UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(mark one)

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

For the fiscal year ended December 29, 2018

OR

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

Commission file number 001-11406

KADANT INC.

(Exact name of Registrant as specified in its charter)

Delaware	**52-1762325**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Technology Park Drive	
Westford, Massachusetts	**01886**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (978) 776-2000

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	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 x No ☐

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

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 x 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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes x No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. 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 x	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the Registrant as of June 30, 2018, was approximately $1,039,763,000. For purposes of the immediately preceding sentence, the term "affiliate" consists of each director and executive officer of the Registrant.

As of February 15, 2019, the Registrant had 11,121,503 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, to be used in connection with the Registrant's 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

Kadant Inc.
Annual Report on Form 10-K
for the Fiscal Year Ended December 29, 2018
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PART I

Forward-Looking Statements

This Annual Report on Form 10-K and the documents that we incorporate by reference in this Report include forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and Section 27A of the Securities Act of 1933, as amended. These forward-looking statements are not statements of historical fact, and may include statements regarding possible or assumed future results of operations. Forward-looking statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management, using information currently available to our management. When we use words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "seeks," "should," "likely," "will," "would," "may," "continue," "could," or similar expressions, we are making forward-looking statements.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions. Our future results of operations may differ materially from those expressed in the forward-looking statements. Many of the important factors that will determine these results and values are beyond our ability to control or predict. You should not put undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. For a discussion of important factors that may cause our actual results to differ materially from those suggested by the forward-looking statements, you should read carefully the section captioned "Risk Factors" in Part I, Item 1A, of this Report.

Item 1. Business

Throughout this Annual Report on Form 10-K, when we use the terms "we," "us," "our," "Registrant," and the "Company" we mean Kadant Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates. Unless otherwise noted, references to 2018, 2017, and 2016 in this Annual Report on Form 10-K are to our fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

Description of Our Business

We are a leading global supplier of equipment and critical components used in process industries worldwide. In addition, we manufacture granules made from papermaking by-products. We have a diverse and large customer base, including most of the world's major paper, lumber and oriented strand board (OSB) manufacturers, and our products, technologies, and services play an integral role in enhancing process efficiency, optimizing energy utilization, and maximizing productivity in resource-intensive industries.

Our continuing operations are comprised of two reportable operating segments, Papermaking Systems and Wood Processing Systems, and a separate product line, Fiber-based Products. Through our Papermaking Systems segment, we develop, manufacture, and market a range of equipment and products for the global papermaking, paper recycling, recycling and waste management, and other process industries. Our principal products include custom-engineered stock-preparation systems and equipment for the preparation of wastepaper for conversion into recycled paper and balers and related equipment used in the processing of recyclable and waste materials; fluid-handling systems and equipment used in industrial piping systems to compensate for movement and to efficiently transfer fluid, power, and data; doctoring systems and equipment and related consumables important to the efficient operation of paper machines and other industrial processes; and filtration and cleaning systems essential for draining, purifying, and recycling process water and cleaning fabrics, belts, and rolls in various process industries.

Through our Wood Processing Systems segment, we develop, manufacture, market, and supply debarkers, stranders, chippers, logging machinery, and related equipment used in the harvesting and production of lumber and OSB. Through this segment, we also provide refurbishment and repair of pulping equipment for the pulp and paper industry.

Through our Fiber-based Products business, we manufacture and sell biodegradable, absorbent granules derived from papermaking by-products for use primarily as carriers for agricultural, home lawn and garden, and professional lawn, turf and ornamental applications, as well as for oil and grease absorption.

On January 2, 2019, we acquired Syntron Material Handling Group, LLC and certain of its affiliates (SMH) pursuant to an equity purchase agreement dated December 9, 2018, for approximately $179 million, subject to certain customary adjustments. SMH is a leading provider of material handling equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper. This acquisition extends our current product portfolio, and we expect it will strengthen SMH's relationships in the pulp and paper markets. We are currently evaluating the segment classification of the SMH business.

Papermaking Systems Segment

Our Papermaking Systems segment has a long and well-established history of developing, manufacturing, and marketing equipment and products for the global papermaking, paper recycling, recycling and waste management, and other process industries. Some of our businesses or their predecessor companies have been in operation for more than 100 years. Our customer base includes major global paper manufacturers, and we believe we have one of the largest installed bases of equipment in the markets we serve within the pulp and paper industry. We manufacture our Papermaking Systems products in nine countries in Europe, North America, South America, and Asia.

Our Papermaking Systems segment consists of the following product lines: Stock-Preparation; Fluid-Handling; and Doctoring, Cleaning, & Filtration.

Stock-Preparation

We develop, manufacture, and market custom-engineered systems and equipment, as well as standard individual components, for baling, pulping, de-inking, screening, cleaning, and refining primarily recycled fiber for preparation for entry into the paper machine, and recausticizing and evaporation equipment and systems used in the production of virgin pulp. Our baling equipment is also used to compress a variety of other secondary materials to prepare them for transport or storage. Our principal stock-preparation products include:

- Recycling and approach flow systems: Our equipment includes pulping, screening, cleaning, and de-inking systems that blend pulp mixtures and remove contaminants, such as ink, glue, metals, and other impurities, to prepare them for entry into the paper machine during the production of recycled paper.

- Virgin pulping process equipment: Our equipment includes pulp washing, evaporator, recausticizing, and condensate treatment systems used to remove lignin, concentrate and recycle process chemicals, and remove condensate gases.

- Balers and related equipment: Our equipment includes horizontal channel balers, vertical balers, conveyors, compactors, and bale wrapping machines used in the processing of recyclable and waste materials.

Fluid-Handling

We develop, manufacture and market fluid handling systems and equipment used in industrial piping systems to compensate for movement and to efficiently transfer fluid, power, and data. Our products include: rotary joints, precision unions, steam and condensate systems, components, and controls used primarily in the dryer section of the papermaking process and during the production of corrugated packaging, metals, plastics, pharmaceuticals, energy, rubber, textiles, chemicals, and food. Expansion joints are used in industrial piping systems. Our principal fluid-handling systems and equipment include:

- Rotary joints: Our mechanical devices, used with rotating shafts, allow the transfer of pressurized fluid from a stationary source into and out of rotating machinery for heating, cooling, or the transfer of fluid power.

- Syphons: Our devices, installed inside rotating cylinders, are used to remove fluids from the rotating cylinders through rotary joints or unions located on either end of the cylinder.

- Turbulator® bars: Our steel or stainless steel axial bars, installed on the inside of cylinders, are used to induce turbulence in the condensate layer to improve the uniformity and rate of heat transfer through the cylinders.

- Expansion joints: Our rubber, metal, fabric and other materials are used to compensate for movement due to thermal expansion, vibration and other causes.

- Engineered steam and condensate systems: Our steam systems control the flow of steam from the boiler to the paper drying cylinders, collect condensed steam, and return it to the boiler to improve energy efficiency during the paper drying process. Our systems and equipment are also used to efficiently and effectively distribute steam in a wide variety of industrial processing applications.

Doctoring, Cleaning, & Filtration

We develop, manufacture, and market a wide range of doctoring, cleaning, and filtration systems and related consumables that continuously clean rolls to keep paper machines and other industrial processes running efficiently; doctor blades made of a variety of materials to perform functions including cleaning, creping, web removal, flaking, and the

application of coatings; profiling systems that control moisture, web curl, and gloss during paper converting; and systems and equipment used to continuously clean fabrics and rolls, drain water from pulp mixtures, form the sheet or web, and filter the process water for reuse. Doctoring and cleaning systems are also used in other process industries such as carbon fiber, textiles and food processing. Our principal doctoring, cleaning, and filtration products include:

- Doctor systems and holders: Our doctor systems clean papermaking rolls to maintain the efficient operation of paper machines and other equipment by placing a blade against the roll at a constant and uniform pressure. A doctor system consists of the structure supporting the blade and the blade holder.

- Profiling systems: We offer profiling systems that control moisture, web curl, and gloss during paper converting.

- Doctor blades: We manufacture doctor and scraper blades made of a variety of materials including metal, bi-metal, or synthetic materials that perform a variety of functions including cleaning, creping, web removal, flaking, and applying coatings. A typical doctor blade has a life ranging from eight hours to two months, depending on the application.

- Shower and fabric-conditioning systems: Our shower and fabric-conditioning systems assist in the removal of contaminants that collect on paper machine fabrics used to convey the paper web through the forming, pressing, and drying sections of the paper machine. A typical paper machine has between three and 12 fabrics. These fabrics can easily become contaminated with fiber, fillers, pitch, and dirt that can have a detrimental effect on paper machine performance and paper quality. Our shower and fabric-conditioning systems assist in the removal of these contaminants.

- Formation systems: We supply structures that drain, purify, and recycle process water from the pulp mixture during paper sheet and web formation.

- Water-filtration systems: We offer a variety of filtration systems and strainers that remove contaminants from process water before reuse and recover reusable fiber for recycling back into the pulp mixture.

Wood Processing Systems Segment

We develop, manufacture, and market stranders and related equipment used in the production of OSB. We also supply debarkers, stranders, chippers, logging machinery, and related equipment used in the harvesting and production of lumber and OSB. In addition, we provide refurbishment and repair of pulping equipment for the pulp and paper industry. We manufacture our wood-processing products principally in Canada, Finland and the United States. Our principal wood-processing products and services include:

- Ring and rotary debarkers: Our fixed and sliding ring debarkers utilize a rotating multi-tool to strip the bark off a non-rotating log. Our ring debarkers are used in lumber mills to remove the bark from the tree before further processing into lumber. Our rotary debarkers and related parts and consumables employ a combination of mechanical abrasion and log-to-log contact to efficiently remove bark from logs of all shapes and species.

- Stranders: Our disc and ring stranders and related parts and consumables cut batch-fed logs into strands for OSB production and are used to manage strands in real time using our patented conveying and feeding equipment.

- Chippers: Our disc, drum, and veneer chippers and related parts and consumables are high-quality, robust chipper systems for waste-wood and whole-log applications found in pulp woodrooms, chip plants, and sawmill and planer mill sites.

- Logging machinery: Our feller bunchers, log loaders, and swing yarders are used to harvest and gather timber for lumber production.

- Repair services: We also refurbish and repair pulping equipment used in the pulp and paper industry.

Fiber-based Products

We manufacture and sell biodegradable, absorbent granules derived from papermaking by-products for use primarily as carriers for agricultural, home lawn and garden, and professional lawn, turf and ornamental applications, as well as for oil and grease absorption.

Research and Development

We develop a broad range of products for all facets of the markets we serve. We operate research and development facilities in the United States, Europe, and Canada, and focus our product innovations on process industry challenges and the need for improved fiber processing, heat transfer, roll and fabric cleaning, fluid handling, timber harvesting, wood processing, and secondary material handling. In addition to internal product development activities, our research centers allow customers to simulate their own operating conditions and applications to identify and quantify opportunities for improvement.

Our research and development expenses were $10.6 million in 2018, $9.6 million in 2017, and $7.4 million in 2016.

Raw Materials

The primary raw materials used in our Papermaking Systems segment are steel, stainless steel, ductile iron, brass, bronze, aluminum, and elastomers and in our Wood Processing Systems segment are steel and stainless steel. These raw materials are generally purchased and available through a number of suppliers.

The raw material used in the manufacture of our fiber-based granules is a by-product from the production of paper that we obtain from two paper mills. If these mills were unable or unwilling to supply us with sufficient fiber, we would be forced to find one or more alternative suppliers for this raw material.

To date, our raw materials have generally been available and we have not needed to maintain raw material inventories in excess of our current needs.

Patents, Licenses, and Trademarks

We protect our intellectual property rights by applying for and obtaining patents when appropriate. We also rely on technical know-how, trade secrets, and trademarks to maintain our competitive position. We also enter into license agreements with others to grant and/or receive rights to patents and know-how. No particular patent, or related group of patents, is so important that its expiration or loss would significantly affect our operations.

Papermaking Systems Segment

We have numerous U.S. and foreign patents, including foreign counterparts to our U.S. patents, expiring on various dates ranging from 2019 to 2039. From time to time, we enter into licenses with other companies for products that serve the pulp, papermaking, converting, and paper recycling industries.

Wood Processing Systems Segment

We have numerous U.S. and foreign patents, including foreign counterparts to our U.S. patents, expiring on various dates ranging from 2020 to 2030, related to wood processing and debarking equipment.

Fiber-based Products

We currently hold several U.S. patents, expiring on various dates ranging from 2021 to 2034, related to various aspects of the processing of fiber-based granules and the use of these materials in the agricultural, professional turf, home lawn and garden, general absorption, oil and grease absorption, and catbox filler markets.

SMH

Our newly acquired subsidiary, SMH, holds several U.S. and foreign patents, including foreign counterparts to its U.S. patents, expiring on various dates ranging from 2019 to 2026, related to various aspects of conveyor belt systems and conveying apparatus. SMH also licenses one of its two significant product brand names, Link-Belt®, from a third party pursuant to a trademark license agreement. More than half of SMH's revenues in 2018 were generated by sales of conveying equipment sold under the Link-Belt® name. Under the terms of the license agreement, SMH has a worldwide, exclusive, royalty-free, perpetual license to use the Link-Belt® trademark in connection with such products.

Seasonal Influences

Papermaking Systems Segment

There are no material seasonal influences on this segment's sales of products and services.

Wood Processing Systems Segment

Our Wood Processing Systems segment is subject to seasonal variations, with demand for many of our products tending to be greater during the building and timber harvesting season, which generally occurs in the second and third quarters in North America.

Fiber-based Products

Our Fiber-based Products business experiences fluctuations in sales, usually in the third quarter, when sales decline due to the seasonality of the agricultural and home lawn and garden markets.

SMH

SMH, our newly acquired subsidiary, may experience minor seasonal fluctuations in sales, with demand for its products tending to be greater in the second and third quarters due to the impact of weather and favorable outdoor working conditions at certain of its customers.

Working Capital Requirements

There are no special inventory requirements or credit terms extended to customers that would have a material adverse effect on our working capital.

Dependency on a Single Customer

No single customer accounted for 10% or more of our consolidated revenues in any of the past three years. In addition, within our Papermaking Systems segment, no customer accounted for more than 10% of segment revenue. As a percentage of revenues, the three largest customers in our Wood Processing Systems segment accounted for 24% in 2018, 32% in 2017, and 48% in 2016. Approximately 63% in 2018, 65% in 2017, and 60% in 2016, of our consolidated revenues were to customers outside the United States, principally in Europe, Asia and Canada.

Backlog

Our backlog of firm orders for the Papermaking Systems segment was $126.7 million at year-end 2018 and $116.3 million at year-end 2017. Our backlog of firm orders for the Wood Processing Systems segment was $45.4 million at year-end 2018 and $27.6 million at year-end 2017. The total consolidated backlog of firm orders was $173.0 million at year-end 2018 and $145.3 million at year-end 2017. We anticipate that substantially all the backlog at year-end 2018 will be shipped or completed during 2019. Some of these orders can be canceled by the customer upon payment of a cancellation fee.

Sales and Marketing

We market and sell our engineered products, services, and systems to process industries using a combination of a direct sales force and independent sales agents and distributors depending on the market and product being sold. Technical service personnel, product specialists, and independent sales agents and distributors are utilized in certain markets and with certain product lines. Our application expertise is complimented by a consultative selling approach to ensure we meet the needs of our customers.

Competition

We are a leading supplier of systems and equipment in each of our product lines within our Papermaking Systems segment and there are several global and numerous local competitors in each market. In our Wood Processing Systems segment, we compete with one primary global competitor in the OSB market for stranding equipment, a limited number of competitors in forest products for our debarkers, and several global and local competitors for our other products. Because of the diversity of our products, we face many different types of competitors and competition. We compete primarily on the basis of technical expertise, product innovation, and product performance. We believe the reputation that we have established for high-performance, high-reliability products supported by our in-depth process knowledge and application expertise provides us with a competitive advantage. In addition, a significant portion of our business is generated from our worldwide customer base. To maintain this base, we have emphasized our global presence, local support, and a problem-solving relationship with our customers. Our success primarily depends on the following factors:

- Technical expertise and process knowledge;
- Product innovation;
- Product quality, reliability, and performance;
- Operating efficiency of our products;
- Customer service and support;
- Relative price of our products; and
- Total cost of ownership of our products.

As a result of our acquisition of SMH, we are entering into new markets, including mining and aggregates, and further into the food processing, industrial processing and packaging markets, which will introduce numerous new global and local competitors.

Environmental Protection Regulations

We believe that our compliance with federal, state, and local environmental protection regulations will not have a material adverse effect on our capital expenditures, earnings, or competitive position.

Employees

At year-end 2018, we had approximately 2,500 employees worldwide. Subsequent to year-end 2018, we added 250 employees as a result of the acquisition of SMH.

Available Information

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Exchange Act. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including us, that are filed electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov. In addition, we make available free of charge through our website at www.kadant.com our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to these Reports filed with or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the SEC. We are not including the information contained on our website as part of this Report nor are we incorporating the information on our website into this Report by reference.

Executive Officers of the Registrant

The following table summarizes certain information concerning our executive officers as of February 15, 2019:

Name	Age	Present Title (Fiscal Year First Became Executive Officer)
Jonathan W. Painter	60	President and Chief Executive Officer (1997)
Eric T. Langevin	56	Executive Vice President and Co-Chief Operating Officer (2006)
Jeffrey L. Powell	60	Executive Vice President and Co-Chief Operating Officer (2009)
Michael J. McKenney	57	Executive Vice President and Chief Financial Officer (2002)
Stacy D. Krause	42	Vice President, General Counsel, and Secretary (2018)
Deborah S. Selwood	50	Vice President and Chief Accounting Officer (2015)

Mr. Painter has been our chief executive officer and a director since January 2010 and our president since September 1, 2009. He served as chief operating officer from September 2009 to January 2010. Between 1997 and September 2009, Mr. Painter served as an executive vice president and from March 2007 through September 2009 had supervisory responsibility for our Stock-Preparation and Fiber-based Products businesses. He served as president of our Composite Building Products business from 2001 until its sale in 2005. He also served as our treasurer and the treasurer of Thermo Electron Corporation (Thermo Electron) from 1994 until 1997. Prior to 1994, Mr. Painter held various managerial positions with us and Thermo Electron.

