Section 7.9(a). Buyer and the Company shall each use its commercially reasonable efforts to keep Seller Stockholder Representative reasonably informed regarding the status of the KSSS Receivables and the Blue Grass Receivables and will consult and cooperate with Seller Stockholder Representative regarding the collection thereof. None of Buyer, the Company or any Company Subsidiary (other than the Excluded Entities) shall waive any portion of, or material rights with respect to, the KSSS Receivables or the Blue Grass Receivables, unless such action is approved by Seller Stockholder Representative (such approval not to be unreasonably withheld, delayed or conditioned).

(c) Following the written request of Seller Stockholder Representative, the Company shall promptly furnish to the Stockholder Seller Representative (i) an accounting of all amounts received after the Closing that relate to the KSSS Receivables or Blue Grass Receivables, during the prior calendar month and from the Closing to the most recent calendar month end; and (ii) a schedule of all KSSS Receivables and Blue Grass Receivables then-outstanding; *provided* that the Company shall not be obligated to respond to any such written request that is made less than thirty (30) days following a prior written request of Seller Stockholder Representative pursuant to this Section 7.9(c). The Company shall make a representative of the Company available at Seller Stockholder Representative’s reasonable request as may be necessary to answer questions and provide information to Seller Stockholder Representative regarding collection of the

KSSS Receivables and the Blue Grass Receivables, and the Company and its representatives shall reasonably cooperate with Seller Stockholder Representative and its representatives in the exchange of information concerning such collection activities.

(d) The Buyer and the Company shall each use commercial reasonable efforts to (i) furnish the Seller Stockholder Representative with copies of material documents provided to or received from any Governmental Entity in connection with the KSSS Receivables or the Blue Grass Receivables, (ii) consult in advance and cooperate with the Seller Stockholder Representative and consider in good faith the views of the Seller Stockholder Representative in connection with any material communication to be made or submitted in connection with the KSSS Receivables or the Blue Grass Receivables, and (iii) provide advance notice of and permit the Seller Stockholder Representative and its authorized Representatives to be present at each in person meeting or telephone conference relating to the KSSS Receivables or the Blue Grass Receivables. Following the Closing, none of Buyer, the Company or any Company Subsidiary (other than the Excluded Entities) shall reduce, set-off, compromise or otherwise waive any portion of the KSSS Receivables or the Blue Grass Receivables, unless such action is approved by the Seller Stockholder Representative (such approval not to be unreasonably withheld, delayed or conditioned).

ARTICLE VIII. TAX MATTERS

8.1 Tax Returns.

(a) Filing Tax Returns.

(i) Seller Stockholder Representative, at Seller's and Seller Stockholders' sole cost and expense, shall prepare and file, or cause to be prepared and filed, all Pass-Through Tax Returns and all other income Tax Returns for any taxable period ending on or prior to the Closing Date that are required or permitted to be filed by or with respect to the Seller after the Closing Date, including any amended Pass-Through Tax Return or other amended income Tax Return of Seller for any taxable period ending on or prior to the Closing Date unless such amended Pass-Through Tax Return or such amended income Tax Return, as applicable, could have an adverse impact on Buyer or any of its Affiliates (including, after the Closing, the Company and any Company Subsidiary). Such Tax Returns shall be prepared in a manner consistent with the past practices of the Seller, except as otherwise required by this Agreement. Seller Stockholder Representative shall submit, or shall cause to be submitted, any such Pass-Through Tax Return and any such income Tax Return to Buyer for review and comment by Buyer not less than 30 days prior to the due date for the filing of such Pass-Through Tax Return or such income Tax Return (including extensions thereof), as applicable, and Seller Stockholder Representative shall incorporate, or shall cause to be incorporated, all revisions as are reasonably requested in writing by Buyer within 10 days of receiving such Pass-Through Tax Return or such income Tax Return, as applicable, for review and comment.

(ii) Following the Closing, the Company shall prepare and file, or cause to be prepared and filed, all income Tax Returns that are required to be filed by or with respect to the Company and any Company Subsidiary after the Closing Date for any Pre-Closing Tax Period

and for any Straddle Period. To the extent that such income Tax Returns relate to Taxes (A) for which Seller and Seller Stockholders are liable pursuant to Section 8.1(c), (B) imposed on and payable by Seller Stockholders or (C) specifically included in the calculation of Tax Liability Amount (as finalized pursuant to Section 2.9), (i) such income Tax Returns shall be prepared in a manner consistent with the past practices of the Company, except as otherwise required by this Agreement or applicable Law, (ii) the Company shall submit, or shall cause to be submitted, any such income Tax Return to Seller Stockholder Representative for review and comment by Seller Stockholder Representative not less than 30 days prior to the due date for the filing of such income Tax Return (including extensions thereof) and (iii) the Company shall incorporate, or shall cause to be incorporated, all revisions as are reasonably requested in writing by Seller Stockholder Representative within 10 days of receiving such income Tax Return for review and comment. At Buyer's option and sole discretion, upon delivery of written notice to Seller Stockholder Representative, Seller and Seller Stockholders shall pay, or Buyer shall recover directly from the Indemnity Escrow Fund, (x) the amount shown on such income Tax Returns that is properly apportioned to the Pre-Closing Tax Period to the Company and any Company Subsidiary at least seven days before payment of such income Taxes is due after the Closing Date (other than such Taxes specifically included in the calculation of Tax Liability Amount, as finalized pursuant to Section 2.9) and (y) all of the Tax Return preparation fees relating to any such Tax Return for a taxable period ending on or prior to the Closing Date and that portion of such fees for any such Tax Return relating to a Straddle Period based on the percentage of the days in such Straddle Period that end on or prior to the Closing Date.

(b) Straddle Period Tax Returns. For purposes of determining Taxes allocated to the Pre-Closing Tax Period for purposes of Section 8.1(a) and Section 8.1(c) and the determination of the Tax Liability Amount, in the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion of such Tax that relates to the portion of such taxable period ending on the Closing Date shall (i) in the case of property, ad valorem or other similar Taxes, be apportioned based on the amount of such Tax for the entire taxable period multiplied by a fraction, the numerator of which is the number of days in the taxable period ending on the Closing Date, and the denominator of which is the number of days in the entire taxable period, and (ii) in the case of all other Taxes not covered in clause (i), be determined based on an interim closing of the books as of the end of the day on the Closing Date.

(c) Indemnification. Notwithstanding anything to the contrary in this Agreement, Seller and Seller Stockholders shall indemnify the Buyer Indemnified Parties for any Losses related to (i) all Taxes imposed on and payable by the Holders or Seller for any taxable period, (ii) all Transfer Taxes for which the Seller and Seller Stockholders are liable pursuant to Section 8.3, (iii) all Taxes of the Company and any Company Subsidiary for any Straddle Period (determined in accordance with Section 8.1(b)) or for any Pre-Closing Tax Period, including any Taxes (A) specifically excluded from the R&W Insurance Policy, (B) attributable to the income, earnings or profits of the Excluded Entities and (C) imposed on or incurred in connection with (x) all prepaid amounts and advance payments received for which income inclusion was deferred to a Post-Closing Tax Period under Section 451(c) of the Code (or any similar provision of Law) and (y) imposed on or incurred in connection with all adjustments relating to the use of an improper method of accounting or pursuant to Section 481 of the Code (or any similar provision of Law), including any such adjustment arising as a result of the transactions contemplated by this Agreement, (iv) all Taxes of the Company and any Company Subsidiary arising from the

transactions contemplated by this Agreement, excluding all Transfer Taxes for which Buyer is liable pursuant to Section 8.3, but including any Taxes of the Company and any Company Subsidiary resulting from (1) the Pre-Closing Reorganization and (2) any pre-Closing sale, distribution or other disposition of assets by the Company or any Company Subsidiary, (v) any breach or violation of, or failure to fully perform, any covenant, agreement or obligation of the Seller or Seller Stockholders in this Article VIII, (vi) any breach of any representation set forth in Section 4.14 (Taxes), (vii) any Taxes imposed on the Company and any Company Subsidiary (or any predecessors thereof) by reason of having been a member of an affiliated, combined, consolidated or unitary group with another Person on or prior to the Closing Date by reason of Treasury Regulations Section 1.1502-6(a) (or any analogous or similar provision of Law or any predecessor or successor thereof), by reason of Contract, assumption, transferee or successor liability, operation of Law or otherwise, and (viii) any Taxes imposed on Buyer or any of its Affiliates (including, after the Closing, the Company and any Company Subsidiary) arising from the Closing Note; *provided, however*, that the Buyer Indemnified Parties shall only be entitled to indemnification under this Section 8.1(c) to the extent such Taxes were not specifically included in the calculation of the Tax Liability Amount, Closing Indebtedness or Closing Transaction Expenses (in each case, as finalized pursuant to Section 2.9); *provided further* that, notwithstanding anything to the contrary in this Agreement, Losses for purposes of this Section 8.1(c) shall be determined without regard to any Tax attributes of (1) the Company and any Company Subsidiary that were generated in, or are attributable to, any Post-Closing Tax Period or (2) Buyer or any of its Affiliates (other than the Company and any Company Subsidiary) that were generated in, or are attributable to, any taxable period (or portion thereof). In the event of any conflict between this Section 8.1(c) and Article IX, the provisions of this Section 8.1(c) shall control.

8.2 Amended Returns. Except as required by Law, Buyer, the Company, any Company Subsidiary or their respective Affiliates shall not amend any Tax Return for a taxable period that ends on or prior to the Closing Date to the extent such amendment would increase any of Seller's or Seller Stockholders' liability for Taxes under this Agreement, without the prior written consent of Seller Stockholder Representative (which shall not be unreasonably withheld, conditioned or delayed).