Mr. Langevin has been an executive vice president and a co-chief operating officer since March 2018. From January 2010 to March 2018, he was an executive vice president and our chief operating officer. Prior to January 2010, Mr. Langevin had been our senior vice president since March 2007 and had supervisory responsibility for our Fluid-Handling and Doctoring,

Cleaning, & Filtration businesses. He served as vice president, with responsibility for our Doctoring, Cleaning, & Filtration business, from 2006 to 2007. From 2001 to 2006, Mr. Langevin was president of Kadant Web Systems Inc. (now our Kadant Solutions division) and before that served as its senior vice president and vice president of operations. Prior to 2001, Mr. Langevin managed several product groups and departments within Kadant Web Systems after joining us in 1986 as a product development engineer.

Mr. Powell has been an executive vice president and a co-chief operating officer since March 2018. From March 2013 to March 2018, he was an executive vice president and had supervisory responsibility for our Stock-Preparation, Wood Processing, and Fiber-based Products businesses. From September 2009 to March 2013, he was a senior vice president. From January 2008 to September 2009, Mr. Powell was vice president, new ventures, with principal responsibility for acquisition-related activities. Prior to joining us, Mr. Powell was the chairman and chief executive officer of Castion Corporation from April 2003 through December 2007.

Mr. McKenney has been an executive vice president and our chief financial officer since March 2018. From June 2015 to March 2018, he was a senior vice president and our chief financial officer. He served as our vice president, finance and chief accounting officer from 2002 to 2015 and as corporate controller from 1997 to 2007. Mr. McKenney was controller of Kadant AES, our division acquired from Albany International Inc., from 1993 to 1997. Prior to 1993, Mr. McKenney held various financial positions at Albany International.

Ms. Krause has been a vice president and our general counsel and secretary since July 2018. She served as our deputy general counsel from December 2017 to July 2018. Prior to joining us, Ms. Krause was head of commerce cloud commercial legal of salesforce.com, inc. from 2016 to 2017. She previously served as an assistant general counsel of Demandware, Inc. from 2014 to 2016, and assistant general counsel of Entegris, Inc. from 2011 to 2014. Prior to 2011, Ms. Krause was a lawyer in the corporate transactional department of Wilmer Cutler Pickering Hale and Dorr LLP.

Ms. Selwood has been a vice president and our chief accounting officer since June 2015. She served as our corporate controller from 2007 to 2015 and as assistant controller from 2004 to 2007. Prior to 2004, Ms. Selwood held various financial positions at Arthur Andersen LLP and Genuity Inc.

On February 13, 2019, our board of directors adopted a succession plan (Succession Plan), pursuant to which Mr. Powell was appointed president effective April 1, 2019 and chief executive officer effective July 1, 2019, succeeding Mr. Painter in each role. As part of the Succession Plan, Mr. Painter will become executive chairman of the board of directors effective July 1, 2019. Mr. Langevin will become executive vice president, chief operating officer effective April 1, 2019. Pursuant to the Succession Plan, each of Peter J. Flynn and Michael Colwell were appointed as vice presidents of the Company effective July 1, 2019. Mr. Flynn and Mr. Colwell, who will become executive officers of the Company, will each have supervisory responsibility for parts of the Company’s material processing group, which Mr. Powell oversees in his current role as executive vice president, co-chief operating officer. On July 1, 2019, Mr. Langevin will also assume responsibility for supervising the Company’s recently acquired material handling business. For more information on the Succession Plan, see our Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 13, 2019.

Item 1A. Risk Factors

Our business, results of operations and financial condition, and an investment in our securities, are subject to a number of risks. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies, including overall economic and industry conditions. Additional risks and uncertainties not currently known to us or that we currently believe are not material also may impair our business, consolidated financial condition and results of operations.

Adverse changes in global and local economic conditions may negatively affect our industry, business and results of operations.

We sell products worldwide to global process industries and a significant portion of our revenue is from customers based in North America, Europe and China. Uncertainties in global and regional economic outlooks have negatively affected, and may in the future negatively affect, demand for our customers' products and, as a consequence, our products and services, especially our capital equipment systems and products, and our operating results. Also, uncertainty regarding economic conditions has caused, and may in the future cause, liquidity and credit issues for many businesses, including our customers in the pulp and paper industry as well as other process industries, and may result in their inability to fund projects, capacity expansion plans, and to some extent, routine operations and capital expenditures. These conditions have resulted, and may in the future result, in a number of structural changes in process industries, including decreased spending, mill closures, consolidations, and bankruptcies, all of which negatively affect our business, revenue, and profitability. Financial and economic turmoil affecting the worldwide economy or the banking system and financial markets, in particular due to political or economic developments, could cause the expectations for our business to differ materially in the future.

Revenues from the sale of large capital equipment and systems projects are often difficult to predict accurately, especially in periods of economic uncertainty, and large capital equipment projects require significant investment requiring our customers to secure financing, which may be difficult.

We manufacture capital equipment and systems used in process industries, including the wood processing and paper industries. Approximately 41% of our revenue in 2018 was from the sale of capital equipment to be used in process industries. Our acquisition of SMH further expands our capacity to manufacture and sell capital equipment. The demand for capital equipment is variable and depends on a number of factors, including consumer demand for end products, existing manufacturing capacity, the level of capital spending by our customers and economic conditions. As a consequence, our bookings and revenues for capital projects tend to be variable and difficult to predict. It is especially difficult to accurately forecast our operating results during periods of economic uncertainty. Our customers curtail their capital and operating spending during periods of economic uncertainty and are cautious about resuming spending as market conditions improve. Levels of consumer spending on non-durable goods, demand for food and beverage packaging, and demand for new housing and remodeling are all factors that affect paper and wood processing companies' demand for our products, and reductions in these demand levels can negatively impact our business. As companies in our customers' industries consolidate operations in response to market weakness, they frequently reduce capacity, increase downtime, defer maintenance and upgrades, and postpone or even cancel capacity additions or expansion projects. Capacity growth and investment can be uneven and the larger paper producers have delayed, and may in the future delay, additional new capacity start-ups in reaction to softer market conditions. In general, as significant capacity additions come online and the economic growth rate slows, paper producers have deferred and could in the future defer further investments or the delivery of previously-ordered equipment until the market absorbs the new production.

Large capital equipment projects require a significant investment and may require our customers to secure financing from external sources. Our financial performance will be negatively impacted if there are delays in customers securing financing or our customers become unable to secure such financing due to any number of factors, including a tightening of monetary policy or regime-based sanctions such as those imposed on Russia, and more recently, on China. Financing delays of our customers can cause us to delay booking pending orders as well as the shipment of some orders. The inability of our customers to obtain credit may affect our ability to recognize revenue and income, particularly on large capital equipment orders from new customers for which we may require letters of credit. We may also be unable to issue letters of credit to our customers, which are required in some cases to guarantee performance, during periods of economic uncertainty. This has negatively affected our bookings and revenues in the past, particularly in China, and may negatively affect our operating results in the future.

Our global operations subject us to various risks that may adversely affect our results of operations.

We are a leading global supplier of equipment and critical components used in process industries worldwide. We sell our products globally, including sales to customers in China, South America, Russia and India, and operate multiple manufacturing operations worldwide, including operations in Canada, China, Europe, Mexico, and Brazil. International revenues and operations are subject to a number of risks which vary by geographic region, including the following:

- agreements may be difficult to enforce and receivables difficult to collect through a foreign country's legal system;
- foreign customers may have longer payment cycles;
- foreign countries may impose additional withholding taxes or otherwise tax our foreign income, impose tariffs, adopt other restrictions on foreign trade, impose currency restrictions or enact other protectionist or anti-trade measures;
- environmental and other regulations can adversely impact our ability to operate our facilities;
- disruption from climate change, natural disaster, including earthquakes and/or tornadoes, fires, war, terrorist activity, and other force majeure events beyond our control;
- worsening economic conditions may result in worker unrest, labor actions, and potential work stoppages;
- political unrest may disrupt commercial activities of ours or our customers;
- it may be difficult to repatriate funds, due to unfavorable domestic and foreign tax consequences or other restrictions or limitations imposed by foreign governments; and
- the protection of intellectual property in foreign countries may be more difficult to enforce.

Operating globally subjects us to changes in government regulations and policies in multiple jurisdictions around the world, including those related to tariffs and trade barriers, taxation, exchange controls and political risks. Changes in government policies, political unrest, economic sanctions, trade embargoes, or other adverse trade regulations can negatively impact our business. For example, we operate businesses in Mexico and Canada, and we benefit from the North American Free Trade Agreement (NAFTA), which is proposed to be revised by the United States-Mexico-Canada Agreement (USMCA). If the

United States were to withdraw from or materially modify NAFTA or the successor USMCA or to impose significant tariffs or taxes on goods imported into the United States, the cost of our products could significantly increase or no longer be priced competitively, which in turn could have a material adverse effect on our business and results of operations. The USMCA does not contain an agreement on certain existing tariffs. The United States, Canada, and Mexico must each still ratify the USMCA in their respective legal systems before it becomes effective. In the United States, Congress will be required to pass implementing legislation, the timing of which is uncertain. In addition, the Office of the United States Trade Representative, or USTR, released a list of Chinese products valued at approximately $50 billion, including pulp and paper machinery equipment, that is subject to an additional 25% duty in accordance with President Trump's Presidential Memorandum of March 22, 2018 directing action pursuant to Section 301 of the Trade Act of 1974. The U.S. Customs and Border Protection began to collect the additional duties on products covered by the tariffs on July 6, 2018. In addition, the USTR issued a new list of an additional $200 billion in Chinese products that will be subject to an additional 10% duty, which the U.S. Customs and Border Protection began to collect on September 24, 2018, and which increased to 25% on January 1, 2019. While we are working to assess and mitigate the impact of the existing and other proposed tariffs through pricing and sourcing strategies, we cannot be certain how our customers and competitors will react to the actions we take. The tariffs could negatively affect our ability to compete against competitors who do not manufacture in China and/or are not subject to the tariffs.

In 2018, our sales to Russia were $17.7 million, or 3%, of our revenue. In August 2017 and April 2018, the United States imposed new trade sanctions against certain persons in Russia, in addition to those previously imposed in 2014. In response, Russia may impose trade sanctions that could affect U.S.-owned businesses. The imposition of trade sanctions may make it generally more difficult to do business in Russia and cause delays or prevent shipment of products or services performed by our personnel, or to receive payment for products or services. Such restrictions could have a material adverse impact on our business and operating results going forward.

We operate significant manufacturing facilities in and derive significant revenue from China. Changes in the policies of the Chinese government, devaluation of the Chinese currency, restrictions on the expatriation of cash, political unrest, unstable economic conditions, or other developments in China or in U.S.-China relations that are adverse to trade, including enactment of protectionist legislation or trade or currency restrictions, could negatively impact our business and operating results. Policies of the Chinese government to target slower economic growth may negatively affect our business in China if customers are unable to expand capacity or obtain financing for expansion or improvement projects. Policies of the Chinese government to advance internal political priorities may potentially negatively affect our business in any number of ways that we may not foresee. For example, China has imposed a ban on mixed waste paper imports and reported that all recovered paper imports have been and are limited to a 0.5% contaminant level after March 1, 2018, which is well below the level that suppliers consider feasible. In addition, the Chinese government has announced that it may ban all recovered paper imports by 2020. According to Fastmarkets RISI, the Chinese government's actions have led to a severe shortage of recovered paper in China, which has forced mills to incur additional downtime. Chinese containerboard producers have been looking to build capacity for fiber in Southeast Asia, with the intent to ship pulp back to China for further processing. These policies could have a significant influence on the price, nature and availability of the type of paper imported into China, could have a negative effect on the operating capacity of our customers in China, and may affect the demand for our products and our operating results in the future, both in China and in the surrounding region.

Our sales of capital equipment in China tend to be more variable and are subject to a number of uncertainties.

Our bookings and revenues from China have tended to be more variable than in other geographic regions. The Chinese pulp and paper industry has experienced periods of significant capacity expansion to meet demand followed by periods of reduced activity while overcapacity is absorbed. These cycles result in periods of significant bookings activity for our capital products and increased revenues followed by a significant decrease in bookings or potential delays in shipments and order placements by our customers as they attempt to balance supply and demand.

Orders from customers in China, particularly for large stock-preparation systems that have been tailored to a customer's specific requirements, have credit risks higher than we generally incur elsewhere, and some orders are subject to the receipt of financing approvals from the Chinese government or can be impacted by the availability of credit and more restrictive monetary policies. We generally do not record bookings for signed contracts from customers in China for large stock-preparation systems until we receive the down payments for such contracts. The timing of the receipt of these orders and the down payments are uncertain and there is no assurance that we will be able to recognize revenue on these contracts. We may experience a loss if a contract is canceled prior to the receipt of a down payment if we have commenced engineering or other work associated with the contract. We typically have inventory awaiting shipment to customers and could incur a loss if contracts are canceled and we cannot re-sell the equipment. In addition, we may experience a loss if the contract is canceled, or the customer does not fulfill its obligations under the contract, prior to the receipt of a letter of credit or final payments covering the remaining balance of the contract, which could represent 80% or more of the total order. As a result of these factors, our revenues recognized in China have varied, and will in the future vary, greatly from period to period and be difficult to predict.

In addition, please also see “Risk Factors - Our global operations subject us to various risks that may adversely affect our results of operations” for discussion of how policies of the Chinese government may potentially negatively affect our business in any number of ways, including some of which we may not foresee.

We manufacture equipment used in the production of forest products, including lumber and OSB, and our financial performance may be adversely affected by decreased levels of residential construction activity.

We manufacture debarkers, stranders and related equipment used in the production of lumber and OSB, an engineered wood panel product used primarily in home construction. Our customers produce these products principally for new residential construction, home repair and remodeling activities. As such, the operating results for our Wood Processing Systems segment correlate to a significant degree to the level of this residential construction activity, primarily in North America and, to a lesser extent, in Europe. Residential construction activity is influenced by a number of factors, including the supply of and demand for new and existing homes, new housing starts, unemployment rates, interest rate levels, availability of mortgage financing, mortgage foreclosure rates, availability of construction labor and suitable land, seasonal and unusual weather conditions, general economic conditions and consumer confidence. A significant increase in long-term interest rates, changes in tax policy of the deductibility of mortgages, tightened lending standards, high unemployment rates and other factors that reduce the level of residential construction activity could have a material adverse effect on our financial performance.

The OSB market is highly concentrated and the market for building products is highly competitive. The loss of a significant customer or our customers' reductions in capital spending or OSB production could have a material adverse effect on our financial performance.

The OSB market is highly concentrated and there are a limited number of OSB manufacturers. As a percentage of our Wood Processing Systems segment revenues, the two largest OSB customers accounted for 14% in 2018, 29% in 2017, and 48% in 2016. The loss of one or more of these OSB customers to a competitor could adversely affect our revenues and profitability. In addition, the market for building products is highly competitive. Products that compete with OSB include other wood panel products and substitutes for wood building products, such as nonfiber-based alternatives. For example, plastic, wood/plastic or composite materials may be used by builders as alternatives to OSB products. Changes in component prices, such as energy, chemicals, wood-based fibers, and nonfiber alternatives can change the competitive position of OSB relative to other available alternatives and could increase substitution. Our customers' OSB production can be adversely affected by lower-cost producers of other wood panel products and substitutes for wood building products. Lower demand for OSB products or a decline in the profitability of one or more of our customers could result in a reduction in spending on capital equipment or the shutdown or closure of an OSB mill, which could have a material adverse effect on our financial performance.

The development and increasing use of digital media has had, and will continue to have, an adverse impact on our Papermaking Systems segment.

Developments in digital media have adversely affected demand for newsprint and for printing and writing grades of paper, particularly in North America and Europe, a trend which is expected to continue. Approximately 11% of our revenue in 2018 was from customers producing newsprint and printing and writing grades of paper. Significant declines in the production of printing and writing paper grades have also led to a drop in the construction of recycled tissue mills, as those mills use printing and writing grades of waste paper as their fiber source. The increased use of digital media has had, and will continue to have, an adverse effect on demand for our products in those markets.

Our results of operations may be adversely affected by currency fluctuations.

As a multinational corporation, we are exposed to fluctuations in currency exchange rates that impact our business in many ways. We are exposed to both translation as well as transaction risk associated with transactions denominated in currencies that differ from our subsidiaries' functional currencies. Although most of our subsidiaries' costs are denominated in the same currency as their revenues, changes in the relative values of currencies occur from time to time and can adversely affect our operating results. Some of the foreign currency translation risk is mitigated when foreign subsidiaries have revenue and expenses in the same foreign currency. Further, certain foreign subsidiaries may hold U.S. dollar assets or liabilities which, as the U.S. dollar strengthens versus the applicable functional currencies, will result in currency transaction gains on assets or losses on liabilities. While some foreign currency transaction risks can be hedged using derivatives or other financial instruments, or may be insurable, such attempts to mitigate these risks may be costly and may not always be successful.