8.3 Transfer Taxes. All stamp, transfer, documentary, sales and use, value added, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement or any other transaction contemplated hereby (collectively, the "*Transfer Taxes*") shall be borne 50% by Seller and Seller Stockholders and 50% by Buyer as Split Fees; *provided, however*, any Transfer Taxes incurred in connection with the pre-Closing sale, distribution or other disposition of the Excluded Entities shall be borne 100% by Seller and Seller Stockholders. Seller Stockholder Representative shall procure any stock transfer stamps required by applicable Law and properly file, at the expense of Seller and Seller Stockholders, on a timely basis all necessary Tax Returns and other documentation with respect to any of the Transfer Taxes, and the Parties shall reasonably cooperate with respect thereto as necessary.

8.4 Cooperation. Seller, the Holders, Seller Stockholder Representative, the Company and any Company Subsidiary agree to use their reasonable efforts to furnish or cause to be furnished to each other, upon request, as promptly as practicable such information (including reasonable access to books and records and making employees reasonably available on a mutually

convenient basis) available to such party and assistance as is reasonably necessary for the filing of any Tax Return, the conduct of any Tax audit, and the prosecution or defense of any claim, suit or proceeding relating to any Tax Proceeding. Seller, Seller Stockholder Representative, the Holders, and Buyer shall cooperate in good faith with each other in the conduct of any Tax audit or other Tax Proceedings and each shall use reasonable efforts deliver any documents as are necessary to carry out the intent of this Section 8.4.

8.5 Tax Proceedings. If a written notice of the commencement of any Tax Proceeding with respect to Taxes of the Company or any Company Subsidiary for any Pre-Closing Tax Period is received by Seller, the Holders, Seller Stockholder Representative, Buyer, the Company, any Company Subsidiary or any of their respective Affiliates, such party shall promptly provide the other party notice of such Tax Proceeding. The failure to give such notice shall not release, waive or otherwise affect any Person's obligations hereunder except to the extent that such Person is actually and materially prejudiced as a result of such failure. The Company has the right to control the conduct of any such Tax Proceeding; *provided*, that to the extent that such Tax Proceeding is related to Taxes required to be indemnified by the Holders pursuant to Section 8.1(c), the Company shall keep Seller Stockholder Representative reasonably informed with respect to any material issue relating to such Tax Proceeding, and neither Buyer, the Company nor any Company Subsidiary (nor any of their respective Affiliates) shall agree to a settlement or compromise of such issue in such Tax Proceeding without the prior written consent of Seller Stockholder Representative, which consent shall not be unreasonably withheld, conditioned, or delayed. In the event of any conflict between this Section 8.5 and Article X, the provisions of this Section 8.5 shall control.

8.6 Asset Allocation Statement. No later than ninety (90) days after the final determination of the Post-Closing Adjustment, Buyer shall prepare and deliver to Seller Stockholder Representative a schedule setting forth the allocation of the Purchase Price (plus other relevant items, including the liabilities of the Company and each Company Subsidiary that Buyer is deemed to assume, that are properly treated as purchase price for Tax purposes) among the assets of the Company and each Company Subsidiary in accordance with the Code and the Treasury Regulations promulgated thereunder (the "*Proposed Purchase Price Allocation*"). Within thirty (30) days following the receipt of the Proposed Purchase Price Allocation, Seller Stockholder Representative shall deliver to Buyer in writing either (i) its agreement as to the Proposed Purchase Price Allocation, or (ii) its dispute thereof (the "*Purchase Price Allocation Dispute Notice*"), which shall specify in reasonable detail the nature of such dispute. If Seller Stockholder Representative delivers its agreement as to the Proposed Purchase Price Allocation or otherwise does not properly deliver a written Purchase Price Allocation Dispute Notice within such thirty-day period, then the Proposed Purchase Price Allocation shall be the final allocation. If Seller Stockholder Representative properly delivers a timely written Purchase Price Allocation Dispute Notice, then Buyer and Seller Stockholder Representative shall work together in good faith to attempt to resolve such dispute, and if they are unable to do so, then they shall jointly engage the Independent Accountant to resolve such dispute. The final allocation, as agreed or deemed agreed among Buyer and Seller Stockholder Representative or as determined by the Independent Accountant, as the case may be, taking into account any adjustments pursuant to the next sentence, shall be the "*Final Allocation*". Buyer shall update the Final Allocation to reflect any subsequent adjustments (or deemed adjustments) to the total consideration paid hereunder, including any adjustments pursuant to Section 2.9 or Section 10.9. Each of Seller, Buyer and the Holders shall, and shall cause their

respective Affiliates to, file all Tax Returns in a manner consistent with the Final Allocation (as adjusted pursuant to the terms of this Agreement) and will take no position inconsistent therewith for Tax purposes; *provided, however*, that this Section 8.6 shall not prevent Seller, Buyer, the Holders or any of their respective Affiliates from settling, or require any of them to litigate, a proposed deficiency, adjustment, suit or other proceeding by any Tax Authority with respect to the Final Allocation. Seller, Buyer and the Holders will promptly inform one another in writing of any challenge by any Tax Authority to any allocation made in accordance with the Final Allocation.

ARTICLE IX. CONDITIONS

9.1 Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions to be performed by Buyer in connection with the Closing is subject to the satisfaction (or waiver by Buyer), at or prior to Closing, of each of the following conditions:

(a) Representations and Warranties. (a) Each of the representations and warranties of (i) Seller and Seller Stockholders set forth in Article III (except for Seller Stockholder Fundamental Representations) and (ii) Seller Stockholders, Seller and the Company set forth in Article IV (except for the Company Fundamental Representations), shall be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) as of the Agreement Date and as of the Closing Date with the same effect as though made on and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date), except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, have a Material Adverse Effect, and (b) Seller Stockholder Fundamental Representations and the Company Fundamental Representations shall be true and correct in all respects (other than in the case of Section 4.3, *de minimis* inaccuracies) as of the Agreement Date and as of the Closing Date with the same effect as though made on and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

(b) Performance of Covenants. Seller, the Company and Seller Stockholders shall have performed and complied with, in all material respects, all of their covenants contained in this Agreement at or before the Closing (to the extent that such covenants require performance by the Company at or before the Closing).

(c) Antitrust Clearance. Any applicable waiting period, together with any extensions thereof, under any applicable Regulatory Laws shall have expired or been terminated. All waivers, consents, clearances, approvals and authorizations under the Regulatory Laws set forth on Section 4.5 of the Disclosure Schedules with respect to the Transaction shall have been obtained and shall remain in full force and effect.

(d) No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Transaction by Buyer shall have been issued by any court of competent jurisdiction or other Governmental Entity and remain in

effect, and no material Law shall have been enacted since the date of this Agreement that makes consummation of the Transaction by Buyer illegal.

(e) No Governmental Litigation. There shall not be pending before any court of competent jurisdiction any lawsuit or other Action challenging the Transaction that has been commenced by a Governmental Entity.

(f) Third Party Consents. Buyer shall have received all consents, authorizations, orders and approvals set forth on Section 9.1(f) of the Disclosure Schedules, in form and substance reasonably satisfactory to Buyer, and no such consent, authorization, order or approval shall have been revoked.

(g) Estimated Closing Statement. Buyer shall have received the Pre-Closing Statement from the Company.

(h) Closing Certificate. Each of Seller Stockholder Representative and the President or Chief Financial Officer of the Company shall have delivered to Buyer a certificate to the effect that each of the conditions specified above in Sections 9.1(a) and 9.1(b) is satisfied in all respects.

(i) Closing Deliveries. The Company shall have delivered to Buyer at Closing each of the documents set forth in Section 2.5(a), each of which shall be in full force and effect.

(j) No Material Adverse Effect. No Material Adverse Effect will have occurred since the date hereof.

(k) Restrictive Covenant Agreements. Each Restrictive Covenant Agreement, to the extent enforceable under applicable law, will be in full force and effect, and no Key Executive will have repudiated such Key Executive's Restrictive Covenant Agreement.

(l) Retention Bonus Agreements. Buyer shall have received an executed Retention Bonus Agreement (including an executed Employee Agreement and Acknowledgment of Obligations and Agreement to Arbitrate in the form attached thereto) from at least five of the Key Retention Bonus Recipients, each of which shall be in full force and effect.

(m) Joinder Agreements. Buyer shall have received an executed Joinder Agreement from each Other Seller Stockholder, each of which shall be in full force and effect.

(n) Pre-Closing Reorganization. The Company shall have completed each of the actions contemplated by the Pre-Closing Reorganization and delivered to Buyer evidence thereof reasonably satisfactory to Buyer.

9.2 Conditions to Obligations of Seller, the Company and Seller Stockholders. The obligation of Seller, the Company and Seller Stockholders to consummate the transactions to be performed by Seller, the Company and Seller Stockholders in connection with the Closing is subject to the satisfaction (or waiver by Seller, the Company and Seller Stockholder Representative, acting on behalf of Seller Stockholders), at or prior to Closing, of each of the following conditions:

(a) Representations and Warranties. (a) Each of the representations and warranties of Buyer set forth in Article V (except for the Buyer Fundamental Representations), shall be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) in all material respects as of the Agreement Date and as of the Closing Date with the same effect as though made on and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date), and (b) the Buyer Fundamental Representations shall be true and correct in all respects as of the Agreement Date and as of the Closing Date with the same effect as though made on and as of the Closing (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

(b) Performance of Covenants. Buyer shall have performed and complied with, in all material respects, all of its covenants contained in this Agreement at or before the Closing (to the extent that such covenants require performance by Buyer at or before the Closing).

(c) Antitrust Clearance. Any applicable waiting period, together with any extensions thereof, under any applicable Regulatory Laws shall have expired or been terminated. All waivers, consents, clearances, approvals and authorizations under the Regulatory Laws set forth on Section 4.5 of the Disclosure Schedules with respect to the Transaction shall have been obtained and shall remain in full force and effect.

(d) No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Transaction by Seller, the Company or Seller Stockholders shall have been issued by any court of competent jurisdiction or other Governmental Entity and remain in effect, and no material Law shall have been enacted since the Agreement Date that makes consummation of the Transaction by Seller, the Company or Seller Stockholders illegal.

(e) No Governmental Litigation. There shall not be pending before any court of competent jurisdiction any lawsuit or other Action challenging the Transaction that has been commenced by a Governmental Entity.

(f) Closing Certificate. An authorized officer of Buyer shall have delivered to the Company a certificate to the effect that each of the conditions specified above in Sections 9.2(a) and 9.2(b) is satisfied in all respects.

(g) Closing Deliveries. Buyer shall have delivered to the Company at Closing each of the documents set forth in Section 2.5(b), each of which shall be in full force and effect.

ARTICLE X. INDEMNIFICATION

10.1 Survival. The (a) representations and warranties set forth in this Agreement or other certificate delivered in connection herewith, and (b) the covenants and agreements of any Party set forth in this Agreement, to the extent contemplating or requiring performance by such Party prior to the Closing, in each case, shall survive for a period of 18 months after the Closing, at which time they shall terminate and be of no further force and effect; *provided*, that (i) the

Fundamental Representations will remain operative and in full force and effect, until 60 days after the expiration of the applicable statute of limitations or six years in the absence of any applicable statute of limitations, (ii) each covenant or agreement requiring performance at or after the Closing shall expressly survive Closing and shall continue in full force and effect in accordance with their respective terms or until otherwise fully performed and (iii) each covenant and agreement set forth in Article VIII shall expressly survive Closing and shall continue in full force and effect until 60 days after the expiration of the applicable statute of limitations or six years in the absence of any applicable statute of limitations. Notwithstanding the foregoing, any representation, warranty or covenant in respect of which indemnity may be sought under Section 10.2 below, and the indemnity with respect thereto, shall survive the time at which it would otherwise terminate pursuant to this Section 10.1 if notice of the breach or potential breach thereof giving rise to such right or potential right of indemnity shall have been given to the party against whom such indemnity may be sought prior to the applicable limitation date (regardless of when the Losses in respect thereof may actually be incurred), and any such representation, warranty or covenant shall survive for the maximum period permitted by Law. For the avoidance of doubt, other than survival limitations for breaches of representations and warranties as set forth in this Section 10.1, there shall be no time limitation for bringing any other claim for indemnification pursuant to this Agreement. Notwithstanding anything in this Section 10.1 to the contrary, in the event of any breach of a representation or warranty by a Party that constitutes Fraud, the representation or warranty shall survive consummation of the transactions contemplated in this Agreement and continue in full force and effect without any time limitation.

10.2 Indemnification of Buyer Indemnified Parties.

(a) Obligation of Seller and Seller Stockholders Collectively. Subject to the terms, conditions and limitations provided herein, including Section 10.2(b)(i) from and after the Closing, Seller, jointly and severally with Seller Stockholders, and each Seller Stockholder, severally and not jointly among each other and in accordance with such Seller Stockholder's Pro Rata Share, shall indemnify and hold harmless the Buyer Indemnified Parties for any Losses (regardless of whether or not such Losses related to any Third-Party Claim) as and when incurred (whether or not due for payment) by Buyer Indemnified Parties arising from, relating to or as a result of:

(i) any breach of any representation or warranty made by Seller, Seller Stockholders or the Company in Article IV (other than a Company Fundamental Representation) or in any Ancillary Document or any certificate delivered in connection herewith;

(ii) any breach of a Company Fundamental Representation or in any certificate delivered in connection herewith;

(iii) any breach or non-fulfilment of any covenant or agreement of Seller, Seller Stockholders or the Company set forth in this Agreement prior to Closing;

(iv) any Transaction Expenses or Indebtedness that are unpaid and outstanding as of Closing;

(v) the transactions contemplated by Section 6.6(a) or the Excluded Entities;

(vi) any claim or threatened claim, by or on behalf of any Seller Optionholder, Seller SARs Holder or Seller Warrant Holder, or any other Person with respect to the Closing Seller Option Consideration, Closing Seller SARs Consideration or Closing Seller Warrant Consideration payable to such Seller Optionholder, Seller SARs Holder or Seller Warrant Holder (as applicable), including any claim that any different amount or alternative form consideration should have been paid to such Seller Optionholder, Seller SARs Holder or Seller Warrant Holder or other Person in connection with the cancellation of the Seller Options, Seller SARs or Seller Warrants (as applicable), and any claim against the Company or any Company Subsidiary arising out of the payment of the Closing Seller Option Consideration to the Seller Optionholders, the Closing Seller SARs Consideration to the Seller SARs Holders and the Closing Seller Warrant Consideration to the Seller Warrant Holder in accordance with the Consideration Spreadsheet including any Taxes, penalties or interest imposed on the Company or any Company Subsidiary or their Affiliates (including Buyer) arising out of or in connection with such payments); or

(vii) the Travel Expense Matter.

(b) Obligation of Seller and Seller Stockholders Individually. Subject to the terms, conditions and limitations provided herein, including Section 10.2(b)(i) from and after the Closing, Seller and each Seller Stockholder shall indemnify and hold harmless the Buyer Indemnified Parties for any Losses (regardless of whether or not such Losses related to any Third-Party Claim) as and when incurred (whether or not due for payment) by Buyer Indemnified Parties arising from, relating to or as a result of:

(i) any breach of any representation or warranty made by Seller or such Seller Stockholder, as applicable, in Article III (other than a Seller Stockholder Fundamental Representation) or in any Ancillary Document or any certificate delivered in connection herewith;

(ii) any breach of a Seller Stockholder Fundamental Representation made by Seller or such Seller Stockholder, as applicable, or in any certificate delivered in connection herewith; or

(iii) any breach or non-fulfilment of any covenant or agreement of Seller or such Seller Stockholder, as applicable, set forth in this Agreement.

(c) Notwithstanding anything to the contrary herein, (A) the Buyer Indemnified Parties shall not be indemnified under, and Seller and Seller Stockholders shall have no liability pursuant to, Sections 10.2(a)(i) or 10.2(b)(i) unless and until the aggregate amount of indemnifiable Losses suffered (whether or not due for payment) by Buyer Indemnified Parties on a cumulative basis exceeds an amount equal to \$1,800,000 (the “*Deductible*”), at which time Buyer Indemnified Parties shall be entitled to recover only such Losses that exceed the Deductible; (B) the aggregate Losses recoverable by Buyer Indemnified Parties under Sections 10.2(a)(i) and 10.2(b)(i) from Seller and the Seller Stockholders together shall in no event exceed \$1,800,000 (the “*Cap*”); (C) the aggregate Losses recoverable by Buyer Indemnified Parties under

Sections 10.2(a)(vii), or otherwise with respect to the Travel Expense Matter from Seller and Seller Stockholders together shall in no event exceed \$1,800,000, and the Buyer Indemnified Parties shall not be indemnified under, and Seller and Seller Stockholders shall have no liability pursuant to Sections 10.2(a)(vii), or otherwise with respect to the Travel Expense Matter, unless and until the aggregate amount of indemnifiable Losses suffered (whether or not due for payment) by Buyer Indemnified Parties on a cumulative basis with respect thereto exceeds an amount equal to \$40,000; (D) each Seller Stockholder's aggregate liability for Losses recoverable or arising from or under Sections 10.2(a) and 10.2(b), shall not exceed the applicable portion of the Transaction Consideration actually received by such Stockholder; and (E) Seller's aggregate liability for Losses recoverable or arising from or under Sections 10.2(a) and 10.2(b) shall not exceed the Transaction Consideration. Notwithstanding anything to the contrary contained herein, none of the limits described by this clause (c) shall apply in the case of Losses recoverable or arising from or under Fraud and nothing in this Section 10.2 shall limit amounts recoverable by Buyer under its R&W Insurance Policy. In all events, Buyer shall use commercially reasonable efforts to recover any insurance proceeds under the R&W Insurance Policy in connection with making a claim for indemnifiable Losses suffered under this Article X (whether or not due for payment) by Buyer Indemnified Parties, to the extent the R&W Insurance Policy provides coverage of such Losses, *provided* that, Buyer shall not be required to seek recovery under the R&W Insurance Policy prior or as a condition to recovery for such Losses under this Article X.

10.3 Indemnification of Seller Stockholder Indemnified Parties.

(a) Subject to the terms, conditions and limitations provided herein, from and after the Closing, Buyer shall indemnify and hold harmless Seller Stockholders and, to the extent applicable, his, her or its Affiliates, employees, agents, advisors, representatives, successors and permitted assigns (collectively, the "*Seller Stockholder Indemnified Parties*") for any Losses (regardless of whether or not such Losses related to any third party claim) as and when incurred (whether or not due for payment) by Seller Stockholder Indemnified Parties arising from, relating to or as a result of:

(i) any breach of any representation or warranty made by Buyer in Article V (other than a Buyer Fundamental Representation) or in any certificate delivered in connection herewith;

(ii) any breach of a Buyer Fundamental Representation or in any certificate delivered in connection herewith; or

(iii) any breach or non-fulfilment of any covenant or agreement made by Buyer herein, or any breach or non-fulfilment of any covenant or agreement made by the Company herein, requiring performance or compliance therewith, after the Closing.