When we translate the local currency results of our foreign subsidiaries into U.S. dollars during a period in which the U.S. dollar is strengthening, our financial results will reflect decreases due to foreign currency translation. In addition, our consolidated financial results are adversely affected when foreign governments devalue their currencies. Our major foreign currency translation exposures involve the currencies in Europe, China, Brazil, Canada and Mexico. For example, China's central bank devalued the renminbi to boost the Chinese economy in 2016, which had a negative translation impact on our consolidated revenues and will continue to have a negative translation impact if this recurs. The overall favorable or

unfavorable effect of foreign currency translation on our financial results will vary by quarter. We do not enter into derivatives or other financial instruments to hedge this type of foreign currency translation risk.

The business of our subsidiary, SMH, can be materially impacted by cyclical economic conditions affecting the global mining industry.

Changes in economic conditions affecting the global mining industry can occur abruptly and unpredictably, which may have significant effects on the sales of original equipment by our new subsidiary, SMH. Cyclicality for original equipment sales is driven primarily by price volatility of the commodities that are mined using SMH's equipment, including coal, salt, aggregates, potash, copper, iron ore and trona, or their substitutes, as well as product life cycles, competitive pressures and other economic factors affecting the mining industry, such as company consolidation, increased regulation and competition affecting demand for commodities, as well as the broader economy, including changes in government monetary or fiscal policies and from market expectations with respect to such policies. Falling commodity prices have in the past and may in the future lead to reduced capital expenditures by SMH's customers, reductions in the production levels of existing mines, a contraction in the number of existing mines and the closure of less efficient mines. Reduced capital expenditures and decreased mining activity by SMH's customers are likely to lead to a decrease in demand for new mining equipment, and may result in a decrease in demand for parts as SMH's customers are likely to reduce utilization of equipment, reduce inventories, redistribute parts from closed mines and delay rebuilds and other maintenance during industry downturns. In addition to declining orders for SMH's products, adverse economic conditions for SMH's customers may make it more difficult for SMH to collect accounts receivable in a timely manner, or at all, which may adversely affect Kadant's working capital. As a result of this cyclicality in the global mining industry, SMH may experience significant fluctuations in its business, results of operations and financial condition, and we expect SMH's business to continue to be subject to these fluctuations in the future.

A sizable portion of SMH's business is dependent on continued demand for coal, which is subject to economic and environmental risks.

Approximately 19% and 10% of SMH's 2018 revenues came from its thermal and metallurgical coal-mining customers, respectively. Many of these customers supply coal for the generation of electricity and/or steel production. Demand for electricity and steel is affected by the global level of economic activity and economic growth. The pursuit of the most cost-effective form of electricity generation continues to take place throughout the world and coal-fired electricity generation faces intense price competition from other fuel sources, particularly natural gas. In addition, coal combustion typically generates significant greenhouse gas emissions and governmental and private sector goals and mandates to reduce greenhouse gas emissions may increasingly affect the mix of electricity generation sources. Further developments in connection with legislation, regulations, international agreements or other limits on greenhouse gas emissions and other environmental impacts or costs from coal combustion, both in the United States and in other countries, could diminish demand for coal as a fuel for electricity generation. If lower greenhouse gas emitting forms of electricity generation, such as nuclear, solar, natural gas or wind power, become more prevalent or cost effective, or diminished economic activity reduces demand for electricity and steel, demand for coal will decline. Reduced demand for coal could result in reduced demand for SMH's mining equipment and could adversely affect our overall business, financial condition and results of operations.

Price increases and shortages in raw materials and components and dependency upon certain suppliers for such raw materials and components could adversely impact our operating results.

We use a variety of raw materials, including a significant amount of stainless steel, carbon steel, commodities and critical components to manufacture our products. Increases in the prices of such raw materials, commodities and critical components could adversely affect our operating results if we were unable to fully offset the effect of these increased costs through price increases, productivity improvements, or cost reduction programs.

Some of our businesses depend on limited suppliers to provide critical components used in the manufacture of our products. If we could not obtain sufficient supplies of these components or these sources of supply ceased to be available to us, we could experience shortages in critical components or be unable to meet our commitments to customers. Alternative sources of supply could be more expensive or, in some cases, not available. We believe our sources of raw materials, commodities and critical components will generally be sufficient for our needs in the foreseeable future. However, our operating results could be negatively impacted if supply is insufficient for our operations.

Implementing our acquisition strategy involves risks, and our failure to successfully implement this strategy could have a material adverse effect on our business.

We expect that a significant driver of our growth over the next several years will be the acquisition of technologies and businesses that complement or augment our existing products and services or may involve entry into a new process industry, such as our January 2019 acquisition of SMH. We continue to actively pursue additional acquisition opportunities, some of which may be material to our business and financial performance, and involve significant cash expenditures and the incurrence

of significant debt. Although we have been successful with this strategy in the past, we may not be able to grow our business in the future through acquisitions for a number of reasons, including:

- difficulties identifying and executing acquisitions;
- competition with other prospective buyers resulting in our inability to complete an acquisition or in our paying a substantial premium over the fair value of the net assets of the acquired business;
- access to and availability of capital;
- inability to obtain regulatory approvals, including antitrust approvals;
- difficulty in integrating operations, technologies, products and the key employees of the acquired business;
- inability to maintain existing customers of the acquired business or to sell the products and services of the acquired business to our existing customers;
- inability to retain key management of the acquired business;
- diversion of management's attention from other business concerns;
- inability to improve the revenues and profitability or realize the cost savings and synergies expected of the acquisition;
- assumption of significant liabilities, some of which may be unknown at the time of acquisition;
- potential future impairment of the value of goodwill and intangible assets acquired; and
- identification of internal control deficiencies of the acquired business.

We are required to record transaction and acquisition-related costs in the period incurred. Once completed, acquisitions may involve significant integration costs. These acquisition-related costs could be significant in a reporting period and have an adverse effect on our results of operations.

Any acquisition we complete may be made at a substantial premium over the fair value of the net identifiable assets of the acquired business. We are required to assess the realizability of goodwill and indefinite-lived intangible assets annually, and whenever events or changes in circumstances indicate that goodwill and intangible assets, including definite-lived intangible assets, may be impaired. These events or circumstances would generally include operating losses or a significant decline in earnings associated with the acquired business or assets, and our ability to realize the value of goodwill and intangible assets will depend on the future cash flows of these businesses. We may incur impairment charges to write down the value of our goodwill and acquired intangible assets in the future if the assets are not deemed recoverable, which could have a material adverse effect on our operating results.

Failure of our information systems or breaches of data security and cybertheft could impact our business.

We operate a geographically dispersed business and rely on the electronic storage and transmission of proprietary and confidential information, including technical and financial information, among our operations, customers and suppliers. In addition, for some of our operations, we rely on information systems controlled by third parties. Despite our security measures and internal controls, our information technology and infrastructure may be vulnerable to attacks by hackers or cyberthieves or breaches due to employee error, malfeasance or other disruptions, such as business email compromises and other cyber-related fraud. As part of our ongoing effort to upgrade our current information systems, we are implementing enterprise resource planning software to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. System failures, network disruptions, and breaches of data security could limit our ability to conduct business as usual, including our ability to communicate and transact business with our customers and suppliers; result in the loss or misuse of this information, including credit card numbers or other personal information, the loss of business or customers, or damage to our brand or reputation; or interrupt or delay reporting of our financial results. Such system failures or unauthorized access could be caused by external theft or attack, misconduct by our employees, suppliers, or competitors, or natural disasters. In addition, the cost and operational consequences of implementing further data protection measures, such as to comply with local privacy laws such as the European Union's General Data Protection Regulation, could be significant.

We are required to comply with a wide variety of laws and regulations, and are subject to regulation by various federal, state and foreign agencies.

We are subject to various local, state, federal, foreign and transnational laws and regulations, particularly those relating to environmental protection, the importation and exportation of products, tariffs and trade barriers, taxation, exchange controls, current good manufacturing practices, data protection, health and safety and our business practices in the U.S. and abroad, such as anti-corruption and anti-competition laws, and, in the future, any changes to such laws and regulations could adversely affect us. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could result in criminal, civil and administrative penalties and could have an adverse effect on our results of operations.

It may be difficult for us to implement our strategies for improving internal growth.

Some of the markets in which we compete are mature and have relatively low growth rates. We pursue a number of strategies to improve our internal growth, including:

- strengthening our presence in selected geographic markets, including emerging markets and existing markets where we see opportunities;
- focusing on parts and consumables sales;
- using low-cost manufacturing bases, such as China and Mexico;
- allocating research and development funding to products with higher growth prospects;
- developing new applications for our technologies;
- combining sales and marketing operations in appropriate markets to compete more effectively;
- finding new markets for our products and expanding into different verticals or process industries; and
- continuing to develop cross-selling opportunities for our products and services to take advantage of our depth of product offerings.

We may not be able to successfully implement these strategies, and these strategies may not result in the expected growth of our business.

We are subject to intense competition in all our markets.

We believe that the principal competitive factors affecting the markets for our products include technical expertise and process knowledge, product innovation, product quality, and price. Our competitors include a number of large multinational corporations that may have substantially greater financial, marketing, and other resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies, such as smart technology, and changes in customer requirements, or to devote greater resources to the promotion and sale of their services and products. Competitors' technologies may prove to be superior to ours. Our current products, those under development, and our ability to develop new technologies may not be sufficient to enable us to compete effectively. Competition, especially in China, has increased as new companies enter the market and existing competitors expand their product lines and manufacturing operations.

Adverse changes to the soundness of our suppliers and customers could affect our business and results of operations.

All our businesses are exposed to risk associated with the creditworthiness of our key suppliers and customers, including pulp and paper manufacturers, forest products and other industrial customers, many of which may be adversely affected by volatile conditions in the financial markets, worldwide economic downturns, variability in infrastructure spending levels, and difficult economic conditions. These conditions could result in financial instability, bankruptcy, or other adverse effects at any of our suppliers or customers. The consequences of such adverse effects could include the interruption of production at the facilities of our suppliers, the reduction, delay or cancellation of customer orders, delays in or the inability of customers to obtain financing to purchase our products or pay amounts due, and bankruptcy of customers or other creditors. Any adverse changes to the soundness of our suppliers or customers may adversely affect our cash flows, profitability, or financial condition.

Changes in our tax provision or exposure to additional income tax liabilities could affect our profitability.

We derive a significant portion of our revenue and earnings from our international operations, and are subject to income and other taxes in the United States and numerous foreign jurisdictions. Changes in U.S. and foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. A number of factors may cause our effective tax rate to fluctuate, including: changes in tax rates in various jurisdictions; unanticipated changes in the amount of profit in jurisdictions in which the statutory tax rates may be higher or lower than the U.S. tax rate; the resolution of issues arising from tax audits with various tax authorities; changes in the valuation of our deferred tax assets and liabilities; adjustments to income taxes upon finalization of various tax returns; increases in expenses not deductible for tax purposes, including impairments of goodwill in connection with acquisitions; changes in available tax credits or our ability to utilize foreign tax credits; and changes in tax laws or the interpretation of such tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from that of prior periods or current expectations, which could have an adverse effect on our results of operations or cash flows.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (2017 Tax Act) was enacted in the U.S. that significantly revises the Internal Revenue Code. The 2017 Tax Act reduced the U.S. federal corporate tax rate from 35% to 21% starting in 2018 and transitioned from a worldwide tax system to a territorial tax system imposing a one-time tax on all foreign unremitted earnings at reduced rates. The 2017 Tax Act introduced many new provisions that become effective in 2018, including but not limited to, Global Intangible Low-Taxed Income (GILTI), Base Erosion Anti-Abuse Tax (BEAT), Foreign Derived Intangible

Income (FDII) deduction, limitation of the tax deduction for net interest expense to 30% of adjusted taxable income, immediate deductions for certain new fixed asset additions instead of depreciating assets over time and changed deductions for executive compensation. The impact of the 2017 Tax Act remains subject to developing interpretations of the relevant provisions in the regulations promulgated by the U.S. Treasury Department, as well as the conformity and application of these regulations in various states. We continue to assess the impact of the new provisions on the tax provision already included in our financial statements and guidance and we may need to make adjustments as the application of the law becomes clearer, which could adversely affect our business and financial condition.

If we are unable to successfully manage our manufacturing operations, our ability to deliver products to our customers could be disrupted and our business, financial condition and results of operations could be adversely affected.

Equipment and operating systems necessary for our manufacturing businesses may break down, perform poorly, or fail. Any such disruption could cause losses in efficiencies, delays in shipments of our products and the loss of sales and customers, and insurance proceeds may not adequately compensate us for our losses.

In order to enhance the efficiency and cost effectiveness of our manufacturing operations, and to better serve customers located in various countries, as we have in the past, we may in the future move several product lines from one of our plants to another and consolidate manufacturing operations in certain of our plants. Even if we successfully move our manufacturing processes, there is no assurance that the cost savings and efficiencies we anticipate will be achieved.

Changes in zoning laws in China may require us to relocate certain of our manufacturing facilities. For example, we received a request by local Chinese authorities to relocate one of our facilities, and have begun negotiating with the Chinese government regarding the relocation of such facility. A relocation may increase our costs and could have a material impact on our manufacturing operations.

In addition, our manufacture of certain products is concentrated in specific geographic locations. As a result of such concentration, we may be disproportionately exposed to the impact of any disruptions (including natural disasters), regulations or delays that impact those geographic locations, which may negatively impact our ability to manufacture products produced in those locations and have an adverse effect on our business results.

We may be required to reorganize our operations in response to changing conditions in the worldwide economy and the industries we serve, and such actions may require significant expenditures and may not be successful.

We have undertaken various restructuring measures in the past in response to changing market conditions in the countries in which we operate and we may engage in additional cost reduction programs in the future. The costs of these programs may be significant and we may not recoup the costs of these programs. In connection with any future plant closures, delays or failures in the transition of production from existing facilities to our other facilities in other geographic regions could also adversely affect our results of operations. In addition, it is difficult to accurately forecast our financial performance in periods of economic uncertainty in a region or globally, and the efforts we have made or may make to align our cost structure may not be sufficient or able to keep pace with rapidly changing business conditions. Our profitability may decline if our restructuring efforts do not sufficiently reduce our future costs and position us to maintain or increase our sales.

Economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union could adversely affect our business.

The approval in June 2016 by voters in the United Kingdom (U.K.) to exit from the European Union (E.U.), referred to as Brexit, and the continuing negotiations relating to Brexit in 2019, has caused, and may from time to time cause:

- volatility in the global stock markets;
- currency exchange rate fluctuations;
- effects on cross border trade and labor; and
- political and regulatory uncertainty in the U.K. and across Europe generally.

The global economic uncertainty that may occur at various periods throughout the lengthy withdrawal process may cause our customers to closely monitor their costs and reduce their spending budgets. All of these events, should they occur, could adversely affect our business, financial condition, operating results, and cash flows. Our revenues to customers in the U.K. represented approximately 3% of total revenues in 2018.

Our debt may adversely affect our cash flow and may restrict our investment opportunities.

We have borrowed amounts under our five-year, unsecured multi-currency revolving credit facility (Credit Agreement) and under other agreements to fund our operations and our acquisition strategy. As a result of the acquisitions of our forest products business in 2017 and the SMH acquisition completed in January 2019, we increased our U.S. and foreign-denominated borrowings under the Credit Agreement. While we increased our borrowing capacity under the Credit Agreement in December 2018 in connection with the SMH acquisition, our remaining borrowing capacity is limited. Our borrowing capacity under the Credit Agreement may further decrease as a result of the impact that foreign exchange rate fluctuations could have on our foreign-denominated borrowings.

In 2018, under the Credit Agreement, we increased our borrowing capacity from $300.0 million to $400.0 million and increased our uncommitted unsecured incremental borrowing facility from $100.0 million to $150.0 million. In addition, we borrowed $21.0 million, pursuant to a promissory note secured by real estate and related personal property of certain of our domestic subsidiaries (Real Estate Loan). In 2018, we also issued $10.0 million in senior notes under our Multi-Currency Note Purchase and Private Shelf Agreement with PGIM, Inc., an affiliate of Prudential (Note Purchase Agreement). We may also in the future obtain additional long-term debt and working capital lines of credit to meet future financing needs, which would have the effect of increasing our total leverage. Our indebtedness could have negative consequences, including:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- limiting our ability to pay dividends on or to repurchase our capital stock;
- limiting our ability to complete a merger or an acquisition or acquire new products and technologies through acquisitions or licensing agreements; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we compete.

Our existing indebtedness bears interest at fixed and floating rates, and as a result, our interest payment obligations on our indebtedness will fluctuate if interest rates increase or decrease. From time to time, we hedge a portion of our variable rate interest payment obligations through interest rate swap agreements. The counterparty to the swap agreements could demand an early termination of the swap agreements if we were to be in default under the Credit Agreement, or any agreement that amends or replaces the Credit Agreement in which the counterparty is a member, and we were unable to cure the default. If our swap agreements were to be terminated prior to the applicable scheduled maturity date and if we were required to pay cash for the value of the swap, we could incur a loss, which could adversely affect our financial results.

In addition, the 2017 Tax Act places certain limitations on the deductibility of interest expense as a percentage of adjusted taxable income. If interest rates or the level of our debt increase, to the extent that the associated interest expense exceeds the limitation established by the 2017 Tax Act, the amount of interest expense that we would not be able to deduct for income tax purposes, if significant, could adversely affect our financial results and cash flows.

Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance and on economic, financial, competitive, and other factors beyond our control. Our business may not generate sufficient cash flows to meet these obligations or to successfully execute our business strategy. If we were unable to service our debt and fund our business, we could be forced to reduce or delay capital expenditures or research and development expenditures, seek additional financing or equity capital, restructure or refinance our debt, curtail or eliminate our cash dividend to stockholders, or sell assets.

Restrictions in our Credit Agreement and Note Purchase Agreement may limit our activities.