(b) Notwithstanding anything to the contrary herein, (A) Seller Stockholder Indemnified Parties shall not be indemnified under Section 10.3(a)(i) unless and until the aggregate amount of indemnifiable Losses suffered by Seller Stockholder Indemnified Parties on a cumulative basis exceeds an amount equal to the Deductible, at which time Seller Stockholder Indemnified Parties shall be entitled to recover only such Losses that exceed the Deductible, (B) the aggregate Losses recoverable by Seller Stockholder Indemnified Parties under

Section 10.3(a)(i) shall in no event exceed the Cap, (C) the aggregate Losses recoverable by Seller Stockholder Indemnified Parties under this Article X shall not exceed an amount equal to the Transaction Consideration. Notwithstanding anything to the contrary contained herein, none of the limits described by this clause (b) shall apply in the case of Losses recoverable or arising from or under Fraud

10.4 Defense of Third-Party Claims.

(a) If a third party notifies any Buyer Indemnified Party or Seller Stockholder Indemnified Party (an “*Indemnitee*”) of any matter (a “*Third-Party Claim*”) that may give rise to a claim for indemnification against the other Party under this Article X, then the Indemnitee shall notify Seller Stockholder Representative (in the case of Buyer Indemnified Parties seeking indemnification) or Buyer (in the case of Seller Stockholder Indemnified Parties seeking indemnification) (each, for purposes of this Article X, an “*Indemnity Administrator*”) of the Third-Party Claim in writing promptly and in any event within 30 days after receiving written notice of such Third-Party Claim, describing the claim in reasonable detail and providing a good faith estimate of the amount of Losses claimed thereunder (if quantifiable) and the basis thereof; *provided*, that the failure to so timely notify the Indemnity Administrator shall not limit the indemnification obligations under this Agreement except to the extent that the defense of such Third-Party Claim is materially prejudiced by the failure to give such notice.

(b) Subject to the limitations set forth in this Section 10.4(b) and without modifying Sections 10.2(c) and 10.3(b), the Indemnitee will have the sole right to control the defense of Third-Party Claims. After receiving notice of a Third-Party Claim, then the Indemnity Administrator will be entitled, if it so elects, at its own cost, risk, and expense, to participate in the defense of such claim and consult with the Indemnitee in any defense of such claim, it being understood that the Indemnitee will have the sole right to control such defense (including the right to settle any such claim); *provided, however*, that the parties will cooperate in good faith to implement reasonable arrangements designed to preserve any existing attorney-client privilege; *provided, further*, that the Indemnitee will be entitled to withhold information from the Indemnity Administrator if its provision to the Indemnity Administrator would cause the attorney-client privilege thereof to be waived and there is no commercially reasonable method of providing such information to the Indemnity Administrator in a manner which would not result in such a waiver. Notwithstanding the foregoing, except for Third-Party Claims involving or seeking any (i) non-monetary remedy or monetary Losses in excess of the then remaining Indemnity Escrow Fund, (ii) claims for equitable relief or (iii) potential criminal liability, the Indemnitee will not enter into a compromise or settlement or consent to the entry of any judgement of such Third-Party Claim without the prior written consent of the Indemnity Administrator (such consent not to be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, if after receipt of the notice from the Indemnity Administrator an Indemnitee enters into a settlement of a Third-Party Claim without the consent of the Indemnity Administrator, the Indemnity Administrator will not be precluded from contesting the amounts owed by the Indemnity Administrator in respect of such Third-Party Claim on the basis that the settlement by the Indemnity Administrator was not reasonable in light of the circumstances of such Third-Party Claim or did not constitute, in whole or in part, an indemnifiable loss for purposes of this Section 10.4(b). Notwithstanding anything herein to the contrary, the provisions of Section 8.1(c), and not this Section 10.4(b), shall control with respect to the conduct of any claim pursuant to Section 8.1(c).

(c) Each of the Indemnitee and Indemnity Administrator will, at his own expense, use commercially reasonable efforts to cooperate and assist the other and his, her or its counsel in the review, investigation and defense of any such claim, shall make available its personnel, and shall provide such testimony and access to his, her or its books and records to the extent relevant to such claim.

(d) This Section 10.4 shall not apply to Third-Party Claims in respect of Tax matters, which shall be governed by Article VIII.

10.5 Direct Losses. If after the Closing, an Indemnitee incurs (whether or not due for payment) a Loss (regardless of whether or not such Losses related to any third party claim) for which the Indemnitee is entitled to indemnification, other than as a result of a Third-Party Claim (a "*Direct Claim*"), such Indemnitee shall provide written notice of such direct Losses to the Indemnity Administrator within the applicable time limits set forth in Section 10.1 (a "*Direct Claim Notice*"); *provided*, that the failure to so timely notify the Indemnity Administrator shall not limit the indemnification obligations under this Agreement except to the extent that the defense of such Direct Claim is materially prejudiced by the failure to give such notice. A Direct Claim Notice will describe the Direct Claim in reasonable detail and indicate the estimated amount of Losses (if estimable) that have been or may be sustained by the Indemnitee. The Indemnity Administrator will have a period of 30 days within which to respond in writing to such Direct Claim. If the Indemnity Administrator does not so respond within such 30 day period, the Indemnity Administrator will be deemed to have accepted such claim (and such Direct Claim shall be automatically deemed finally resolved hereunder), in which event the Indemnitee shall be free to pursue such remedies as may be available to the Indemnitee on the terms and subject to the provisions of this Agreement. If an objection is timely interposed by the Indemnity Administrator, then the Indemnitee and the Indemnity Administrator shall discuss such objection in good faith for a period of 30 days from the date the Indemnitee receives such objection (such period, or such longer period as agreed in writing by the parties, is hereinafter referred to as the "*Discussion Period*"), and all such discussions (unless otherwise agreed by the Indemnitee and the Indemnity Administrator in writing) shall be governed by Rule 408 of the Federal Rules of Evidence and any applicable similar Law. If the Direct Claim that is the subject of the Direct Claim Notice has not been resolved prior to the expiration of the Discussion Period, the Indemnity Administrator and the Indemnitee may submit the dispute for resolution to a court of competent jurisdiction in accordance with Section 12.2 hereof and each will be free to pursue such remedies as may be available to them on the terms and subject to the provisions of this Agreement.

10.6 Final Resolution; Determination of Loss Amount.

(a) Any notice of a claim for indemnification delivered pursuant to this Article X, any amounts claimed therein and any other matters set forth therein are deemed to be "*finally resolved*" for purposes of this Article X upon the earlier of (i) such claim notice, amounts and matters have been finally resolved by a written agreement executed by the Indemnity Administrator and the Indemnitee, or a Direct Claim Notice is deemed resolved pursuant to Section 10.5 and (ii) such claim notice, amounts and matters have been resolved by a final, non-appealable order, decision or ruling of a court of competent jurisdiction or arbitrator with respect to such matter in dispute or portion thereof.

(b) The amount of any Loss subject to indemnification under Sections 8.1(c), 10.2 and 10.3 shall be calculated net of (i) any cash recovery of insurance proceeds actually received by the applicable Indemnitee covering any of the Loss net of the reasonable costs and expenses (including any increases in premiums and any documented, out-of-pocket costs reasonably incurred in seeking such collection) incurred in seeking such collection, that is the subject to the claim for indemnity, and (ii) any amounts actually recovered by the applicable Indemnitee from other third party collateral sources (such as contractual indemnities provided by any non-affiliated third parties which are contained outside of this Agreement). Promptly after the realization of any insurance proceeds, indemnity, contribution or other similar payment, the Indemnitee shall reimburse the Indemnity Administrator for such reduction in Losses for which the Indemnitee was indemnified prior to the realization of reduction of such Losses

10.7 Exclusive Remedy. Except in the case of Fraud and except for (a) the right of a party hereto to pursue equitable relief pursuant to Section 12.10 (and without limitation of any such right), (b) the provisions of Article VIII, and (c) the provisions of Section 2.9, the Parties acknowledge and agree that, after the Closing, the indemnification provisions in this Article X shall be the sole and exclusive remedy of the Parties and their respective Affiliates against each other with respect to any claim related to or arising from this Agreement.

10.8 Disregard for Qualifications as to Materiality. Notwithstanding anything in this Agreement to the contrary, for purposes of determining whether any representation or warranty has been breached and the amount of Losses arising therefrom, each representation and warranty in this Agreement, any certificate delivered in connection herewith and the schedules and exhibits hereto shall be read without regard and without giving effect to the terms “material,” “in all material respects,” “Material Adverse Effect,” “except where the failure to so comply would not reasonably be expected to have a Material Adverse Effect” or similar words or phrases contained in such representation or warranty (as if such words or phrases were deleted from such representation and warranty).

10.9 Manner of Payment; Escrow.

(a) Any indemnification of the Buyer Indemnified Parties or Seller Stockholder Indemnified Parties pursuant to this Article X shall be effected by wire transfer of immediately available funds from Seller Stockholder Representative or Buyer, as the case may be, to an account designated in writing by the applicable Buyer Indemnified Party or Seller Stockholder Indemnified Party, as the case may be, within five (5) days after a determination thereof that is binding on the Indemnity Administrator, whether pursuant to a final judgment, settlement or agreement among the parties hereto; *provided, however,* that any indemnification owed by Seller Stockholders to the Buyer Indemnified Parties may, at Buyer’s election, be satisfied out of the Escrow Funds. If Buyer elects, by written notice to Seller Stockholder Representative, to satisfy any indemnification owed by the Seller Stockholders to the Buyer Indemnified Parties out of the Escrow Funds, Seller Stockholder Representative and Buyer shall, within five (5) days after the determination of the amount thereof, deliver a joint written instruction to the Escrow Agent instructing the Escrow Agent to release the appropriate portion of each of the Indemnity Escrow Fund and the Adjustment Escrow Fund to an account designated by Buyer. Buyer acknowledges and confirms that, except in the case of Fraud, the Indemnity Escrow Fund and the R&W Insurance Policy are the sole

recourse for the Buyer Indemnified Parties with respect to indemnification claims pursuant to Section 10.2(a)(i).

(b) If a payment obligation of any Seller Stockholder under Section 10.2(b) is satisfied from the Indemnity Escrow Fund, then (1) such Seller Stockholder immediately shall be obligated to contribute to the Indemnification Escrow Account the amount of all such Losses so satisfied that are satisfied from such account and attributable to such Seller Stockholder, (2) Seller Stockholder Representative shall use its commercially reasonable efforts to cause such Seller Stockholder to comply with such contribution obligation, (3) each of Buyer and Seller Stockholder Representative shall be entitled to bring an Action against such Seller Stockholder seeking to enforce such contribution obligation and such Seller Stockholder shall be obligated, over and above its payment obligations, and without giving effect to any of the limitations in this Article X, to reimburse each of Buyer and Seller Stockholder Representative for costs of collection (including attorneys' fees) and (4) the diminution in the Escrow Funds resulting from the satisfaction of Losses pursuant to this proviso shall not otherwise alter the obligations of the parties to this Agreement.

10.10 Adjustments for Tax Purposes. Any payments made pursuant to this Article X or Section 8.1(c) shall be treated as an adjustment to the Transaction Consideration by the Parties for U.S. federal (and applicable state and local) income Tax purposes, unless otherwise required by Law.

ARTICLE XI. TERMINATION

11.1 Termination. This Agreement may be terminated prior to the Effective Time:

(a) by mutual written consent of Seller, Buyer, Seller Stockholder Representative and the Company;

(b) by either Buyer, upon delivery of written notice to Seller, or Seller, upon delivery of written notice to Buyer, if the Transaction shall not have been consummated by the End Date; *provided, however*, that a party shall not be permitted to terminate this Agreement pursuant to this Section 11.1(b) if the failure to consummate the Transaction by the End Date primarily resulted from a failure on the part of such party to perform any covenant in this Agreement required to be performed by such party at or prior to the Effective Time;

(c) by either Buyer, upon delivery of written notice to Seller, or Seller, upon delivery of written notice to Buyer, if a court of competent jurisdiction shall have issued a final and nonappealable order having the effect of permanently restraining, enjoining or otherwise prohibiting the Transaction; *provided, however*, that a party shall not be permitted to terminate this Agreement pursuant to this Section 11.1(c) if the issuance of such order primarily resulted from a failure on the part of such party to perform any covenant in this Agreement required to be performed by such party at or prior to the Effective Time;

(d) by Buyer, upon delivery of written notice to Seller, if Seller, the Company or any Seller Stockholder shall have materially breached or materially failed to perform any of its representations, warranties, covenants or agreements contained in this Agreement, which material

breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 9.1(a) or Section 9.1(b) and (ii) cannot be or has not been cured within 30 days following receipt by the Company of written notice of such material breach or failure to perform; or

(e) by Seller, upon delivery of written notice to Buyer, if Buyer shall have materially breached or materially failed to perform any of their respective representations, warranties, covenants or agreements contained in this Agreement, which material breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 9.2(a) or Section 9.2(b) and (ii) cannot be or has not been cured within 30 days following receipt by Buyer of written notice of such material breach or failure to perform.

11.2 Effect of TerminationIn the event of the termination of this Agreement as provided in Section 11.1, this Agreement shall be of no further force or effect; *provided, however*, that Section 6.5(b), this Section 11.2 and Article XII shall survive the termination of this Agreement and shall remain in full force and effect; *provided, further*, that such termination shall not relieve any Party from any liability for damages incurred or suffered by a Party (which the Parties acknowledge and agree shall not be limited to reimbursement of expenses or out-of-pocket costs), to the extent such damages were the result of the willful breach by another Party of any of its representations, warranties, covenants or other agreements set forth in this Agreement occurring prior to termination, or as provided in the Confidentiality Agreement, in which case the aggrieved Party shall be entitled to all rights and remedies available at law or in equity. For purposes of this Agreement, “willful breach” shall mean a material, intentional and willful breach or a material, intentional and willful failure to perform, in each case that is the consequence of a deliberate action or omission (including a failure to cure circumstances) by a Party with the knowledge that the taking of, or failure to take, such act would, or would reasonably be expected to, result in a material breach of this Agreement.

ARTICLE XII. GENERAL PROVISIONS

12.1 Interpretation; Absence of Presumption.

(a) For the purposes of this Agreement, (i) words in the singular are held to include the plural and vice versa, and words of one gender are held to include the other gender as the context requires; (ii) references to the terms Article, Section, paragraph, Exhibit and Disclosure Schedules are references to the Articles, Sections, paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified; (iii) the terms “hereof,” “herein,” “hereby,” “hereto” and derivative or similar words refer to this entire Agreement, including the Schedules and Exhibits hereto; (iv) references to “\$” means U.S. dollars; (v) the word “including” and words of similar import when used in this Agreement mean “including without limitation,” unless otherwise specified; (vi) the word “or,” shall not be exclusive; (vii) references to “written” or “in writing” include in electronic form; (viii) provisions apply, when appropriate, to successive events and transactions; (ix) each of the Parties has participated in the negotiation and drafting of this Agreement and if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties hereto and no presumption or burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any of the provisions in this Agreement; (x) any reference to “days” means calendar days unless Business Days is expressly

specified; (xi) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded and if the last day of such period is not a Business Day, the period ends at the close of business on the next succeeding Business Day, (xii) any document, list or other item is deemed to have been “made available” to Buyer for all purposes of this Agreement only if such document, list or other item was posted at least two Business Days prior to the date hereof (and not removed on or prior to the Closing) in the electronic data room established by the Company in connection with the transactions contemplated by this Agreement, and (xiii) the words “in the ordinary course of business” mean “in the ordinary course of business, consistent with past practice” (including, for the avoidance of doubt, recent past practice in light of COVID-19); *provided*, that any action taken, or omitted to be taken, in compliance with any COVID-19 Measures shall be deemed to be in the ordinary course of business.

(b) The Section and Article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. Each provision of this agreement shall be given independent significance.

12.2 Governing Law; Jurisdiction and Forum; Waiver of Jury Trial.

(a) This Agreement, any Ancillary Documents and all Actions (whether in contract, tort or statute) that may be based upon, arise out of or relate to this Agreement or any Ancillary Document, or the negotiation, execution or performance of this Agreement or any Ancillary Document shall be governed by and construed in accordance with the Laws of the State of Delaware (including its statute of limitations) without reference to any choice or conflict of law principles or other rule (whether of the state of Delaware or any other jurisdiction) that would result in the application of the Laws of a different jurisdiction.

(b) SUBJECT TO THE PROVISIONS OF SECTION 2.9 (WHICH SHALL GOVERN ANY DISPUTE ARISING THEREUNDER) EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF DELAWARE AND THE FEDERAL COURT IN DELAWARE (THE “*DELAWARE COURTS*”) FOR ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY ANCILLARY DOCUMENT OR THE BREACH, TERMINATION OR VALIDITY THEREOF. EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH COURT. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR ARGUE IN ANY SUCH COURT (I) THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF THE DELAWARE COURTS FOR ANY REASON OTHER THAN THE FAILURE TO SERVE PROCESS IN ACCORDANCE WITH APPLICABLE LAW, (II) THAT IT OR ITS PROPERTY IS EXEMPT OR IMMUNE FROM JURISDICTION OF THE DELAWARE COURTS OR FROM ANY LEGAL PROCESS COMMENCED IN THE DELAWARE COURTS (INCLUDING BUT NOT LIMITED TO SERVICE OF NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OF JUDGMENT, EXECUTION OF JUDGMENT OR OTHERWISE), AND (III) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW THAT (A) THE SUIT, ACTION,

OR PROCEEDING IN THE DELAWARE COURTS IS BROUGHT IN AN INCONVENIENT FORUM, (B) THE VENUE OF SUCH SUIT, ACTION, OR PROCEEDING IS IMPROPER AND (C) THIS AGREEMENT OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED IN OR BY THE DELAWARE COURTS.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) ARE LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (C) EACH PARTY UNDERSTAND AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER.

12.3 Entire Agreement. This Agreement and the Ancillary Documents, together with the Exhibits and Schedules hereto and thereto, constitute the entire agreement and understanding among the Parties with respect to the subject matter hereof and thereof and supersede any prior discussion, correspondence, negotiation, proposed term sheet, agreement, understanding or arrangement and there are no agreements, understandings, representations or warranties between the Parties other than those set forth or referred to in this Agreement or the Ancillary Documents. None of the Parties shall be liable or bound to any other Party in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set forth in this Agreement or the Ancillary Documents or in the Exhibits and Schedules hereto and thereto.

12.4 No Third-Party Beneficiaries. Except as provided in Section 7.6, Article X, and this Section 12.4, this Agreement is not intended to give any Person (other than the Parties and their respective legal representatives, successor and permitted assigns) any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenants, conditions or provisions contained herein, as a third-party beneficiary or otherwise.