Our Credit Agreement and the Note Purchase Agreement contain, and future debt instruments to which we may become subject may contain, restrictive covenants that limit our ability to engage in activities that could otherwise benefit us, including restrictions on our ability (including the ability of our subsidiaries) to:

- incur additional indebtedness;
- pay dividends on, redeem, or repurchase our capital stock;
- make investments;
- create liens;
- sell assets;
- enter into transactions with affiliates; and
- consolidate, merge, or transfer all or substantially all of our assets and the assets of our subsidiaries.

We are also required to meet specified financial covenants under the terms of our Credit Agreement and the Note Purchase Agreement. Our ability to comply with these financial restrictions and covenants is dependent on our future

performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as currency exchange rates, interest rates, changes in technology, and changes in the level of competition. Our failure to comply with any of these restrictions or covenants may result in an event of default under our Credit Agreement, the Note Purchase Agreement, our swap agreements with notional amounts of $10.0 million and $15.0 million, entered into in 2015 and 2018, respectively, and other loan and note obligations, which could permit acceleration of the debt under those instruments and require us to repay the debt before its scheduled due date. If an event of default were to occur, we might not have sufficient funds available to make the payments required under our indebtedness. In addition, our inability to borrow funds under our Credit Agreement would have significant consequences for our business, including reducing funds available for acquisitions and other investments in our business; and impacting our ability to pay dividends and meet other financial obligations.

Furthermore, our Credit Agreement requires that any amounts borrowed under the facility be repaid by the maturity date in 2023. If we are unable to roll over the amounts borrowed into a new credit facility and we do not have sufficient cash to repay our borrowings, we may default under the Credit Agreement. We may need to repatriate cash from our overseas operations, which may not be possible, to fund the repayment and we would be required to pay taxes on the repatriated amounts. Such repatriation would have an adverse effect on our effective tax rate and cash flows.

Our future success is substantially dependent on the continued service of our senior management and other key employees and effective succession planning.

Our future success is substantially dependent on the continued service of our senior management and other key employees. The loss of the services or retirement of our senior management or other key employees could make it more difficult to successfully operate our business and achieve our business goals. We also may be unable to attract qualified personnel or retain existing management, product development, sales, operational and other support personnel that are critical to our success, which could result in harm to key customer relationships, loss of key information, expertise, or know-how, and unanticipated recruitment and training costs. In addition, effective succession planning is also a key factor for our future success. On February 13, 2019 our board of directors adopted the Succession Plan, pursuant to which Jeffrey L. Powell was appointed to succeed Jonathan W. Painter as president effective April 1, 2019 and as chief executive officer effective July 1, 2019. Mr. Painter, our current president and chief executive officer, will become executive chairman of the board of directors effective July 1, 2019. Our failure to enable the effective transfer of knowledge and facilitate smooth transitions with regard to key management employees, including in connection with the Succession Plan, could adversely affect our long-term strategic planning and execution and negatively affect our business, financial condition, operating results, and prospects. If we fail to enable the effective transfer of knowledge and facilitate smooth transitions for key personnel, the operating results and future growth for our business could be adversely affected, and the morale and productivity of the workforce could be disrupted.

Our inability to protect our intellectual property or defend ourselves against the intellectual property claims of others could have a material adverse effect on our business. In addition, litigation to enforce our intellectual property and contractual rights or defend ourselves could result in significant litigation or licensing expense.

We seek patent and trade secret protection for significant new technologies, products, and processes because of the length of time and expense associated with bringing new products through the development process and into the marketplace. We own numerous U.S. and foreign patents and we intend to file additional applications, as appropriate, for patents covering our products. Patents may not be issued for any pending or future patent applications owned by or licensed to us, and the claims allowed under any issued patents may not be sufficiently broad to protect our technology. Any issued patents owned by or licensed to us may be challenged, invalidated, or circumvented, and the rights under these patents may not provide us with competitive advantages. In addition, competitors may design around our technology, copy our technology or develop competing technologies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for competitors to capture increased market share. In addition, as our patents expire, we rely on trade secrets and proprietary know-how to protect our products. We cannot be sure the steps we have taken, or will take in the future, will be adequate to deter misappropriation of our proprietary information and intellectual property. Of particular concern are developing countries, such as China, where the laws, courts, and administrative agencies may not protect our intellectual property rights as fully as in the United States or Europe.

We seek to protect trade secrets and proprietary know-how, in part, through confidentiality and non-competition agreements with our collaborators, employees, and consultants. These agreements may be breached, we may not have adequate remedies for any breach, and our trade secrets may otherwise become known or be independently developed by our competitors, or our competitors may otherwise gain access to our intellectual property.

We could incur substantial costs to defend ourselves in suits brought against us, including for alleged infringement of third-party rights, or in suits in which we may assert our intellectual property or contractual rights against others. An unfavorable outcome of any such litigation could have a material adverse effect on our business and results of operations.

Our newly-acquired subsidiary, SMH, holds several U.S. and foreign patents, including foreign counterparts to its U.S. patents, and licenses the trademarked brand name of one of its significant products, Link-Belt®, from a third party. If the third-

party were to terminate that license agreement, we would lose the right to use the Link-Belt® trademark in the marketplace and cease to benefit from any of its associated goodwill.

Our share price fluctuates and experiences price and volume volatility.

Stock markets in general and our common stock in particular experience significant price and volume volatility from time to time. The market price and trading volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our operations, business prospects, or future funding. Given the nature of the markets in which we participate and the volatility of orders, we may not be able to reliably predict future revenues and profitability, and unexpected changes may cause us to adjust our operations. A large proportion of our costs are fixed, due in part to our significant selling, research and development, and manufacturing costs. Thus, small declines in revenues could disproportionately affect our operating results. Other factors that could affect our share price and quarterly operating results include:

- changes in the assumptions used for revenue recognized over time;
- fluctuations in revenues due to customer-initiated delays in product shipments;
- failure of a customer to comply with an order's contractual obligations or inability of a customer to provide financial assurances of performance;
- adverse changes in demand for and market acceptance of our products;
- failure of our products to pass contractually agreed upon acceptance tests, which could delay or prohibit recognition of revenues under applicable accounting guidelines;
- competitive pressures resulting in lower sales prices for our products;
- adverse changes in the process industries we serve;
- delays or problems in our introduction of new products;
- delays or problems in the manufacture of our products;
- our competitors' announcements of new products, services, or technological innovations;
- contractual liabilities incurred by us related to guarantees of our product performance;
- increased costs of raw materials or supplies, including the cost of energy;
- changes in the timing of product orders;
- changes in the estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, or expenses;
- the impact of acquisition accounting, including the treatment of acquisition and restructuring costs as period costs;
- fluctuations in our outstanding indebtedness and associated interest expense;
- fluctuations in our effective tax rate;
- the operating and share price performance of companies that investors consider to be comparable to us; and
- changes in global financial markets and global economies and general market conditions.

Adverse changes to the soundness of financial institutions could affect us.

We have relationships with many financial institutions, including lenders under our credit facilities and insurance underwriters, and from time to time we execute transactions with counterparties in the financial industry, such as our interest rate swap arrangements and other hedging transactions. In addition, our subsidiaries in China often hold banker's acceptance drafts that are received from customers in the normal course of business. These drafts may be discounted or used to pay vendors prior to the scheduled maturity date or submitted to an acceptance bank for payment at the scheduled maturity date. These financial institutions or counterparties could be adversely affected by volatile conditions in the financial markets, economic downturns, and difficult economic conditions. These conditions could result in financial instability, bankruptcy, or other adverse effects at these financial institutions or counterparties. We may not be able to access credit facilities in the future, complete transactions as intended, or otherwise obtain the benefit of the arrangements we have entered into with such financial parties, which could adversely affect our business and results of operations.

We are subject to risks and costs associated with environmental laws and regulations.

The manufacturing of our products requires the use of hazardous materials that are subject to a broad array of environmental health and safety laws and regulations. Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials could lead to increased costs or regulatory penalties, fines and legal liability. Our ability to expand, modify or operate our manufacturing facilities in the future may be impeded by environmental regulations, such as air quality and wastewater requirements. The Chinese government has pledged to tackle the country's hazardous smog, and authorities try to clear the skies ahead of high profile events, which prompt authorities to impose strict pollution control measures. Regulators have in the past and may in the future temporarily restrict our manufacturing in a particular geographic location as a result of pollution levels in China. Environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify product designs, or incur other expenses. Climate change regulation could result in increased manufacturing costs associated with air pollution control requirements, and increased or new monitoring, recordkeeping, and reporting of greenhouse gas emissions. We also see the potential for higher energy costs driven by climate change regulations. These risks could harm our business and results of operations.

Climate change may adversely impact our business.

Climate change may pose environmental risks that could harm our results of operations and affect the way we conduct business. Many of our operations are located in regions that may become increasingly vulnerable due to climate change, which may cause extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes and snow or ice storms, winds, and rainfall, as well as rising sea levels and increased volatility in seasonal temperatures. Extreme weather conditions or weather-driven natural disasters could impact our ability to maintain our operations in those areas and could affect demand for our products by our customers that are affected by weather and weather-driven events, including seasonal changes in outdoor working conditions and rainfall levels. These risks could harm our business and results of operations.

Environmental, health and mine safety laws and regulations impacting the mining industry may adversely affect demand for products manufactured by our subsidiary, SMH.

Our new subsidiary, SMH, supplies equipment to mining companies operating in major mining regions throughout the world. SMH’s customers’ operations are subject to or affected by a wide array of regulations in the jurisdictions where they operate, including those directly impacting mining activities and those indirectly affecting their businesses, such as applicable environmental and mine safety laws. New environmental and health legislation or administrative regulations relating to mining or affecting demand for mined materials or more stringent interpretations of existing laws and regulations, may require SMH’s customers to significantly change or curtail their operations. The mining industry has also encountered increased scrutiny as it relates to safety regulations, primarily due to high-profile mining accidents. New legislation or regulations relating to mine safety standards may induce customers to discontinue or limit their mining operations and may discourage companies from developing new mines or maintaining existing mines, which in turn could diminish demand for our products and services.

The high cost of compliance with such regulations and standards may discourage SMH’s customers from expanding existing mines or developing new mines and may also cause customers to limit or even discontinue their mining operations. As a result of these factors, demand for SMH’s mining equipment could be adversely affected by environmental and health regulations directly or indirectly impacting the mining industry. Any reduction in demand for SMH’s products as a result of environmental, health or mine safety regulations could have an adverse effect on SMH’s overall business, financial condition or results of operations.

Our insurance coverage may be inadequate or expensive.

We are subject to claims in the ordinary course of business. It is not always possible to prevent or detect activities giving rise to claims, and the precautions we take may not be effective in all cases. We maintain insurance policies that provide limited coverage for some, but not all, potential risks and liabilities associated with our business. We may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. In addition, certain risks generally are not fully insurable. Even where insurance coverage applies, insurers may contest their obligations to make payments. Our financial condition, results of operations and cash flows could be materially and adversely affected by losses and liabilities from uninsured or under-insured events, as well as by delays in the payment of insurance proceeds, or the failure by insurers to make payments.

Anti-takeover provisions in our charter documents and under Delaware law could prevent or delay transactions that our shareholders may favor.

Provisions of our charter and bylaws may discourage, delay, or prevent a merger or acquisition that our shareholders may consider favorable, including transactions in which shareholders might otherwise receive a premium for their shares. For example, these provisions:

- authorize the issuance of "blank check" preferred stock without any need for action by shareholders;
- provide for a classified board of directors with staggered three-year terms;
- require supermajority shareholder voting to effect various amendments to our charter and bylaws;
- eliminate the ability of our shareholders to call special meetings of shareholders;
- prohibit shareholder action by written consent; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

Our board of directors could adopt a shareholder rights plan in the future that could have anti-takeover effects and might discourage, delay, or prevent a merger or acquisition that our board of directors does not believe is in our best interests and those of our shareholders, including transactions in which shareholders might otherwise receive a premium for their shares.

We have not independently verified the results of third-party research or confirmed assumptions or judgments on which they may be based, and the forecasted and other forward-looking information contained therein is subject to inherent uncertainties.

We refer in this report and other documents that we file with the SEC to historical, forecasted and other forward-looking information published by sources such as Fastmarkets RISI, Forest Economic Advisors, the U.S. Census Bureau, and various market news agencies that we believe to be reliable. However, we have not independently verified this information, and with respect to the forecasted and forward-looking information, have not independently confirmed the assumptions and judgments upon which such information is based. Forecasted and other forward-looking information is necessarily based on assumptions regarding future occurrences, events, conditions and circumstances and subjective judgments relating to various matters, and is subject to inherent uncertainties. Actual results may differ materially from the results expressed or implied by, or based upon, such forecasted and forward-looking information.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We believe that our facilities are in good condition and are suitable and adequate for our present operations. We do not anticipate significant difficulty in obtaining lease renewals or alternative space as needed.

The location and general character of our principal properties as of year-end 2018 are as follows:

Papermaking Systems Segment

We own approximately 1,944,000 square feet and lease approximately 448,000 square feet, under leases expiring on various dates ranging from 2019 to 2028, of manufacturing, engineering, and office space. In addition, in China, we lease the land associated with our buildings under long-term leases, which expire on dates ranging from 2049 to 2061. Our principal engineering and manufacturing facilities are located in Vitry-le-Francois, France; Jining, China; Valinhos, Brazil; Three Rivers, Michigan, United States; Lebanon, Ohio, United States; Anderson, South Carolina, United States; Georgsmarienhutte, Germany; Auburn, Massachusetts, United States; Weesp, The Netherlands; Alfreton, England; Wuxi, China; Guadalajara, Mexico; Bury, England and Huskvarna, Sweden.

Wood Processing Systems Segment

We own approximately 225,000 square feet and lease approximately 101,000 square feet, under leases expiring on various dates ranging from 2019 to 2023, of manufacturing, engineering, and office space. In addition, in Sidney, British Columbia, Canada, we lease the land associated with our building under a long-term lease, which expires in 2032. Our principal engineering and manufacturing facilities are located in Sidney, British Columbia, Canada; Lohja, Finland; Surrey, British Columbia, Canada; and Pell City, Alabama, United States.

Fiber-based Products

We own approximately 31,000 square feet of manufacturing and office space located in Green Bay, Wisconsin, United States. We also lease approximately 58,000 square feet of manufacturing space located in Green Bay, Wisconsin, United States on a tenant-at-will basis.

Corporate

We lease approximately 15,000 square feet in Westford, Massachusetts, United States, for our corporate headquarters under a lease expiring in 2023.

SMH

Subsequent to year-end 2018 as a result of our acquisition of SMH, we acquired leased properties of approximately 394,000 square feet, under leases expiring on various dates ranging from 2019 to 2034. SMH's principal manufacturing and office space are located in Saltillo, Mississippi, United States and Changshu, China.

Item 3. Legal Proceedings

Not applicable.

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 Price of Common Stock

Our common stock trades on the New York Stock Exchange under the symbol "KAI". The closing market price on the New York Stock Exchange for our common stock on February 15, 2019 was $88.66 per share.

Holders of Common Stock

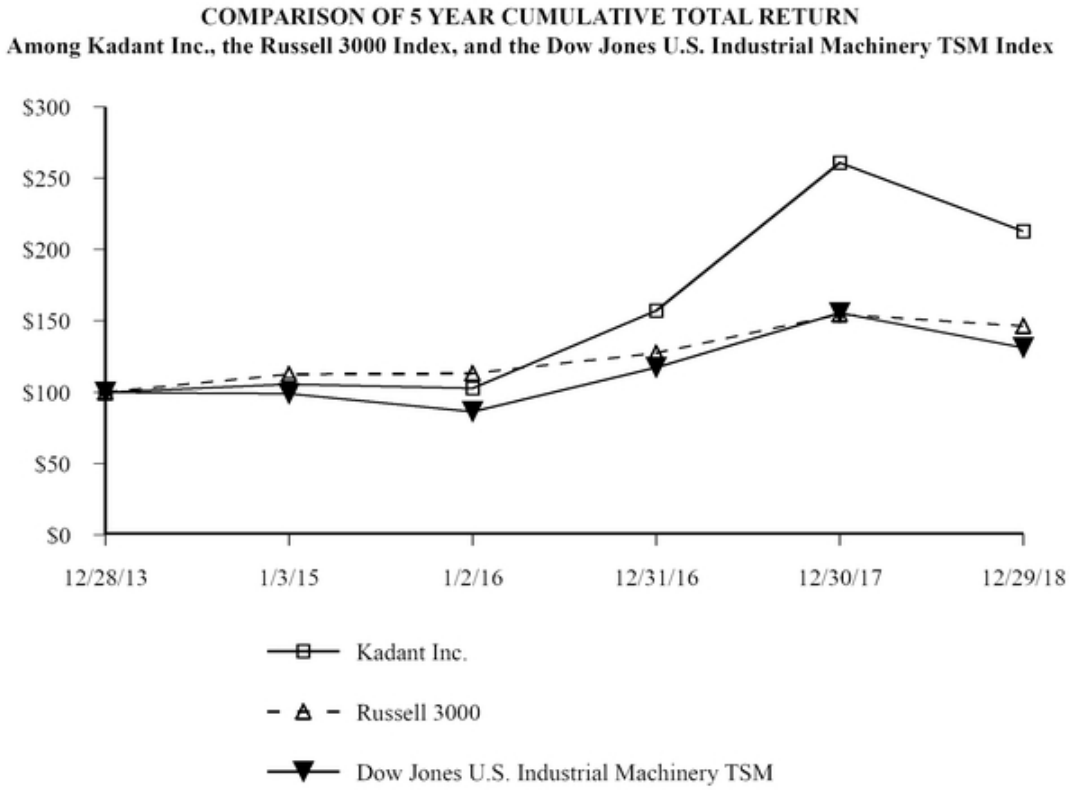
As of February 15, 2019, we had approximately 2,502 holders of record of our common stock. This does not include holdings in street or nominee name.

Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the fourth quarter of 2018.

Performance Graph

This performance graph compares the cumulative, five-year total shareholder return assuming an investment of $100 (and the reinvestment of dividends) in our common stock, the Russell 3000 Stock Index, and the Dow Jones U.S. Industrial Machinery TSM Index. Our common stock trades on the New York Stock Exchange under the ticker symbol "KAI." Because our fiscal year ends on a Saturday, the graph values are calculated using the last trading day prior to the end of our fiscal year.



	12/28/2013	1/3/2015	1/2/2016	12/31/2016	12/30/2017	12/29/2018
Kadant Inc.	100.00	105.51	102.59	157.10	260.69	212.56
Russell 3000	100.00	112.56	113.10	127.50	154.44	146.34
Dow Jones U.S. Industrial Machinery TSM	100.00	98.83	86.39	117.18	155.49	131.14

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and related notes, and other financial data included elsewhere in this Annual Report on Form 10-K. The consolidated statements of income data for the fiscal years 2018, 2017 and 2016 and the consolidated balance sheet data at fiscal year-end 2018 and 2017 are derived from our audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K. The consolidated statements of income data for fiscal years 2015 and 2014 and the consolidated balance sheet data at fiscal year-end 2016, 2015 and 2014 are derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K.

(In thousands, except per share amounts)	December 29, 2018	December 30, 2017	December 31, 2016	January 2, 2016	January 3, 2015
Statement of Income Data (a)					
Revenues (b)	$ 633,786	$ 515,033	$ 414,126	$ 390,107	$ 402,127
Operating Income (c)	88,598	61,625	46,642	50,119	42,086
Amounts Attributable to Kadant:					
Income from Continuing Operations (d)	60,413	31,092	32,074	34,315	28,682
Income (Loss) from Discontinued Operation	—	—	3	74	(23)
Net Income (d)	$ 60,413	$ 31,092	$ 32,077	$ 34,389	$ 28,659
Earnings per Share for Continuing Operations:					
Basic	$ 5.45	$ 2.83	$ 2.95	$ 3.16	$ 2.61
Diluted	$ 5.30	$ 2.75	$ 2.88	$ 3.09	$ 2.56
Earnings per Share:					
Basic	$ 5.45	$ 2.83	$ 2.95	$ 3.16	$ 2.61
Diluted	$ 5.30	$ 2.75	$ 2.88	$ 3.10	$ 2.56
Cash Dividends Declared per Common Share	$ 0.88	$ 0.84	$ 0.76	$ 0.68	$ 0.60
Balance Sheet Data					
Working Capital (e)	$ 123,772	$ 133,793	$ 118,437	$ 108,492	$ 96,504
Total Assets	725,749	761,094	470,691	415,498	413,747
Long-Term Obligations (f)	174,153	241,384	65,768	26,000	25,250
Stockholders' Equity	374,571	332,504	284,279	267,945	265,459

(a) Fiscal years 2018, 2017, 2016 and 2015 each contained 52 weeks and fiscal year 2014 contained 53 weeks.

(b) Includes incremental revenues of $64.6 million in 2018, $69.4 million in 2017, and $40.8 million in 2016 primarily from our acquisitions of the forest products business of NII FPG Company (NII FPG) and Unaflex, LLC (Unaflex) in 2017, and PAALGROUP (PAAL) in 2016.

(c) Fiscal years 2017 and 2016 have been restated to conform to the current period presentation as a result of the adoption of Accounting Standards Update (ASU) No. 2017-07. Fiscal years 2015 and 2014 were not restated as the amounts were not material.

(d) Includes a discrete tax benefit of $3.3 million in 2018 primarily related to the reversal of tax reserves associated with uncertain tax positions and the 2017 Tax Act, including amounts associated with the repatriation of foreign earnings. The discrete tax expense of $10.3 million in 2017 primarily related to the 2017 Tax Act.

(e) Includes net current deferred tax assets of $9.5 million in 2014. We adopted ASU No. 2015-07 for year-end 2015, which required that deferred tax assets and liabilities be classified as non-current. Prior periods were not restated as the amounts were not material.

(f) Includes additional borrowings related to the acquisitions of NII FPG and Unaflex in 2017 and PAAL in 2016.

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

The following discussion of our financial condition and results of operations should be read together with the financial statements and the related notes set forth in Item 8. “Financial Statements and Supplementary Data.” The following discussion also contains forward-looking statements that involve a number of risks and uncertainties. See Part I, “Forward-Looking Statements” for a discussion of the forward-looking statements contained below and Part I, Item 1A. “Risk Factors” for a discussion of certain risks that could cause our actual results to differ materially from the results anticipated in such forward-looking statements.

Overview

Company Overview

We are a leading global supplier of equipment and critical components used in process industries worldwide. In addition, we manufacture granules made from papermaking by-products. We have a diverse and large customer base, including most of the world's major paper, lumber and oriented strand board (OSB) manufacturers, and our products, technologies, and services play an integral role in enhancing process efficiency, optimizing energy utilization, and maximizing productivity in resource-intensive industries.

Our operations are comprised of two reportable operating segments, Papermaking Systems and Wood Processing Systems, and a separate product line, Fiber-based Products. Through our Papermaking Systems segment, we develop, manufacture, and market a range of equipment and products for the global papermaking, paper recycling, recycling and waste management, and other process industries. Our principal products include custom-engineered stock-preparation systems and equipment for the preparation of wastepaper for conversion into recycled paper and balers and related equipment used in the processing of recyclable and waste materials; fluid-handling systems and equipment used in industrial piping systems to compensate for movement and to efficiently transfer fluids, power, and data; doctoring systems and equipment and related consumables important to the efficient operation of paper machines and other industrial processes; and filtration and cleaning systems essential for draining, purifying, and recycling process water and cleaning fabrics, belts, and rolls in various process industries.

Through our Wood Processing Systems segment, we develop, manufacture, and market and supply debarkers, stranders, chippers, logging machinery, and related equipment used in the harvesting and production of lumber and OSB. Through this segment, we also provide refurbishment and repair of pulping equipment for the pulp and paper industry.

Through our Fiber-based Products business, we manufacture and sell biodegradable, absorbent granules derived from papermaking by-products for use primarily as carriers for agricultural, home lawn and garden, and professional lawn, turf and ornamental applications, as well as for oil and grease absorption.

Acquisitions

We expect that a significant driver of our growth over the next several years will be the acquisition of technologies and businesses that complement or augment our existing products and services or may involve entry into a new process industry. We continue to actively pursue additional acquisition opportunities. Certain of our recent acquisitions are described below.

2019 Acquisition

On January 2, 2019, we acquired Syntron Material Handling Group, LLC and certain of its affiliates (SMH) pursuant to an equity purchase agreement dated December 9, 2018, for approximately $179 million, subject to certain customary adjustments. SMH is a leading provider of material handling equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper. This acquisition extends our current product portfolio, and we expect it will strengthen SMH's relationships in the pulp and paper markets. Revenues for SMH were $89.4 million for the twelve months ended October 31, 2018. We are currently evaluating our segment classification of the SMH business.

2017 Acquisitions

On August 14, 2017, we acquired certain assets of Unaflex, LLC (Unaflex) for $31.3 million in cash, subject to a post-closing adjustment. We anticipate paying additional consideration of $0.4 million to the sellers in 2019. Unaflex is a leading manufacturer of expansion joints and related products for process industries. This acquisition complemented our existing Fluid-Handling product line within our Papermaking Systems segment.

On July 5, 2017, we acquired the forest products business of NII FPG Company (NII FPG) pursuant to a Stock and Asset Purchase Agreement dated May 24, 2017, for $170.8 million, net of cash acquired. NII FPG is a global leader in the design and manufacture of equipment used by sawmills, veneer mills, and other manufacturers in the forest products industry. NII FPG also designs and manufactures logging equipment used in harvesting timber from forest plantations. This acquisition extended our presence deeper into the forest products industry and has complemented our existing Wood Processing Systems segment.

2016 Acquisition

On April 4, 2016, we acquired all the outstanding shares of RT Holding GmbH, the parent corporation of a group of companies known as the PAALGROUP (PAAL), for approximately 49.7 million euros, net of cash acquired, or approximately $56.6 million. We paid additional consideration of $0.2 million to the sellers in 2017. PAAL, which has operations in Germany, the United Kingdom, France and Spain, manufactures balers and related equipment used in the processing of recyclable and waste materials. This acquisition, which is included in our Papermaking Systems segment's Stock-Preparation product line, broadened our product portfolio and extended our presence deeper into recycling and waste management.

International Sales

Approximately 63% in 2018 and 65% in 2017 of our sales were to customers outside the United States, mainly in Europe, Asia and Canada. We generally seek to charge our customers in the same currency in which our operating costs are incurred. However, our financial performance and competitive position can be affected by currency exchange rate fluctuations affecting the relationship between the U.S. dollar and foreign currencies. We seek to reduce our exposure to currency fluctuations through the use of forward currency exchange contracts. We may enter into forward contracts to hedge certain firm purchase and sale commitments denominated in currencies other than our subsidiaries' functional currencies. We currently do not use derivative instruments to hedge our exposure to exchange rate fluctuations created by the translation into the U.S. dollar of our foreign subsidiaries' results that are in functional currencies other than the U.S. dollar.

Application of Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of our consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Our actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that entail significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that our most critical accounting policies upon which our financial position depends, and which involve the most complex or subjective decisions or assessments, are those described below. For a discussion on the application of these and other accounting policies, see Note 1 to the consolidated financial statements.

Revenue Recognition. We recognize revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, as performance obligations are satisfied. In 2018, 91% of our revenue was recognized at a point in time for each performance obligation under the contract when the customer obtained control of the goods or service. The majority of our parts and consumables products and capital products with minimal customization are accounted for at a point in time. The remaining 9% of our revenue in 2018 was recognized on an over time basis based on an input method that compares the costs incurred to date to the total expected costs required to satisfy the performance obligation. Contracts are accounted for on an over time basis when they include products which have no alternative use and an enforceable right to payment over time. The majority of the contracts recognized on an over time basis are for large capital projects within our Stock-Preparation product line and, to a lesser extent, our Fluid-Handling and Doctoring, Cleaning, & Filtration product lines. These projects are highly customized for the customer and, as a result, would include a significant cost to rework in the event of cancellation.

The transaction price is typically based on the amount billed to the customer and includes estimated variable consideration where applicable. Such variable consideration relates to certain performance guarantees and rights to return the product. We estimate variable consideration as the most likely amount to which we expect to be entitled based on the terms of the contracts with customers and historical experience, where relevant. For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative stand-alone selling price.

Our contracts covering the sale of our products include warranty provisions that provide assurance to our customers that the products will comply with agreed-upon specifications. We negotiate the terms regarding warranty coverage and length of warranty depending on the products and applications.

Income Taxes. The 2017 Tax Act was signed into law on December 22, 2017 and its provisions are generally effective for tax years beginning January 1, 2018. The most significant impacts of the 2017 Tax Act to us include a decrease in the federal corporate income tax rate from 35% to 21% and a one-time mandatory transition tax on deemed repatriation of previously tax-deferred and unremitted foreign earnings. On December 22, 2017, the SEC staff issued SAB 118 to provide guidance on accounting for the 2017 Tax Act’s impact. In accordance with SAB 118, we recorded a provisional net income tax expense of $7.5 million, including the impact of state taxes, in the fourth quarter of 2017, which consisted of a provisional amount of the one-time mandatory transition tax of $10.3 million, offset in part by a provisional net tax benefit of $2.8 million for the remeasurement of our deferred income tax assets and liabilities at the 21% federal corporate income tax rate. During

2018, we completed our accounting for the 2017 Tax Act under the SAB 118 guidance and recorded a net reduction of $0.1 million to the 2017 provisional amount related to the one-time mandatory transition tax.

While the 2017 Tax Act provides for a territorial tax system, beginning in 2018, it includes two new U.S. tax base erosion provisions, GILTI and BEAT. We have elected to account for the GILTI tax in the period in which it is incurred and, therefore, have not provided the deferred income tax impact of GILTI in our consolidated financial statements. In addition, we do not expect to be subject to the minimum tax pursuant to the BEAT provisions.

We operate in numerous countries under many legal forms and, as a result, are subject to the jurisdiction of numerous domestic and non-U.S. tax authorities, as well as to tax agreements and treaties among these governments. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and available tax credits. Changes in tax laws, regulations, agreements and treaties, currency-exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact upon the amount of current and deferred tax balances and our results of operations.

We estimate the degree to which our deferred tax assets on deductible temporary differences and tax loss or credit carryforwards will result in an income tax benefit based on the expected profitability by tax jurisdiction, and we provide a valuation allowance for these deferred tax assets if it is more likely than not that they will not be realized in the future. If it were to become more likely than not that these deferred tax assets would be realized, we would reverse the related valuation allowance. Our tax valuation allowance was $9.9 million at year-end 2018. Should our actual future taxable income by tax jurisdiction vary from our estimates, additional valuation allowances or reversals thereof may be necessary. When assessing the need for a valuation allowance in a tax jurisdiction, we evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. As part of this evaluation, we consider our cumulative three-year history of earnings before income taxes, taxable income in prior carryback years, future reversals of existing taxable temporary differences, prudent and feasible tax planning strategies, and expected future results of operations. At year-end 2018, we continued to maintain a valuation allowance in the United States against certain of our state operating loss carryforwards due to the uncertainty of future profitability in these state jurisdictions in the United States. At year-end 2018, we maintained valuation allowances in certain foreign jurisdictions because of the uncertainty of future profitability. In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. It is our policy to provide for uncertain tax positions and the related interest and penalties based upon our assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At year-end 2018, we believe that we have appropriately accounted for any liability for unrecognized tax benefits. To the extent we prevail in matters for which a liability for an unrecognized tax benefit is established or are required to pay amounts in excess of the liability, our effective tax rate in a given financial statement period may be affected.

We intend to repatriate the distributable reserves of select foreign subsidiaries back to the United States, and during 2018, we recorded $0.8 million of net tax expense associated with these foreign earnings that we plan to repatriate in 2019. Except for these select foreign subsidiaries, we intend to reinvest indefinitely the earnings of our international subsidiaries in order to support the current and future capital needs of their operations, including the repayment of our foreign debt.

Valuation of Goodwill and Intangible Assets. We evaluate the recoverability of goodwill and indefinite-lived intangible assets as of the end of each fiscal year, or more frequently if events or changes in circumstances, such as a significant decline in sales, earnings, or cash flows, or material adverse changes in the business climate, indicate that the carrying value of an asset might be impaired.

At year-end 2018, we performed a quantitative impairment analysis (Step 1) on our goodwill and indefinite-lived intangible assets and determined that the assets were not impaired.

Intangible assets subject to amortization are evaluated for impairment if events or changes in circumstances indicate that the carrying value of an asset might be impaired. No indicators of impairment were identified in 2018.

We use assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets, which represent a significant portion of the purchase price in many of our acquisitions, requires the use of significant judgment regarding the fair value; and whether such intangibles are amortizable or non-amortizable and, if amortizable, the period and the method by which the intangible asset will be amortized. We estimate the fair value of acquisition-related intangible assets principally based on projections of cash flows that will arise from identifiable intangible assets of acquired businesses. The projected cash flows are discounted to determine the present value of the assets at the date of acquisition. Our judgments and assumptions regarding the determination of the fair value of an intangible asset or goodwill associated with an acquired business could change as future events impact such fair values. A prolonged economic downturn, weakness in demand for our products, especially capital equipment products, or contraction in capital spending by customers, including paper companies, lumber mills, sawmills or OSB manufacturers in our key markets could negatively affect the revenue and profitability assumptions used in our assessment of goodwill and intangible assets, which could result in impairment charges. Any future impairment loss could have a material adverse effect on our long-term assets and operating expenses in the period in which an impairment is determined to exist.

Inventories. We value our inventory at the lower of the actual cost (on a first-in, first-out; or weighted average basis) or net realizable value and include materials, labor, and manufacturing overhead. We regularly review inventory quantities on

hand and compare these amounts to historical and forecasted usage of and demand for each particular product or product line. We record a charge to cost of revenues for excess and obsolete inventory to reduce the carrying value of the inventories to net realizable value. Inventory write-downs have historically been within our expectations and the provisions established. A significant decrease in demand for our products could result in an increase in the amount of excess inventory quantities on hand, resulting in a charge for the write-down of that inventory in that period. In addition, our estimates of future product usage or demand may prove to be inaccurate, resulting in an understated or overstated provision for excess and obsolete inventory. Therefore, although we make every effort to ensure the accuracy of our forecasts of future product usage and demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and our reported operating results.

Pension and Other Post-Retirement Benefits. Through year-end 2018, we sponsored a noncontributory defined benefit retirement plan for eligible employees at one of our U.S. divisions and our corporate office (Retirement Plan). Our unfunded benefit obligation related to the Retirement Plan was $1.0 million, the unrecognized actuarial loss was $3.2 million, and the fair value of plan assets was $28.7 million at year-end 2018. In addition, we also maintained a restoration plan for certain executive officers (Restoration Plan), which fully supplemented benefits lost under the Retirement Plan as a consequence of applicable Internal Revenue Service limits and restored benefits for the limitation of years of service under the Retirement Plan. The unfunded benefit obligation related to the Restoration Plan was $2.4 million at year-end 2018. In October 2018, our board of directors and its compensation committee approved amendments to freeze and terminate the Retirement Plan and the Restoration Plan effective as of year-end 2018. As a result, we incurred a curtailment loss in the fourth quarter of 2018 of $1.4 million in connection with such terminations. Procedures for plan settlement will be initiated once the plan termination satisfies certain regulatory requirements, which is expected to occur in late 2019 or early 2020. At the settlement date, we will recognize a loss based on the difference between the unrecognized actuarial loss, unfunded benefit obligation, and any additional cash required to be paid. We expect to settle the unfunded benefit obligation under the Restoration Plan in 2020.