12.5 Notices. All notices and other communications to be given to any Party hereunder is sufficiently given for all purposes hereunder if in writing and (i) upon delivery if delivered by hand, (ii) one Business Day after being sent by FedEx or a similar overnight courier service for delivery the next Business Day, (iii) three Business Days after being mailed by first class certified mail, return receipt requested, with appropriate postage prepaid, or (iv) when sent in the form of a email, on the date of such transmission (provided the relevant computer record does not indicate a

failed transmission). All notices and other communications must be directed to the address or email address set forth below (or to such other address, email address as such Party designates by notice given in accordance with this Section 12.5);

(a) If to Seller or the Company (prior to the Closing):

Xator Holdings Corporation
1835 Alexander Bell Drive
Reston, VA 20191
Attention: Holly Freedlander
E-mail: hollyf425@gmail.com

with a copy (which shall not constitute notice) to:

Rees Broome, PC
1900 Gallows Road, Suite 700
Tysons Corner, VA 22182
Attention: David J. Charles
E-mail: dcharles@reesbroome.com

(b) If to Buyer or the Company (following the Closing):

Parsons Government Services, Inc.
1422 S. Tryon Street, Suite 700
Charlotte, NC 28203
Attention: General Counsel
E-mail:

with a copy (which does not constitute notice) to:

Latham & Watkins LLP
330 North Wabash Avenue, Suite 2800
Chicago, IL 60611
Attention: Bradley C. Faris; David A. Zaheer
E-mail: bradley.faris@lw.com; david.zaheer@lw.com

(c) If to Seller Stockholder Representative:

David L. Scott
2990 Blackshear Avenue
Pensacola, FL 32503
E-mail: dscott31@aol.com

with a copy (which does not constitute notice) to:

Rees Broome, PC
1900 Gallows Road, Suite 700

12.6 Successors and Assigns. This Agreement and all of the covenants and agreements contained herein and rights, interests or obligations hereunder, by or on behalf of any of the Parties hereto, shall bind and inure to the benefit of the respective heirs, successors and assigns of the Parties hereto whether so expressed or not, except that (i) neither this Agreement nor any of the covenants and agreements herein or rights, interests or obligations hereunder may be assigned or delegated by Seller, the Company or Seller Stockholders without the prior written consent of Buyer and (ii) neither this Agreement nor any of the covenants and agreements herein or rights, interests or obligations hereunder may be assigned or delegated by Buyer without the prior written consent of Seller Stockholder Representative, except as provided in this Section 12.6. Buyer may assign its rights and obligations hereunder, in whole or in part, to any of its Affiliates without the consent of any other Person. In addition, Buyer may assign its rights and obligations pursuant to this Agreement, in whole or in part, in connection with any disposition or transfer of all or any portion of the Company, the Company Subsidiaries (other than the Excluded Entities) or their business in any form of transaction without the consent of any other Person. Buyer and, following the Closing, the Company may assign any or all of its rights pursuant to this Agreement to any of their respective lenders as collateral security without the consent of any other Person.

12.7 Amendments and Waivers. This Agreement may be amended, and any provision of this Agreement may be waived; *provided* that any such amendment or waiver will be binding upon (i) a Seller Stockholder only if such amendment or waiver is set forth in a writing executed by Seller Stockholder Representative, and (ii) each other Party hereto only if such amendment or waiver is set forth in a writing executed such Party. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or waive any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

12.8 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement (or portions thereof) shall remain in full force and effect and in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. If any provision of this Agreement (or any portion thereof) is held to be so broad as to be invalid, broad or unenforceable, such provision shall be interpreted to be only so broad as is enforceable. Upon a determination that any term, provision, covenant or restriction of this Agreement is invalid, void or unenforceable, Buyer and Seller Stockholder Representative shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

12.9 Expenses. Except as otherwise set forth in this Agreement, Buyer will be responsible for all costs and expenses incurred by Buyer and its Affiliates in connection with the negotiation, preparation and entry into this Agreement and the consummation of the transactions

contemplated hereby. Except as otherwise set forth in this Agreement, Seller, Seller Stockholders will be responsible for all costs and expenses incurred by Seller, the Company or Seller Stockholders in connection with the negotiation, preparation and entry into of this Agreement and the consummation of the transactions contemplated hereby (to the extent that any such amount is not included in Indebtedness or Transaction Expenses).

12.10 Specific Performance. Each of the Parties agrees that irreparable harm would occur and that the other Parties may not have any adequate remedy at Law (a) for any actual or threatened breach of the provisions of this Agreement or (b) in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms. It is accordingly agreed that, each of Seller Stockholders, Seller Stockholder Representative, Seller, the Company and Buyer shall be entitled, in addition to any other remedy to which such party is entitled at Law, to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, in each case, without proof of damages, this being in addition to any other remedy to which the Parties are entitled under this Agreement. The Parties acknowledge and agree that none of the Parties, when seeking an injunction to prevent breaches of this Agreement or to enforce specifically the terms and provisions of this Agreement in accordance with this Section 12.10, shall be required to provide any bond or other security in connection with any such Action.

12.11 Counterparts. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method, and any counterpart so delivered is deemed to have been duly and validly delivered and is valid and effective for all purposes.

12.12 Disclosure Schedules. No exceptions to any representations or warranties disclosed on one Disclosure Schedules attached hereto shall constitute an exception to any other representations or warranties made in this Agreement unless the exception is disclosed as provided herein on each such other applicable Disclosure Schedules or the applicability of such disclosure to such other schedule is reasonably apparent on its face. Nothing in the Disclosure Schedules shall be deemed an admission by Seller Stockholders, Seller or the Company or any of their or its Affiliates, in any Action or proceeding involving a third party, that such third party is or is not in breach or violation of or in default in the performance or observance of any term or provision of any contract.

12.13 Waiver of Conflict; Privilege.

(a) The Parties acknowledge and agree that (i) on and prior to the Closing, each of Rees Broome, PC (“*RBLaw*”) and Holland & Knight LLP (“*Holland & Knight*”) has acted as counsel for Seller, the Company and its Subsidiaries and Affiliates, and Seller Stockholders, and (ii) subsequent to the Closing, any Seller Stockholder and its Affiliates (other than the Company and its Subsidiaries) and any officer, employee or director of Seller, the Company or its Subsidiaries shall have the right to retain RBLaw or Holland & Knight to represent their respective interests, including, without limitation, in any dispute relating in any manner to this Agreement or the transactions contemplated hereby (a “*Dispute*”). Buyer, on behalf of itself and its Affiliates,

irrevocably waives, consents to and covenants not to assert (and agrees to cause the Company and each Company Subsidiary to waive, and not to assert) any objection, based on conflict of interest or otherwise, to any representation of any Seller Stockholder or its Affiliates (other than the Company and its Subsidiaries) and any officer, employee or director of Seller, the Company or its Subsidiaries by RBLaw or Holland & Knight, in connection with any Dispute.

(b) Buyer further agrees, on behalf of itself and its Affiliates, that, all communications among Seller or the Company's external counsel, including, without limitation, RBLaw or Holland & Knight, on the one hand, and any Seller Stockholder or any of its officers, employees or directors, that relate in any way to the transactions contemplated hereby (including, without limitation, communications regarding the process conducted by Seller and the Company, the Company Subsidiaries and their respective officers, employees and directors leading to such transactions) and the negotiation, documentation and consummation thereof (collectively, the "*Privileged Communications*"), will be deemed to be attorney-client confidences that belong solely to Seller Stockholder Representative and not to Buyer or the Company or their respective Subsidiaries. Accordingly, none of Buyer, or after the Closing, the Company or any of their respective Subsidiaries, will assert that the attorney-client privilege of Seller Stockholders or Seller Stockholder Representative related to the Privileged Communications or the files of RBLaw or Holland & Knight relating to such engagement was waived due to the inadvertent transfer of attorney-client privileged material after the Closing (either because they were included in the computer server(s) of the Company or its Subsidiaries or were otherwise within the records of the Company or its Subsidiaries after the Closing), whether or not the Closing will have occurred, whether by seeking a waiver of the attorney-client privilege (except as expressly provided herein) or through any other means. As to any such Privileged Communications prior to the Closing Date, Buyer, Seller, the Company and each Company Subsidiary together with any of their respective Affiliates, Subsidiaries, successors or assigns, further agree that no such party may use or rely on any of the Privileged Communications in any Dispute with Seller Stockholder Representative or any Seller Stockholder. Without limiting the generality of the foregoing, upon and after the Closing, (i) Seller Stockholder Representative (and not Buyer or the Company or any of their respective Subsidiaries) will be the sole holder of the attorney-client privilege, the expectation of client confidence and all other rights to any evidentiary privilege with respect to such communications and such engagement, (ii) to the extent that files of RBLaw or Holland & Knight in respect of such communications or engagement constitute property of the client, only Seller Stockholder Representative (and not Buyer or the Company or any of their respective Subsidiaries) will hold such property rights, and (iii) neither RBLaw nor Holland & Knight will have any duty to reveal or disclose any such attorney-client communications or files to Buyer, the Company or any of their respective Subsidiaries by reason of any attorney-client relationship between RBLaw or Holland & Knight, on the one hand, and the Company or any of the Company Subsidiaries or Affiliates, on the other hand. This Section 12.13 will be irrevocable, and no term of this Section 12.13 may be amended, waived or modified, without the prior written consent of Seller Stockholder Representative. Notwithstanding the foregoing, in the event that a dispute arises between Buyer, the Company, its Subsidiaries or their respective Affiliates, on the one hand, and a third party other than Seller, Seller Stockholders or Seller Stockholder Representative, on the other hand, Buyer, the Company, its Subsidiaries or their respective Affiliates, may assert the attorney-client privilege to prevent the disclosure of the Privileged Communications to such third party; *provided, however*, that none of Buyer, Seller, the Company, its Subsidiaries or their

respective Affiliates, may waive such privilege without the prior written consent of Seller Stockholder Representative.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the Parties as of the day first above written.