Several of our U.S. and non-U.S. subsidiaries also sponsor defined benefit pension and other post-retirement benefit plans with an aggregate unfunded benefit obligation of $4.2 million and a fair value of plan assets of $0.8 million at year-end 2018. The cost and obligations of these arrangements are calculated using many assumptions to estimate the benefits that the employee earns while working, the amount of which cannot be completely determined until the benefit payments cease. Assumptions are determined based on Company data and appropriate market indicators in consultation with third-party actuaries, and are evaluated each year as of the plans' measurement dates. Should any of these assumptions change, they would have an effect on net periodic benefit costs and the unfunded benefit obligation.

Industry and Business Outlook

Our products are primarily sold in global process industries and used to produce packaging, OSB, lumber, and tissue, among other products. For 2018, major markets for our products were as follows:

Packaging

Approximately 37% of our revenue was from the sale of products that support packaging grades. Consumption of packaging, which is primarily comprised of containerboard and boxboard, is driven by many factors, including regional economic conditions, consumer spending on non-durable goods, usage levels of e-commerce, demand for food and beverage packaging, and greater urbanization in developing regions. The growth of e-commerce is expected to continue to increase demand for packaging grades used to make boxes. Since we have extended our expertise in fluid handling to the corrugating market in which boxes are produced, this business is starting to experience growth in this market. For balers and related equipment, demand is generally driven by rising standards of living and population growth, shortage and costs of landfilling, increasing recycling rates, and environmental regulation.

Wood Processing

Approximately 24% of our revenue was from sales to manufacturers in the wood processing industries, including lumber mills, engineered wood panel producers, and sawmills, that use debarkers, stranders, and related equipment to prepare logs to be converted into OSB or lumber, and use harvesting equipment to cut, gather, and remove timber from forest plantations. Demand for OSB and lumber is primarily tied to new home construction and home remodeling in all markets we serve. In addition, OSB is used in industrial applications such as crates, bed liners for shipping containers, and furniture. The majority of OSB and lumber demand is in North America, as houses built in North America are more often constructed of wood compared to those in other parts of the world.

Tissue and Other Paper

Approximately 12% of our revenue was from the sale of products that support tissue and other paper grades. Consumption of tissue is fairly stable and in the developed world tends to grow with the population. For both packaging and tissue, growth rates in the developing world are expected to increase as per capita consumption of paper products increases with rising standards of living.

Printing, Writing and Newsprint

Approximately 11% of our revenue was related to products used to produce printing and writing paper grades as well as newsprint, the demand for which has been negatively affected by the development and increased use of digital media. We expect the decline in the use of printing and writing and newsprint paper grades to continue due to the use of digital media.

Other

Our remaining revenue was from sales to other process industries, which tend to grow in line with the overall economy. These industries include metals, food and beverage, chemical, petrochemical, and energy, among others.

Bookings

Our bookings increased 29% to $670 million in 2018 compared with $521 million in 2017. Bookings in the 2018 period included a $78 million, or 15%, increase resulting from our acquisitions and a $6 million, or 1%, increase from the favorable effect of foreign currency translation. Excluding the impact of the acquisitions and the favorable effect of foreign currency translation, our bookings in 2018 increased 12% compared with 2017, primarily due to strong demand for our products in North America and China. Bookings for our capital equipment tend to be variable and are dependent on regional economic conditions and the level of capital spending by our customers, among other factors. By comparison, demand for our parts and consumables products tends to be more predictable. We believe our large installed base provides us with a relatively stable parts and consumables business that yields higher margins than our capital equipment business. Bookings for our parts and consumables products increased to $379 million in 2018, or 56% of total bookings, compared with $314 million, or 60% of total bookings, in 2017.

Bookings by geographic region are as follows:

North America

The largest and most impactful regional market for our products in 2018 was North America, and we expect this to continue in 2019. Our bookings in North America increased 39% to $325 million in 2018 compared with $234 million in 2017, including bookings of $56 million from our acquisitions and an unfavorable foreign currency translation effect of $1 million. Healthy demand for containerboard supported the relatively large amount of capacity that came online in 2018. Demand for corrugated packaging and carton board led to U.S. packaging mills operating at a 97% average rate in 2018. With packaging making up the largest portion of our revenue, in 2018 we benefited from strong demand, driven in part by e-commerce shipments and the healthy financial position of our customers. According to a Fastmarkets RISI PPI Pulp & Paper Week report, U.S. box makers report stable demand going into 2019 as linerboard prices are holding while export levels are beginning to fall. The strength of the U.S. housing market has led to continued bookings growth in our Wood Processing product line in 2018 compared with the 2017 period. We expect to see long-term strength in this market as long as home ownership among millennials continues to increase, along with higher employment and limited inventory for new housing. Notwithstanding the strength of this market in 2018, U.S. housing starts are now under some pressure, with affordability being noted by industry analysts as a major factor.

Europe

European packaging producers are operating in a favorable environment with low fiber costs and stable demand and prices. While the European economy continued to show strength, some areas, such as Germany and Italy, were weaker while others, such as Eastern Europe and Russia, were stronger. Our bookings in Europe increased 21% to $185 million in 2018 compared with $153 million in 2017, including a $16 million increase from our acquisitions and a favorable foreign currency translation effect of $5 million.

Asia

Our bookings in Asia increased 15% to $107 million in 2018 compared with $93 million in 2017, including bookings from our acquisitions of $1 million and a favorable foreign currency translation effect of $3 million. While the trade issues between China and the United States are ongoing, uncertainty in future demand for packaging in the region, as well as fiber shortages due to waste paper import restrictions have impacted new capacity additions. Furthermore, the capacity buildout in Southeast Asia experienced during 2018 has recently slowed, as there is uncertainty regarding the willingness of these countries to accept the imported waste paper for processing. Although project activity in China’s paper industry has slowed, there continues to be strong interest in OSB projects in China. OSB is a relatively new product in China, and due to its cost advantages, it is well-positioned to displace plywood used in furniture, crates, and sub-flooring. We are currently seeing healthy project activity for new OSB capacity, which may offset some of the weakness in demand from linerboard manufacturers.

Rest of World

Our bookings in the rest of the world increased 30% to $53 million in 2018 compared with $41 million in 2017, including bookings from our acquisitions of $6 million and an unfavorable foreign currency translation effect of $2 million, primarily due to a large stock-preparation order from a customer in Argentina. Geopolitical conditions in South America, particularly in Brazil, continue to create economic issues, leading to uncertainty and a constrained capital investment environment.

Guidance Issued on February 13, 2019

We expect to achieve full-year diluted earnings per share (EPS) of $4.75 to $4.90 on revenue of $700 million to $710 million in 2019. The 2019 guidance includes pre-tax acquisition costs of $0.9 million, or $0.07 per diluted share, pre-tax amortization expense associated with acquired profit in inventory of $4.1 million, or $0.29 per diluted share, and pre-tax amortization expense associated with acquired backlog of $1.2 million, or $0.09 per diluted share. The 2019 guidance includes a negative effect from foreign currency translation, which lowers revenue expectations by $16 million and diluted EPS by $0.21.

For the first quarter of 2019, we expect to achieve diluted EPS of $0.77 to $0.83 on revenue of $160 million to $165 million. The first quarter of 2019 guidance includes pre-tax acquisition costs of $0.9 million, or $0.07 per diluted share, pre-tax amortization expense associated with acquired profit in inventory of $2.8 million, or $0.20 per diluted share, and pre-tax amortization expense associated with acquired backlog of $1.0 million, or $0.07 per diluted share.

Results of Operations

2018 Compared to 2017

Revenues

The following table presents changes in revenues by segment and product line between 2018 and 2017, and the changes in revenues by segment and product line between 2018 and 2017 excluding the effect of currency translation and acquisitions. Currency translation is calculated by converting 2018 revenues in local currency into U.S. dollars at 2017 exchange rates and then comparing this result to actual revenues in 2018. The presentation of the changes in revenues excluding the effect of currency translation and acquisitions is a non-GAAP measure. We believe this non-GAAP measure helps investors gain an understanding of our underlying operations consistent with how management measures and forecasts its performance, especially when comparing such results to prior periods. This non-GAAP measure should not be considered superior to or a substitute for the corresponding GAAP measures.

(In thousands)	December 29, 2018	December 30, 2017	Increase	Currency Translation	Acquisitions	(Non-GAAP) Adjusted Increase
Stock-Preparation	$ 221,933	$ 193,838	$ 28,095	$ 4,207	$ —	$ 23,888
Fluid-Handling	131,830	104,136	27,694	638	12,247	14,809
Doctoring, Cleaning, & Filtration	116,136	109,631	6,505	(99)	—	6,604
Papermaking Systems	469,899	407,605	62,294	4,746	12,247	45,301
Wood Processing Systems	151,366	95,053	56,313	(2,130)	52,310	6,133
Fiber-based Products	12,521	12,375	146	—	—	146
	$ 633,786	$ 515,033	$ 118,753	$ 2,616	$ 64,557	$ 51,580

Papermaking Systems Segment

Revenues from our Papermaking Systems segment increased $62.3 million, or 15%, to $469.9 million in 2018 from $407.6 million in 2017, including $12.2 million from the inclusion of revenue from acquisitions and a $4.7 million increase from the favorable effect of foreign currency translation. Excluding acquisitions and the favorable effect of foreign currency translation, revenues increased $45.3 million, or 11%, as explained in the product line discussions below.

Revenues from our Stock-Preparation product line in 2018 increased $28.1 million, or 14%, compared to 2017, including $4.2 million from the favorable effect of foreign currency translation. Excluding the favorable effect of foreign currency translation, revenues increased $23.9 million, or 12%, compared to 2017, primarily due to increased demand for our capital equipment at our Chinese and North American operations.

Revenues from our Fluid-Handling product line in 2018 increased $27.7 million, or 27%, compared to 2017, due to the inclusion of $12.2 million in revenues from acquisitions, principally Unaflex, and a $0.6 million increase from the favorable effect of foreign currency translation. Excluding acquisitions and the favorable effect of foreign currency translation, revenues increased $14.8 million, or 14%, primarily due to increased demand for our capital equipment at our North American

operations, and to a lesser extent, a full third quarter of revenues in 2018 related to our acquisition of Unaflex, and increased demand for our parts and consumables products.

Revenues from our Doctoring, Cleaning, & Filtration product line in 2018 increased $6.5 million, or 6%, compared to 2017, including a $0.1 million decrease from the unfavorable effect of foreign currency translation, primarily due to increased worldwide demand for our parts and consumables products, and to a lesser extent, increased demand for our capital equipment at our Chinese operation.

Wood Processing Systems Segment

Revenues from our Wood Processing Systems segment increased $56.3 million to $151.4 million in 2018 from $95.1 million in 2017, principally due to the inclusion of $52.3 million in revenues from an acquisition, offset in part by a $2.1 million unfavorable effect of foreign currency translation. Excluding the acquisition and the unfavorable effect of foreign currency translation, revenues increased $6.1 million, or 6%, primarily due to increased overall demand at our North American operations, including growth in sales to our Chinese OSB customers.

Fiber-based Products

Revenues from our Fiber-based Products business were essentially flat at $12.5 million in 2018 as compared with $12.4 million in 2017.

Gross Profit Margin

Gross profit margins for 2018 and 2017 were as follows:

	December 29, 2018	December 30, 2017
Papermaking Systems	44.9%	46.7%
Wood Processing Systems	40.3%	36.3%
Fiber-based Products	50.8%	51.2%
	43.9%	44.9%

Papermaking Systems Segment

The gross profit margin in our Papermaking Systems segment decreased to 44.9% in 2018 from 46.7% in 2017. This decrease was primarily due to a decrease in the proportion of higher-margin parts and consumables revenues, and to a lesser extent, the inclusion for a full year of businesses acquired in 2017.

Wood Processing Systems Segment

The gross profit margin in our Wood Processing Systems segment increased to 40.3% in 2018 from 36.3% in 2017 primarily due to the amortization in 2017 of $5.0 million of acquired profit in inventory related to the acquisition of our forest products business, offset in part by the inclusion of a full year of lower gross profit margins in 2018 from our timber harvesting product line acquired in 2017 as part of the forest products business.

Fiber-based Products

The gross profit margin in our Fiber-based Products business was relatively flat at 50.8% in 2018 as compared with 51.2% in 2017.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses for 2018 and 2017 were as follows:

(In thousands)	December 29, 2018	December 30, 2017	Increase
Papermaking Systems	$ 117,680	$ 109,402	$ 8,278
Wood Processing Systems	27,534	23,093	4,441
Corporate and Other	32,200	27,261	4,939
	$ 177,414	$ 159,756	$ 17,658

SG&A expenses as a percentage of revenues decreased to 28% in 2018 from 31% in 2017 due to the inclusion of $5.2 million of incremental acquisition-related costs in the 2017 period, as well as improved operating leverage as a result of our

2017 acquisitions, which have a relatively lower percentage of SG&A expenses as a percentage of revenues compared with our existing product lines. The additional revenue from the 2017 acquisitions also helped to leverage our corporate SG&A expense. SG&A expenses increased $17.7 million, or 11%, to $177.4 million in 2018 from $159.8 million in 2017 primarily due to the inclusion of $14.1 million of incremental SG&A expenses from our acquisitions and a $1.2 million unfavorable effect from foreign currency translation.

Papermaking Systems Segment

SG&A expenses increased $8.3 million to $117.7 million in 2018 from $109.4 million in 2017 primarily due to the inclusion of $4.6 million of incremental SG&A expenses in 2018 from 2017 acquisitions and a $1.6 million unfavorable effect from foreign currency translation. Also contributing to the increase in 2018 were incremental SG&A expenses of $0.9 million related to facility consolidation costs.

Wood Processing Systems Segment

SG&A expenses increased $4.4 million to $27.5 million in 2018 from $23.1 million in 2017 primarily due to the inclusion of $10.4 million of incremental SG&A expenses in 2018 from a 2017 acquisition, offset in part by $6.0 million of incremental acquisition-related costs in 2017 and a $0.4 million favorable effect from foreign currency translation.

Corporate and Other

SG&A expenses increased $4.9 million to $32.2 million in 2018 from $27.3 million in 2017 primarily due to increased compensation expense and $1.3 million of acquisition costs related to the acquisition of SMH completed in 2019.

Research and Development Expenses

Research and development expenses, which represented 2% of revenues in both periods, increased $1.0 million to $10.6 million in 2018 from $9.6 million in 2017 largely due to the inclusion of research and development expenses from acquisitions.

Restructuring Costs and Other Income

Restructuring costs in 2018 of $1.7 million related to the integration of our U.S. and Swedish papermaking stock-preparation product lines in our Papermaking Systems segment into a newly-constructed manufacturing facility in the United States to achieve economies of scale and greater efficiencies, including $1.3 million of costs for the relocation of machinery and equipment and administrative offices and $0.4 million primarily associated with employee retention costs and abandonment of excess facility and other closure costs. Restructuring costs in 2017 of $0.2 million were associated with severance costs for the reduction of employees in the United States and Sweden related to the restructuring described above.

Interest Expense

Interest expense increased $3.5 million to $7.0 million in 2018 from $3.5 million in 2017 primarily due to interest expense on additional borrowings for acquisitions completed in the second half of 2017, and to a lesser extent, higher interest rates in 2018 compared with 2017. We expect interest expense to increase significantly in 2019 as a result of the $180.0 million borrowed in early January 2019 to fund our SMH acquisition.

Other Expense, Net

Other expense, net consists of the expense related to the non-service component of our pensions and other post-retirement plans. The 2018 period includes a curtailment loss of $1.4 million related to the freeze and termination of our Retirement and Restoration plans. The termination of the Retirement and Restoration Plans is expected to result in a reduction in average annual net periodic benefit costs of approximately $1.6 million once the plan settlements are complete.

Provision for Income Taxes

Our provision for income taxes was $18.5 million in 2018 and $26.1 million in 2017, and represented 23% and 45% of pre-tax income, respectively. The effective tax rate of 23% in 2018 was higher than our statutory rate of 21% primarily due to the distribution of our worldwide earnings and tax expense associated with the GILTI provisions of the 2017 Tax Act (see Note 5, Income Taxes, to the consolidated financial statements included in this Annual Report on Form 10-K). This incremental tax expense was offset in part by a decrease in tax related to the reversal of tax reserves associated with uncertain tax positions and the net excess income tax benefits from stock-based compensation arrangements. The effective tax rate of 45% in 2017 was higher than our statutory rate of 35% primarily due to tax expense associated with the enactment of the 2017 Tax Act, foreign income and withholding taxes on foreign earnings not permanently reinvested, and tax expenses associated with unrecognized

tax benefits and non-deductible expenses. This incremental tax expense was offset in part by tax benefits resulting from the distribution of our worldwide earnings.

Net Income

Net income increased $29.4 million, or 93%, to $61.0 million in 2018 from $31.6 million in 2017 due to an increase of $27.0 million in operating income and a decrease in provision for income taxes of $7.6 million, offset in part by an increase in interest expense of $3.5 million and a non-operating curtailment loss of $1.4 million (see discussions above for further details).

Recent Accounting Pronouncements

See Note 1, under the heading "Recent Accounting Pronouncements," to our consolidated financial statements included in this Annual Report on Form 10-K for more information on recently implemented and issued accounting standards.

2017 Compared to 2016

Revenues

The following table presents changes in revenues by segment and product line between 2017 and 2016, and the changes in revenues by segment and product line between 2017 and 2016 excluding the effect of currency translation and acquisitions. Currency translation is calculated by converting 2017 revenues in local currency into U.S. dollars at 2016 exchange rates and then comparing this result to actual revenues in 2017. The presentation of the changes in revenues excluding the effect of currency translation and acquisitions is a non-GAAP measure. We believe this non-GAAP measure helps investors gain an understanding of our underlying operations consistent with how management measures and forecasts its performance, especially when comparing such results to prior periods. This non-GAAP measure should not be considered superior to or a substitute for the corresponding GAAP measures.

(In thousands)	December 30, 2017	December 31, 2016	Increase	Currency Translation	Acquisitions	(Non-GAAP) Adjusted Increase
Stock-Preparation	$ 193,838	$ 171,378	$ 22,460	$ 1,829	$ 13,311	$ 7,320
Doctoring, Cleaning, & Filtration	109,631	105,938	3,693	20	—	3,673
Fluid-Handling	104,136	89,145	14,991	1,044	7,731	6,216
Papermaking Systems	407,605	366,461	41,144	2,893	21,042	17,209
Wood Processing Systems	95,053	36,850	58,203	954	48,363	8,886
Fiber-based Products	12,375	10,815	1,560	—	—	1,560
	$ 515,033	$ 414,126	$ 100,907	$ 3,847	$ 69,405	$ 27,655

Papermaking Systems Segment

Revenues from our Papermaking Systems segment increased $41.1 million, or 11%, to $407.6 million in 2017 from $366.5 million in 2016, including $21.0 million from the inclusion of revenue from acquisitions and a $2.9 million increase from the favorable effect of foreign currency translation. Excluding acquisitions and the favorable effect of foreign currency translation, revenues increased $17.2 million, or 5%, as explained in the product line discussions below.

Revenues from our Stock-Preparation product line in 2017 increased $22.5 million, or 13%, compared to 2016, due to the inclusion of $13.3 million of revenues in the first quarter of 2017 from an acquisition, and $1.8 million from the favorable effect of foreign currency translation. Excluding the incremental revenues from the acquisition and the favorable effect of foreign currency translation, revenues increased $7.3 million, or 4%, compared to 2016, primarily due to increased demand for our products at our Chinese operations, offset in part by decreased demand for our products at our North American operations.

Revenues from our Doctoring, Cleaning, & Filtration product line in 2017 increased $3.7 million, or 3%, compared to 2016 primarily due to increased demand for our parts and consumables products.

Revenues from our Fluid-Handling product line in 2017 increased $15.0 million, or 17%, compared to 2016, due to the inclusion of $7.7 million in revenues from acquisitions, principally Unaflex, and a $1.0 million increase from the favorable effect of foreign currency translation. Excluding acquisitions and the favorable effect of foreign currency translation, revenues increased $6.2 million, or 7%, largely due to increased demand for our parts and consumables products primarily at our North American and European operations, and to a lesser extent, increased demand for our capital equipment at our European operations.

Wood Processing Systems Segment

Revenues from our Wood Processing Systems segment increased $58.2 million to $95.1 million in 2017 from $36.9 million in 2016, principally due to the inclusion of $48.4 million in revenues from an acquisition, and $1.0 million from the favorable effect of foreign currency translation. Excluding the acquisition and the favorable effect of foreign currency translation, revenues increased $8.9 million, or 24%, primarily related to increased demand for our products due to continued strength in the U.S. housing industry.

Fiber-based Products

Revenues from our Fiber-based Products business increased $1.6 million, or 14%, to $12.4 million in 2017 from $10.8 million in 2016, primarily due to increased demand for our biodegradable granular products.

Gross Profit Margin

Gross profit margins for 2017 and 2016 were as follows:

	December 30, 2017	December 31, 2016
Papermaking Systems	46.7%	45.9%
Wood Processing Systems	36.3%	41.0%
Fiber-based Products	51.2%	46.4%
	44.9%	45.5%

Papermaking Systems Segment

The gross profit margin in our Papermaking Systems segment increased to 46.7% in 2017 from 45.9% in 2016. This increase was due to higher margins on our parts and consumables products.

Wood Processing Systems Segment

The gross profit margin in our Wood Processing Systems segment decreased to 36.3% in 2017 from 41.0% in 2016 due to the amortization of $5.0 million of acquired profit in inventory related to an acquisition, which lowered gross profit margin by over 520 basis points.

Fiber-based Products

The gross profit margin in our Fiber-based Products business increased to 51.2% in 2017 from 46.4% in 2016 due to the combined effects of increased revenues in 2017 and increased manufacturing efficiency related to higher production volumes.

Selling, General and Administrative Expenses

SG&A expenses for 2017 and 2016 were as follows:

(In thousands)	December 30, 2017	December 31, 2016	Increase
Papermaking Systems	$ 109,402	$ 103,984	$ 5,418
Wood Processing Systems	23,093	6,265	16,828
Corporate and Other	27,261	24,585	2,676
	$ 159,756	$ 134,834	$ 24,922

SG&A expenses as a percentage of revenues decreased to 31% in 2017 from 33% in 2016 due to improved operating leverage as a result of our 2017 acquisitions. SG&A expenses increased $24.9 million, or 18%, to $159.8 million in 2017 from $134.8 million in 2016 primarily due to the inclusion of $16.9 million in SG&A expenses from our acquisitions and $3.5 million of incremental acquisition transaction costs.

Papermaking Systems Segment

SG&A expenses increased $5.4 million to $109.4 million in 2017 from $104.0 million in 2016 primarily due to $5.2 million of incremental SG&A expenses from acquisitions.

Wood Processing Systems Segment

SG&A expenses increased $16.8 million to $23.1 million in 2017 from $6.3 million in 2016 primarily due to $11.7 million from the inclusion of SG&A expenses from an acquisition and $4.8 million of acquisition transaction costs.

Corporate and Other

SG&A expenses increased $2.7 million to $27.3 million in 2017 from $24.6 million in 2016 primarily due to an increase of $2.6 million in incentive compensation expense resulting from improved operating results.

Research and Development Expenses

Research and development expenses, which represented 2% of revenues in both periods, increased $2.2 million to $9.6 million in 2017 from $7.4 million in 2016 largely due to the inclusion of research and development expenditures in businesses acquired during 2017.

Restructuring Costs and Other Income

Restructuring costs in 2017 of $0.2 million were associated with severance costs for the reduction of employees in the United States and Sweden. In 2017, we constructed a 160,000 square foot manufacturing facility in the United States, and in 2018, integrated our U.S. and Swedish stock-preparation product lines in our Papermaking Systems segment into that facility.

Other income in 2016 included a pre-tax gain of $0.3 million related to the sale of real estate in Sweden for cash proceeds of $0.4 million.

Interest Expense

Interest expense increased $2.2 million to $3.5 million in 2017 from $1.3 million in 2016 primarily due to interest expense on additional borrowings for acquisitions completed in the second half of 2017.

Other Expense, Net

Other expense, net consists of the expense related to the non-service component of our pensions and other post-retirement benefit plans.

Provision for Income Taxes

Our provision for income taxes was $26.1 million in 2017 and $12.1 million in 2016, and represented 45% and 27% of pre-tax income. The effective tax rate of 45% in 2017 was higher than our statutory rate of 35% primarily due to tax expense associated with the enactment of the 2017 Tax Act, foreign income and withholding taxes on foreign earnings not permanently reinvested, and tax expenses associated with unrecognized tax benefits and non-deductible expenses. This incremental tax expense was offset in part by tax benefits resulting from the distribution of our worldwide earnings. The effective tax rate of 27% in 2016 was lower than our statutory tax rate of 35% primarily due to the distribution of our worldwide earnings and a favorable adjustment for the net excess income tax benefits from stock-based compensation arrangements, offset in part by tax expense associated with an increase in nondeductible expenses.

Net Income

Net income decreased $0.9 million, or 3%, to $31.6 million in 2017 compared to $32.5 million in 2016 primarily due to increases of $14.0 million in our provision for income taxes and $2.3 million in our interest expense that were mostly offset by a $15.0 million increase in our operating income (see discussions above for further details).

Liquidity and Capital Resources

Consolidated working capital was $123.8 million at year-end 2018 and $133.8 million at year-end 2017. Included in working capital were cash and cash equivalents of $45.8 million at year-end 2018 and $75.4 million at year-end 2017. At year-end 2018, $45.5 million of cash and cash equivalents was held by our foreign subsidiaries.

Cash Flows

2018

Our operating activities provided cash of $63.0 million in 2018 primarily due to cash generated by our operating subsidiaries from product sales, which is largely represented within operating cash flows in net income, excluding non-cash charges for depreciation and amortization and stock-based compensation. Aside from cash generated from items which

impacted net income, operating cash flows were also impacted by changes in working capital due to the timing of cash receipts and payments. Our strong bookings performance in the first half of 2018 resulted in a large number of capital projects either in progress or completed and shipped in the second half of the year, which led to a net cash outflow of $13.6 million related to increases in accounts receivable and inventory, as well as an $11.4 million increase in unbilled revenues that will be collected in 2019. We had a decrease of $11.9 million in other current liabilities primarily from a decrease in accrued income taxes as a result of tax payments, and to a lesser extent, a decrease in customer deposits.

Our investing activities used cash of $16.4 million in 2018 primarily related to purchases of property, plant, and equipment, including $6.4 million to complete the construction of a manufacturing facility in the United States.

Our financing activities used cash of $74.2 million in 2018. We used cash of $109.6 million for principal payments on our outstanding debt obligations, $9.6 million for cash dividends paid to stockholders, and $3.9 million for tax withholding payments related to stock-based compensation. These uses of cash were partially offset by proceeds received from borrowings of $21.0 million under our Real Estate Loan, $19.1 million under our Credit Agreement, and $10.0 million from the issuance of our senior notes issued pursuant to the Note Purchase Agreement.

2017

Our operating activities provided cash of $65.2 million in 2017 primarily due to cash generated by our operating subsidiaries from product sales, which is largely represented within operating cash flows in net income, excluding non-cash charges for depreciation and amortization and stock-based compensation. Aside from cash generated from items which impacted net income, operating cash flows were also impacted by changes in working capital due to the timing of cash receipts and payments. We had an increase in accounts receivable of $10.9 million in 2017 due to increased project activity. We also had an increase in other current liabilities of $16.1 million largely related to cash received from customer deposits and advanced billings.

Our investing activities used cash of $221.9 million in 2017 primarily related to $204.7 million for acquisitions, net of cash acquired, and $17.3 million for purchases of property, plant, and equipment.

Our financing activities provided cash of $150.5 million in 2017. We borrowed $232.0 million under our Credit Agreement, including $70.7 million of Canadian dollar-denominated and $61.8 million of euro-denominated borrowings. These borrowings were partially offset by $67.7 million of principal payments on our outstanding debt obligations, $9.0 million of cash dividends paid to stockholders, and $2.2 million of tax withholding payments related to stock-based compensation.

2016

Our operating activities provided cash of $51.0 million in 2016 primarily due to cash generated by our operating subsidiaries from product sales, which is largely represented within operating cash flows in net income, excluding non-cash charges for depreciation and amortization and stock-based compensation. Aside from cash generated from items which impacted net income, operating cash flows were also impacted by changes in working capital due to the timing of cash receipts and payments. We had a $5.2 million decrease in accounts payable primarily due to reduced project activity in our Stock-Preparation product line and a $4.1 million decrease in other current liabilities primarily related to decreases in accrued income taxes and advanced billings. We had decreases of $4.4 million in unbilled revenues and accounts receivable and $3.6 million in inventory primarily related to reduced project activity in our Stock-Preparation product line in 2016.

Our investing activities used cash of $62.0 million in 2016 that primarily related to $56.6 million for an acquisition, net of cash acquired, and $5.8 million for purchases of property, plant, and equipment.

Our financing activities provided cash of $23.5 million in 2016. We borrowed $51.0 million under our Credit Agreement, and received $2.4 million from employee stock option exercises. These sources of cash were offset in part by $18.4 million of principal payments on our outstanding debt obligations, of which $5.3 million related to the repayment of our then existing commercial real estate loan, $8.0 million of cash dividends paid to stockholders, and $2.6 million of tax withholding payments related to stock-based compensation. In addition, we paid $1.1 million of contingent consideration related to a prior period acquisition.

Additional Liquidity and Capital Resources

On January 2, 2019, we acquired SMH for approximately $179 million, subject to certain customary adjustments. In connection with the acquisition, we borrowed $180 million under our Credit Agreement.

On May 16, 2018, our board of directors authorized the repurchase of up to $20 million of our equity securities during the period from May 16, 2018 to May 16, 2019. We have not purchased any shares of our common stock under this authorization or under the previous authorization, which expired on May 17, 2018.

We paid quarterly cash dividends totaling $9.6 million in 2018. In addition, on February 6, 2019, we paid a quarterly cash dividend totaling $2.4 million that was declared on December 4, 2018. Future declarations of dividends are subject to our board of directors' approval and may be adjusted as business needs or market conditions change. The declaration of cash dividends is subject to our compliance with the consolidated leverage ratio contained in our Credit Agreement.

As of year-end 2018, we had cash and cash equivalents of $45.8 million, of which $45.5 million was held by our foreign subsidiaries. As of year-end 2018, we had approximately $283.9 million of total unremitted foreign earnings. It is our intent to indefinitely reinvest $272.8 million of these earnings to support the current and future capital needs of our foreign operations, including debt repayments. In 2018, we recorded $0.8 million of net tax expense on the distributable reserves in certain foreign subsidiaries that we plan to repatriate in the foreseeable future. The foreign withholding taxes that would be required if we were to remit the indefinitely reinvested foreign earnings to the United States would be approximately $4.9 million.

We plan to make expenditures of approximately $12 to $14 million during 2019 for property, plant, and equipment.

In the future, our liquidity position will be primarily affected by the level of cash flows from operations, cash paid to satisfy principal and interest payments on our debt obligations, capital projects, dividends, stock repurchases, or acquisitions. We believe that our existing resources, together with the cash available from our credit facilities and the cash we expect to generate from operations, will be sufficient to meet the capital requirements of our current operations for the foreseeable future.

Outstanding Debt Obligations

We have a five-year, unsecured multi-currency revolving credit facility under our Credit Agreement, which provides us with a borrowing capacity of $400 million and an uncommitted unsecured incremental borrowing facility of $150 million. Borrowings under the Credit Agreement are due on December 14, 2023. Interest on borrowings outstanding accrues and is payable quarterly in arrears calculated at interest rates as defined in the Credit Agreement. The weighted average interest rate for the outstanding balance under the Credit Agreement was 3.47% as of year-end 2018.

Our obligations under the Credit Agreement may be accelerated upon the occurrence of an event of default, which includes customary events of defaults under such financing arrangements. In addition, the Credit Agreement contains negative covenants applicable to us and certain of our subsidiaries, including financial covenants requiring us to maintain a maximum consolidated leverage ratio of 3.75 to 1.00, or for the quarter during which a material acquisition occurs and for the three fiscal quarters thereafter, 4.00 to 1.00, and limitations on making certain restricted payments (including dividends and stock repurchases).

At year-end 2018, the outstanding balance under the Credit Agreement was $141.1 million and included $41.6 million of Canadian dollar-denominated borrowings and $19.5 million of euro-denominated borrowings. We had $258.9 million of borrowing capacity available under the Credit Agreement at year-end 2018, which was calculated by translating our foreign-denominated borrowings using borrowing date foreign exchange rates.

In addition, in July 2018, we borrowed $21.0 million under a Real Estate Loan which is repayable in quarterly principal installments of $0.3 million over a ten-year period with the remaining principal balance of $10.5 million due upon maturity. Interest accrues and is payable quarterly in arrears at a fixed rate of 4.45% per annum. We are not permitted to prepay any amount in the first twelve months of the term of the Real Estate Loan. Any voluntary prepayments are subject to a 2% prepayment fee if paid in the second twelve months of the term of the Real Estate Loan, and are subject to a 1% prepayment fee if paid in the third twelve months of the term of the Real Estate Loan. Thereafter, no prepayment fee will be applied to voluntary prepayment by us.

We also entered into an uncommitted, unsecured Note Purchase Agreement. Simultaneous with the execution of the Note Purchase Agreement, we issued senior promissory notes (Initial Notes) in an aggregate principal amount of $10.0 million, with a per annum interest rate of 4.90% payable semiannually, and a maturity date of December 14, 2028. We are required to prepay a portion of the principal of the Initial Notes beginning on December 14, 2023 and each year thereafter, and may optionally prepay the principal on the Initial Notes, together with any prepayment premium, at any time (in a minimum amount of $1.0 million, or the foreign currency equivalent thereof, if applicable) in accordance with the Note Purchase Agreement. The obligations of Initial Notes may be accelerated upon an event of default as defined in the Note Purchase Agreement, which includes customary events of defaults under such financing arrangements.

In accordance with the Note Purchase Agreement, we may also issue additional senior promissory notes (together with the Initial Notes, the Senior Promissory Notes) up to an additional $115.0 million until the earlier of December 14, 2021 or the thirtieth day after written notice to terminate the issuance and sale of additional notes pursuant to the Note Purchase Agreement. The Senior Promissory Notes will be *pari passu* with our indebtedness under the Credit Agreement, and any other of our senior debt, subject to certain specified exceptions, and will participate in a sharing agreement with respect to our obligations and those of our subsidiaries under the Credit Agreement. The Senior Promissory Notes are guaranteed by certain of our domestic subsidiaries pursuant to a guaranty agreement.

Sale-Leaseback Financing Arrangement

We have a sale-leaseback financing arrangement for a manufacturing facility in Germany. Under this arrangement, the quarterly lease payment includes principal, interest, and a payment to the landlord toward a secured loan receivable. The lease arrangement includes a net fixed price purchase option of $1.5 million at the end of the lease term in 2022. At year-end 2018, $4.1 million was outstanding under this capital lease obligation with an interest rate of 1.79% on the outstanding obligation.