SELLER:

XATOR HOLDINGS CORPORATION

By:
Name: David L. Scott
Title: President

COMPANY:

XATOR CORPORATION

By:
Name: David L. Scott
Title: President

PRINCIPAL SELLER STOCKHOLDERS:

David L. Scott

DLS IRREVOCABLE TRUST

David L. Scott, Trustee

JLS IRREVOCABLE TRUST

Jennifer L. Scott, Trustee

DAVID L. SCOTT 2017 GRAT

Jennifer L. Scott, Trustee

TRUST FBO BRANDON D. SCOTT UNDER SECTION 3.2(B) OF THE DAVID L. SCOTT 2015 GRAT

John Clark, Trustee

TRUST FBO ALYSSA M. SCOTT UNDER SECTION 3.2(B)
OF THE DAVID L. SCOTT 2015 GRAT

John Clark, Trustee

TRUST FBO ASHLEY E. CROSSLAND UNDER SECTION
3.2(B) OF THE DAVID L. SCOTT 2015 GRAT

John Clark, Trustee

JERRY M. PFEIFFER GRANTOR RETAINED ANNUITY
TRUST OF 2015

Jerry Pfeiffer, Co-Trustee

Anne Pfeiffer, Co-Trustee

JERRY M. PFEIFFER GRANTOR RETAINED ANNUITY
TRUST OF 2016

Jerry Pfeiffer, Co-Trustee

Anne Pfeiffer, Co-Trustee

Jerry Pfeiffer

JERRY M. PFEIFFER IRREVOCABLE TRUST OF 2016

Anne Pfeiffer, Trustee

SELLER STOCKHOLDER REPRESENTATIVE:

David L. Scott

BUYER:

Parsons Government Services, Inc.

By:

Name: Michael R. Kolloway

Title: Senior Vice President

ANNEX I

Holders

Principal Seller Stockholders:

1. David Scott
2. DLS Irrevocable Trust
3. David Scott 2017 GRAT
4. Trust FBO Brandon D. Scott Under Section 3.2(b) of the David L. Scott 2015 Grat
5. Trust FBO Ashley E. Crossland Under Section 3.2(b) of the David L. Scott 2015 Grat
6. Trust FBO Alyssa M. Scott Under Section 3.2(b) of the David L. Scott 2015 Grat
7. JLS Irrevocable Trust
8. Jerry Pfeiffer
9. Jerry M. Pfeiffer Grantor Retained Annuity Trust of 2015
10. Jerry M. Pfeiffer Grantor Retained Annuity Trust of 2016
11. Jerry M. Pfeiffer Irrevocable Trust of 2016

Other Seller Stockholders:

12. Michael J. Cromwell
13. Jonathan R. Wallace
14. John Chapel
15. The Jacks 2016 Irrevocable Trust
16. Wesly H.R. Gaus
17. Robert J. Hisel, Jr.
18. John A. Moore Jr.
19. Ronald Charles Hammond, Jr.
20. Peter M. Schulte

21. William Schmale

22. Mark Skinner

Seller Optionholders:

1. Mark Skinner

2. Ted Wrublesky

3. William Schmale

4. Chris Hamilton

5. Jim Snow

6. Ted Timberlake

7. Doug Allison

8. Josh Turner

9. Gino Amoroso

10. Hal Smith

Seller SARs Holders:

1. Anthony Iasso

2. Tom Heasley

3. Holly Freedlander

4. William Schmale

5. Dave Boyd

6. John McIntyre

7. Al Stewart

Seller Warrant Holders:

1. William Braun Jones, III

2. Oded Ben-Joseph

3. Arnold E. Freedman
4. David L. Scott
5. Jerry Pfeiffer

ANNEX II

Key Executives

David Scott

Jerry Pfeiffer

Mark Skinner

ANNEX III

Retention Bonus Recipients

Key Retention Bonus Recipients:

Key Retention Bonus Recipient	Bonus Allocation
Hal Smith	\$500,000
Anthony Iasso	\$500,000
Tom Heasley	\$350,000
Will Schmale	\$500,000
Ted Wrublesky	\$300,000
Gino Amoroso	\$150,000
Al Stewart	\$200,000

Other Retention Bonus Recipients:

Other Retention Bonus Recipient	Bonus Allocation
Holly Freedlander	\$500,000
Jim Snow	\$100,000
Doug Allison	\$100,000
Craig Vieth	\$75,000
Chris Hamilton	\$150,000
Matt Giarratana	\$125,000
Carolyn Lund	\$125,000
Wes Parker	\$125,000
Dave Boyd	\$150,000
John McIntyre	\$150,000

Sandy Thompson	\$75,000
Sarah Halye	\$150,000
Susan Alvez	\$100,000
Adam Orff	\$100,000
Jack Irving	\$100,000
Rayna Stanley	\$150,000
Joe Balskus	\$100,000
Ted Timberlake	\$100,000
Wendy Piazza	\$100,000
Josh Turner	\$100,000
Katherine Tempelton	\$75,000
Mary Monahan	\$75,000
Chuck Watts	\$75,000
Dave Cornelius	\$75,000
Aric Natercinola	\$100,000

Available Retention Bonus Pool: \$425,000

Total Retention Bonus Pool: \$6,000,000

EXHIBIT A

Sample Net Working Capital Calculation

EXHIBIT B

Form of Escrow Agreement

US-DOCS\131312541.20

EXHIBIT C

Form of Restrictive Covenant Agreement

US-DOCS\131312541.20

EXHIBIT D

Form of Retention Bonus Agreement

EXHIBIT E-1

Form of Transition Services Agreement

US-DOCS\131312541.20

EXHIBIT E-2

Form of Facility Access and Use Agreement

EXHIBIT E-3

Form of Subcontract Pending Novation Agreement

EXHIBIT F

Form of Joinder Agreement

EXHIBIT G

Form of Closing Note

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EXHIBIT H

Equity Award Holder Acknowledgment Agreement

US-DOCS\131312541.20

SCHEDULE I

Accounting Principles

1. Current assets to exclude any unbilled or billed accounts receivable related to the KSSS task order (Project 04040.003).
2. Current assets to exclude any unbilled or billed accounts receivable related to the Blue Grass (BGCAPP) contract (Project 04040.000).
3. Current Liabilities to exclude deferred rent (0277-000) and deferred income tax (0285-000).
4. Rate variance receivables attributable to the OSIS II contract shall be calculated based on the lower of actual indirect rates and the OSIS II contractual indirect rate ceilings for fringe of 37.0%, client site overhead of 8.9% and G&A of 7.0%. Actual indirect rates used for this calculation will be computed as close as possible to the Post-Closing Adjustment date ignoring any Buyer cost allocations.
5. Current assets and current liabilities shall exclude any balances related to the Excluded Entities.

**SEVENTH AMENDMENT TO THE
PARSONS CORPORATION RETIREMENT SAVINGS PLAN
(2017 AMENDMENT AND RESTATEMENT)**

The Parsons Corporation Retirement Savings Plan (2017 Amendment and Restatement) (the “Plan”) is hereby amended as follows effective as of January 1, 2023, unless otherwise indicated below:

1. A new Section 1.18 is hereby added to the Plan to read as follows:

1.12 Merger of the Amplus Corporation 401(k) Profit Sharing Plan. Effective as of January 1, 2023, the Amplus Corporation 401(k) Profit Sharing Plan (the “Amplus Plan”) is merged into this Plan and the assets held pursuant to the trust for the Amplus Plan are combined with the Trust Fund and held pursuant to the Trust Agreement. Effective as of said date, every participant in the Amplus Plan (each a “Amplus Participant”) who was not previously a Participant in the Plan will become a Participant. The accounts held under the Amplus Plan will be transferred to the applicable accounts under the Plan and the rights and benefits of Amplus Participants will be governed by the Plan, including without limitation, Section 4.2.5 hereof.

2. A new Section 1.19 is hereby added to the Plan to read as follows:

1.13 Merger of BlackHorse Solutions, Inc. 401(k) Profit Sharing Plan. Effective as of January 1, 2023, the BlackHorse Solutions, Inc. 401(k) Profit Sharing Plan (the “BlackHorse Plan”) is merged into this Plan and the assets held pursuant to the trust for the BlackHorse Plan are combined with the Trust Fund and held pursuant to the Trust Agreement. Effective as of said date, every participant in the BlackHorse Plan (each a “BlackHorse Participant”) who was not previously a Participant in the Plan will become a Participant. The accounts held under the BlackHorse Plan will be transferred to the applicable accounts under the Plan and the rights and benefits of BlackHorse Participants will be governed by the Plan, including without limitation, Section 4.2.5 hereof.

3. A new Section 1.20 is hereby added to the Plan to read as follows:

1.14 Merger of the TCG International Group LTD. Effective as of January 1, 2023, the TCG International Group LTD (the “TCG Plan”) is merged into this Plan and the assets held pursuant to the trust for the TCG Plan are combined with the Trust Fund and held pursuant to the Trust Agreement. Effective as of said date, every participant in the TCG Plan (each a “TCG Participant”) who was not previously a Participant in the Plan will become a Participant. The accounts held under the TCG Plan will be transferred to the applicable accounts under the Plan and the rights and benefits of TCG Participants will be governed by the Plan, including without limitation, Section 4.2.5 hereof.

4. Effective as of the respective dates indicated below, each of the following shall be added to the list of Participating Companies set forth on the Addendum to Section 2.30 of the Plan:
 - a) Amplus Corporation (effective as of January 1, 2023).
 - b) BlackHorse Solutions, Inc. (effective as of January 1, 2023).
 - c) TCG International Group LTD (effective as of January 1, 2023).

5. Section 4.8.1 is amended and restated in its entirety to read as follows:

To the extent permissible under Code Section 402(c), and in accordance with rules approved or adopted by the Advisory Committee, all or part of a distribution from a plan that satisfies the requirements of Code Section 401(a), from an individual retirement account which is attributable solely to a rollover contribution within the meaning of Code Section 408(d)(3), or from an individual retirement account that satisfies the requirements of Code Section 408(k), may be rolled over into this Plan by any Eligible Employee.

* * *

IN WITNESS WHEREOF, this instrument of amendment is executed this _____ day of October, 2023.

PARSONS CORPORATION

By:

Name:

Title:

**SIXTH AMENDMENT TO THE
PARSONS EMPLOYEE STOCK OWNERSHIP PLAN
2019 AMENDMENT AND RESTATEMENT**

The Parsons Employee Stock Ownership Plan 2019 Amendment and Restatement (as amended, the “Plan”) is hereby amended as follows:

Effective January 1, 2020, notwithstanding section 8.4 of the Plan, a Participant or Beneficiary who would have been required to receive required minimum distributions in 2020 (or paid in 2021 for the 2020 calendar year for a participant with a required beginning date of April 1, 2021) but for the enactment of section 401(a)(9)(I) of the Code (2020 RMDs), and who would have satisfied that requirement by receiving distributions that are equal to the 2020 RMDs will only receive those distributions in 2020 (or in 2021 for those individuals with extended RMD dates) if the Participant or Beneficiary requests such distribution.

Additionally, any distribution made that would otherwise have been an RMD but for the enactment of Section 401(a)(9)(I) of the Code will be treated as an eligible rollover distribution.

IN WITNESS WHEREOF, this instrument of amendment is executed this _____ day of July, 2022.

PARSONS CORPORATION

By:

Name: Paul Walker-Lanz

Title: Chair, Policy and Advisory Committee

Signature Page to the Fourth Amendment
to the Parsons Employee Stock Ownership Plan
2019 Amendment and Restatement

LIST OF SUBSIDIARIES OF THE REGISTRANT

<u>Subsidiary</u>	<u>Registered Jurisdiction</u>
3D/International, Inc.	Texas
Amplus Corporation	Virginia
Blackhorse Solutions, Inc.	Delaware
Bonifica S.P.A.	Italy
Braxton Science & Technology Group, LLC	Colorado
Braxton Technologies, LLC	Colorado
Bright Star For Engineering Services LLC	Iraq, Republic of
Chas. T. Main, Inc.	Massachusetts
Checkmark Vehicle Safety Services, Inc.	Delaware
CMX Technologies LLC	Delaware
Command Engineering International Limited	Ontario
De Leuw, Cather International Limited	Delaware
Delcan Corporation	Illinois
Delcan Technologies, Inc.	Georgia
Diqqat Al Hilool for Engineering and Technical Services, Project Management and Electronic Equipment Supply LLC	Iraq
DZSP 21 LLC	Delaware
Echo Ridge, LLC	Virginia
Emerett, LLC	Colorado
EXi Parsons Telecom LLC	Delaware
First Defense Services Pte. Ltd.	Singapore
Fourth Dimension Engineering LLC	Delaware
Holding S.r.L.	Italy
Incadence Strategic Solutions LLC	Delaware
Ingenicomm, LLC	Virginia
Marigold Infrastructure Partners Inc.	Alberta
Mustang Merger Sub, Inc.	Delaware
NDP, LLC	Colorado
OGS Holdings, Inc.	Delaware
OGSystems, LLC	Virginia
Paragon Communications Solutions LLC	Virginia
PARCAN, Inc.	Delaware
Parmetek, S.A. De C.V.	Mexico
Parsons 401Hot GP Inc.	Ontario
Parsons 401Hot Limited Partnership	Ontario
Parsons Architectural Services Inc.	Alberta
Parsons Architectural Services of Illinois Inc.	Illinois
Parsons Architecture of Florida Inc.	Florida

Parsons Architecture of New Jersey P.C.	New Jersey
Parsons Canada Holdings, LLC	Delaware
Parsons Construction Craft Services Inc.	Texas
Parsons Construction Group Inc.	Delaware
Parsons Constructors & Fabricators Inc.	Delaware
Parsons Constructors Inc.	Delaware
Parsons Corporation	Delaware
Parsons CTMain Projetos de Infraestrutura Sociedade Simples Ltda.	Brazil
Parsons Delcan Inc.	Delaware
Parsons do Brasil Construcoes Ltda.	Brazil
Parsons Engineering Inc. of Michigan	Michigan
Parsons Engineering Limited	Cork
Parsons Engineering of New York, Inc.	New York
Parsons Engineering Science International, Inc.	Delaware
Parsons Engineering Science, Inc.	California
Parsons Enterprises, Inc.	Delaware
Parsons Environment & Infrastructure Group Inc.	Delaware
Parsons Europe Holdings B.V.	Netherlands
Parsons Evergreene, LLC	Delaware
Parsons Federal Construction Inc.	California
Parsons Global Services, Ltd.	Cayman Islands (B.W.I.)
Parsons Government Services Inc.	Nevada
Parsons Government Services International Inc.	Delaware
Parsons Government Support Services Inc.	Texas
Parsons Group International Limited	United Kingdom
Parsons Group-France SAS	France
Parsons Hanford Fabricators Inc.	Washington
Parsons Inc.	Federally Chartered
Parsons Infrastructure & Technology Group Inc. of Ohio	Ohio
Parsons Infrastructure & Technology Group of Illinois P.C.	Illinois
Parsons Infrastructure & Technology Group of Michigan Inc.	Nevada
Parsons Infrastructure & Technology Group of New York Inc.	New York
Parsons Ingeniería, S. de R.L. de C.V	Mexico
Parsons Inspection & Maintenance Corporation	Delaware
Parsons International & Company LLC	Sultanate of Oman
Parsons International Limited	Nevada
Parsons International Limited	Delaware
Parsons International Limited (L.L.C.), a Limited Liability Company	Egypt, Arab Republic of
Parsons Main of New York, Inc.	New York
Parsons Main, Inc.	Massachusetts
Parsons Middle East Corporation	Nevada
Parsons Middle East Ltd.	Delaware
Parsons MIP Inc.	Alberta
Parsons of North Carolina Inc.	North Carolina
Parsons of Puerto Rico Professional Engineers, P.S.C.	Puerto Rico
Parsons Overseas Company	Nevada

Parsons Overseas Limited Inc.	Delaware
Parsons PATCO Inc.	Delaware
Parsons Professional Corporation	District of Columbia
Parsons Professional Services Inc.	Ontario
Parsons Project Services, Inc.	California
Parsons RCI Inc.	Washington
Parsons Savannah Construction Company	South Carolina
Parsons Savannah Services Company	Delaware
Parsons Secure Solutions Inc.	Virginia
Parsons Services Company	Texas
Parsons SGTP GP Holdings Inc.	Federally Chartered
Parsons Technical Services Inc.	Delaware
Parsons Technical Services International Inc.	Texas
Parsons Technologies, LLC	Delaware
Parsons Transportation Architectural Services LLC	Delaware
Parsons Transportation Group Inc.	Illinois
Parsons Transportation Group Inc. of Michigan	Michigan
Parsons Transportation Group Inc. of Virginia	Virginia
Parsons Transportation Group of New York, Inc.	New York
Parsons Transportation Group, Professional Corporation	District of Columbia
Parsons Water & Infrastructure Inc.	Delaware
Parsons-Versar LLC	Delaware
Partnership for Temporary Housing LLC	Delaware
Polaris Alpha Advanced Systems, Inc.	Virginia
Polaris Alpha Cyber and Sigint, LLC	Delaware
Polaris Alpha Cyber Technologies, LLC	Delaware
Polaris Alpha Equity Holdings, LLC	Delaware
Polaris Alpha Holdings Parent, LLC	Delaware
Polaris Alpha, LLC	Delaware
PTSI Managed Services Inc.	California
QRC, LLC	Virginia
RMP Infrastructure Holdings Inc.	Federally Chartered
S&P Geology Services P.C.	New York
S.I.P., Inc.	Delaware
Sage Management Enterprise, LLC	Maryland
Saudi Arabian Parsons Limited	Saudi Arabia
SGTP Highway Bypass GP Inc.	Saskatchewan
SGTP Highway Bypass Limited Partnership	Saskatchewan
Solidyn Solutions, LLC	Delaware
Space Ground System Solutions, Inc.	Florida
SPW 2020 LLC	Virginia
Steinman Boynton Gronquist & Birdsall	New York
Steinman Inc.	New York
T.J. Cross Engineers, Inc.	California

Tailored Engineering Deployments, LLC
TCG International Group Ltd.
The C. T. Main Corporation
The Ralph M. Parsons Company

TSM LLC
Vaxcom Services LLC
West Corridor Developers General Partnership
Williams Electric Co., Inc.
Xator AFG LLC
Xator LLC

Maryland
Virginia
Massachusetts
Nevada

Tennessee
Delaware
Alberta
Florida
Delaware
Florida

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-234626 and 333-231387) of Parsons Corporation of our report dated February 15, 2023 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Los Angeles, California
February 17, 2023

**CERTIFICATION PURSUANT TO
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew M. Ofilos, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 17, 2023

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

**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 Annual Report of Parsons Corporation (the "Company") on Form 10-K for the period ending December 31, 2022 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: February 17, 2023

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