Interest Rate Swap Agreements

We have two outstanding interest rate swap agreements. Our 2018 Swap Agreement has a $15.0 million notional value and expires on June 30, 2023 and our 2015 Swap Agreement that has a $10.0 million notional value and expires on March 27, 2020. The swap agreements hedge our exposure to movements in the three-month LIBOR rate on U.S. dollar-denominated debt and have been designated as cash flow hedges. On a quarterly basis, we receive a three-month LIBOR rate and pay a fixed rate of interest of 3.15% plus an applicable margin as defined in the Credit Agreement on the 2018 Swap Agreement and 1.50% plus an applicable margin as defined in the Credit Agreement on the 2015 Swap Agreement. The 2018 Swap Agreement is subject to a zero percent floor on the three-month LIBOR rate.

The counterparty to the swap agreements could demand an early termination of these agreements if we were to be in default under the Credit Agreement, or any agreement that amends or replaces the Credit Agreement in which the counterparty is a member, and if we were to be unable to cure the default.

Contractual Obligations and Other Commercial Commitments

The following table summarizes our known contractual obligations and commercial commitments to make future payments or other consideration pursuant to certain contracts at year-end 2018, as well as an estimate of the timing in which these obligations are expected to be satisfied. Detailed information concerning these obligations and commitments can be found in Notes 3, 5, 6 and 7 to our consolidated financial statements included in this Annual Report on Form 10-K.

	Payments Due by Period or Expiration of Commitment				
(In millions)	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**After 5 Years**	**Total**
Contractual Obligations and Other Commitments: (a)					
Letters of credit and bank guarantees	$ 15.2	$ 3.0	$ 0.1	$ —	$ 18.3
Retirement obligations on balance sheet	1.3	3.4	0.9	2.0	7.6
Long-term debt obligations	1.1	2.1	144.9	23.5	171.6
Capital lease obligations (b)	0.5	1.0	1.1	—	2.6
Operating lease obligations	4.5	5.5	2.6	1.7	14.3
Purchase obligations	0.7	0.5	—	—	1.2
Interest (c)	7.8	15.4	14.8	3.8	41.8
Other (d)	0.4	—	0.8	1.9	3.1
Total (e)	$ 31.5	$ 30.9	$ 165.2	$ 32.9	$ 260.5

(a) We have purchase obligations related to the acquisition of raw material made in the ordinary course of business that may be terminated with minimal notice and are excluded from this table.
(b) This table excludes a liability of $1.5 million related to a net fixed price purchase option exercisable in 2022.
(c) Amounts assume interest rates remain unchanged from rates at year-end 2018.
(d) Consists of an acquisition purchase-price adjustment and a U.S. transition tax obligation.
(e) This table excludes a liability for unrecognized tax benefits and an accrual for the related interest and penalties totaling $14.5 million. Due to the uncertain nature of these income tax matters, we are unable to make a reasonably reliable estimate as to if and when cash settlements with the appropriate taxing authorities will occur.

Provisions in financial guarantees or commitments, debt or lease agreements, or other arrangements could trigger a requirement for an early payment, additional collateral support, amended terms, or acceleration of maturity.

We do not have special-purpose entities nor do we use off-balance-sheet financing arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and foreign currency exchange rates, which could affect our future results of operations and financial condition. We manage our exposure to these risks through our regular operating and financing activities. We entered into the 2018 Swap Agreement and 2015 Swap Agreement to hedge a portion of our exposure to variable rate long-term debt. Additionally, we use short-term forward contracts to manage certain exposures to foreign currencies. We enter into forward currency-exchange contracts to hedge firm purchase and sale commitments denominated in currencies other than our subsidiaries' local currencies. We do not engage in extensive foreign currency hedging activities; however, the purpose of our foreign currency hedging activities is to protect our local currency cash flows related to these commitments from fluctuations in foreign exchange rates. Our forward currency-exchange contracts hedge transactions primarily denominated in U.S. dollars, Canadian dollars, euros, and Chinese renminbi. Gains and losses arising from forward

contracts are recognized as offsets to gains and losses resulting from the transactions being hedged. We do not hold or engage in transactions involving derivative instruments for purposes other than risk management.

Interest Rates

Our cash and cash equivalents are sensitive to changes in interest rates. Interest rate changes would result in a change in interest income due to the difference between the current interest rates on cash and cash equivalents and the variable rates to which these financial instruments may adjust in the future. A 10% decrease in year-end interest rates would have resulted in an immaterial impact on net income in both 2018 and 2017.

Our borrowings under the Credit Agreement of $141.1 million at year-end 2018 bear a variable rate of interest, which adjusts quarterly. Assuming year-end borrowing levels, a 10% increase in interest rates on our variable-rate debt would have increased our annual pre-tax interest expense by approximately $0.5 million. A portion of our outstanding variable-rate debt at year-end 2018 was hedged with the 2018 Swap Agreement and the 2015 Swap Agreement and at year-end 2017 was hedged with the 2015 Swap Agreement. The fair values of these swap agreements are sensitive to changes in the three-month LIBOR forward curve. A 10% decrease in the three-month LIBOR forward curve would have increased the unrealized loss by $0.2 million at year-end 2018 and would not have had a material impact on the unrealized gains at year-end 2017.

Currency Exchange Rates

We generally view our investment in foreign subsidiaries in a functional currency other than our reporting currency as long-term. Our investment in foreign subsidiaries is sensitive to fluctuations in foreign currency exchange rates. The functional currencies of our foreign subsidiaries are principally denominated in euros, British pounds sterling, Mexican pesos, Canadian dollars, Chinese renminbi, Brazilian reals, and Swedish krona. The effect of changes in foreign exchange rates on our net investment in foreign subsidiaries is reflected in the "accumulated other comprehensive items" component of stockholders' equity. A 10% decrease in functional currencies relative to the U.S. dollar, would have resulted in a reduction in stockholders' equity of $31.5 million at year-end 2018 and $29.4 million at year-end 2017.

At year-end 2018, we had $19.5 million of euro-denominated borrowings and $41.6 million of Canadian dollar-denominated borrowings outstanding. The translation of our foreign-denominated debt impacts our borrowing capacity available under our Credit Agreement, which is calculated in U.S. dollars. A 10% movement in the euro and Canadian dollar rates against the U.S. dollar would have decreased our borrowing capacity by approximately $6.1 million at year-end 2018.

The fair value of forward currency-exchange contracts is sensitive to fluctuations in foreign currency exchange rates. The fair value of forward currency-exchange contracts is the estimated amount that we would pay or receive upon termination of the contracts, taking into account the change in foreign currency exchange rates. A 10% adverse change in year-end 2018 and year-end 2017 foreign currency exchange rates related to our contracts would have resulted in an increase in unrealized losses on forward currency-exchange contracts of $0.7 million in 2018 and $0.3 million in 2017. Since we use forward currency-exchange contracts as hedges of firm purchase and sale commitments, the unrealized gain or loss on forward currency-exchange contracts resulting from changes in foreign currency exchange rates would be offset primarily by corresponding changes in the fair value of the hedged items.

Item 8. Financial Statements and Supplementary Data

This data is submitted as a separate section to this Report and incorporated herein by reference. See Item 15, "Exhibits and Financial Statement Schedules."

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures at year-end 2018. The term "disclosure controls and procedures," as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and

procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon the evaluation of our disclosure controls and procedures at year-end 2018, our Chief Executive Officer and Chief Financial Officer concluded that at year-end 2018, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f). Our management assessed the effectiveness of our internal control over financial reporting at year-end 2018. In making this assessment, our management used the criteria set forth in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management believes that at year-end 2018 our internal control over financial reporting was effective based on the criteria issued by COSO.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

Our independent registered public accountants, KPMG LLP, have issued an audit report on our internal control over financial reporting, which is included herein on page F-2 and incorporated into this Item 9A by reference.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the fiscal quarter ended December 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

This information will be included under the heading "Election of Directors" in our 2019 proxy statement for our 2019 Annual Meeting of Shareholders and is incorporated in this Report by reference, except for the information concerning executive officers, which is included under the heading "Executive Officers of the Registrant" in Item 1 of Part I of this Report.

Section 16(a) Beneficial Ownership Reporting Compliance

The information required under Item 405 of Regulation S-K will be included under the heading "Stock Ownership–Section 16(a) Beneficial Ownership Reporting Compliance" in our 2019 proxy statement and is incorporated in this Report by reference.

Corporate Governance

The information required under Items 406 and 407 of Regulation S-K will be included under the heading "Corporate Governance" in our 2019 proxy statement and is incorporated in this Report by reference.

Item 11. Executive Compensation

This information will be included under the headings "Executive Compensation", "Corporate Governance - Compensation Committee Interlocks and Insider Participation", and "Compensation Discussion and Analysis" in our 2019 proxy statement and is incorporated in this Report by reference.

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

Except for the information concerning equity compensation plans, this information will be included under the heading "Stock Ownership" in our 2019 proxy statement and is incorporated in this Report by reference.

The following table provides information about the securities authorized for issuance under our equity compensation plans at year-end 2018:

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants, and Rights		Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights		Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)	
Equity compensation plans approved by security holders	455,269	(1)	$ 20.86	(2)	490,010	(3)
Equity compensation plans not approved by security holders	—		$ —		—	
Total	455,269	(1)	$ 20.86	(2)	490,010	(3)

(1) Consists of 299,198 shares of our common stock to be issued upon exercise of outstanding options under our Amended and Restated 2006 Equity Compensation Plan, as amended (the 2006 Plan), and 156,071 shares of our common stock issuable upon the vesting of restricted stock units and performance-based restricted stock units under the 2006 Plan.

(2) Consists of the weighted average exercise price of the 299,198 stock options outstanding on December 29, 2018. The 156,071 shares of restricted stock units and performance-based restricted stock units outstanding on December 29, 2018 had a weighted average grant date fair value of $68.57.

(3) Includes an aggregate of 38,569 shares of common stock issuable under our employees' stock purchase plan in connection with current and future offering periods under the plan.

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

This information will be included under the heading "Corporate Governance" in our 2019 proxy statement and is incorporated in this Report by reference.

Item 14. Principal Accountant Fees and Services

This information will be included under the heading "Independent Registered Public Accounting Firm" in our 2019 proxy statement and is incorporated in this Report by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Consolidated Financial Statements (see Index on Page F-1 of this Report):

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheet

Consolidated Statement of Income

Consolidated Statement of Comprehensive Income

Consolidated Statement of Cash Flows

Consolidated Statement of Stockholders' Equity

Notes to Consolidated Financial Statements

(2) All schedules are omitted because they are not applicable or not required, or because the required information is shown either in the consolidated financial statements or in the notes thereto.

(3) Exhibits filed herewith or incorporated in this Report by reference are set forth in the Exhibit Index beginning on page 41. This list of exhibits identifies each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Report.

(b) Exhibits

Exhibit Index

Exhibit Number	Description of Exhibit
2.1	Stock and Asset Purchase Agreement by and among the Registrant, Kadant Northern U.S. LLC, Kadant Canada Corp., Kadant Northern UK Co. Ltd., Kadant Johnson Europe B.V., NII FPG Company, Nicholson Intellectual Property, Inc., Cascade Natural Resources, Inc. and Northern Industrial, Inc. dated as of May 24, 2017 (filed as Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2017 [File No. 001-11406] and incorporated in this document by reference). (1)
2.2	Equity Purchase Agreement by and among the Registrant, LLCP PCS Alternative Syntron, LLC, Syntron Material Handling Group, LLC, PCS Alternative Corp Seller 1, LLC, PCS Alternative Corp Seller 2, LLC, and SMH Equity, LLC and Levine Leichtman Capital Partners Private Capital Solutions, L.P., dated as of December 9, 2018. (1)**
3.1	Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 [File No. 001-11406] and incorporated in this document by reference).
3.2	Amended and Restated Bylaws of the Registrant effective November 20, 2014 (filed as Exhibit 3.1 to the Registrant's Form 8-K [File No. 001-11406] filed with the Commission on November 25, 2014 and incorporated in this document by reference).
10.1*	Form of Indemnification Agreement between the Registrant and its directors and officers (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 [File No. 001-11406] and incorporated in this document by reference).
10.2*	Form of Amended and Restated Executive Retention Agreement (change in control agreement) between the Company and its named executive officers, as amended and restated on December 9, 2008 (filed as Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended January 3, 2009 [File No. 001-11406] and incorporated in this document by reference).
10.3*	Form of Executive Retention Agreement (change in control agreement) between the Company and its executive officers for new agreements entered into from and after November 16, 2016 (filed as Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 [File No. 001-11406] and incorporated in this document by reference).
10.4*	Amended and Restated Equity Incentive Plan of the Registrant (filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended January 3, 2009 [File No. 001-11406] and incorporated in this document by reference).
10.5*	Amended and Restated 2006 Equity Incentive Plan of the Registrant effective as of May 17, 2017 (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2017 [File No. 011-11406] and incorporated in this document by reference).
10.6*	Cash Incentive Plan of the Registrant (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2017 [File No. 001-11406] and incorporated in this document by reference).
10.7*	Restoration Plan of the Registrant (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2011 [File No. 001-11406] and incorporated in this document by reference).
10.8*	Amendments to the Restoration Plan of the Registrant effective as of May 20, 2014 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 [File No. 001-11406] and incorporated in this document by reference).
10.9*	Amendment to Terminate the Restoration Plan of the Registrant, effective as of December 29, 2018.**
10.10*	Summary of non-employee director compensation of the Registrant (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 [File No. 001-11406] and incorporated in this document by reference).

Exhibit Index

Exhibit Number	Description of Exhibit
10.11*	Executive Transition Agreement between the Registrant and Sandra L. Lambert dated September 20, 2017 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 [File No. 011-11406] and incorporated in this document by reference).
10.12*	Notice dated September 20, 2017 of the Termination of the Amended and Restated Executive Retention Agreement dated December 8, 2008 between the Registrant and Sandra L. Lambert (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 [File No. 011-11406] and incorporated in this document by reference).
10.13*	Notice dated September 20, 2017 of the Amendment to Certain Restricted Stock Unit Agreements granted by the Registrant to Sandra L. Lambert (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 [File No. 011-11406] and incorporated in this document by reference).
10.14*	Transition and Executive Chairman Agreement between the Registrant and Jonathan W. Painter dated February 13, 2019 **
10.15*	Form of Performance-Based Restricted Stock Unit Award Agreement between the Company and its executive officers used for restricted stock unit awards on or after March 5, 2014 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2014 [File No. 001-11406] and incorporated in this document by reference).
10.16*	Form of Time-Based Restricted Stock Unit Award Agreement between the Company and its executive officers used for restricted stock unit awards on or after March 5, 2014 (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2014 [File No. 001-11406] and incorporated in this document by reference).
10.17*	Form of Stock Option Agreement between the Company and its executive officers used for stock option awards (filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended January 2, 2010 [File No. 001-11406] and incorporated in this document by reference).
10.18*	Notice of Amendment to Stock Option Agreements between the Company and its executive officers used for stock option awards (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013 [File No. 001-11406] and incorporated in this document by reference).
10.19*	Form of Performance-Based Restricted Stock Unit Award Agreement between the Company and its executive officers used for restricted stock unit awards on or after March 5, 2014 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 [File No. 011-11406] and incorporated in this document by reference).
10.20*	Form of Time-Based Restricted Stock Unit Award Agreement between the Company and its executive officers used for restricted stock unit awards on or after March 5, 2014 (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 [File No. 011-11406] and incorporated in this document by reference).
10.21*	Form of Directors Restricted Stock Unit Award Agreement between the Company and its non-employee directors used for restricted stock unit awards on or after March 5, 2014 (filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 [File No. 011-11406] and incorporated in this document by reference).
10.22	Amended and Restated Credit Agreement dated as of March 1, 2017, among the Registrant, the Foreign Subsidiary Borrowers from time to time parties thereto, the several banks and other financial institutions or entities from time to time parties thereto, Citizens Bank, N.A., as Administrative Agent and Multi-currency Administrative Agent (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on March 7, 2017 and incorporated in this document by reference).

Exhibit Index

Exhibit Number	Description of Exhibit
10.23	First Amendment and Limited Consent, dated as of May 24, 2017, to the Amended and Restated Credit Agreement dated as of March 1, 2017 by and among the Registrant, the Foreign Subsidiary Borrowers from time to time parties thereto, the several banks and other financial institutions or entities from time to time parties thereto, Citizens Bank, N.A., as Administrative Agent and Multi-currency Administrative Agent (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 1, 2017 [File No. 011-11406] and incorporated in this document by reference).
10.24	Limited Consent, dated as of December 9, 2018, to the Amended and Restated Credit Agreement dated as of March 1, 2017 by and among the Registrant, the Foreign Subsidiary Borrowers from time to time parties thereto, the several banks and other financial institutions or entities from time to time parties thereto, Citizens Bank, N.A., as Administrative Agent and Multi-currency Administrative Agent **
10.25	Second Amendment, dated as of December 14, 2018, to the Amended and Restated Credit Agreement dated as of March 1, 2017 by and among the Registrant, the Foreign Subsidiary Borrowers from time to time parties thereto, the several banks and other financial institutions or entities from time to time parties thereto, Citizens Bank, N.A., as Administrative Agent and Multi-currency Administrative Agent**
10.26	Amended and Restated Guarantee Agreement dated as of March 1, 2017, among the Registrant, as Borrower, and each of the Subsidiary Guarantors, in favor of Citizens Bank, N.A., as Administrative Agent and as Multicurrency Agent for the bank and other financial institutions or entities from time to time parties to the Amended and Restated Credit Facility (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on March 7, 2017 and incorporated in this document by reference).
10.27	Guarantee Agreement dated as of March 1, 2017, by Kadant Cayman Ltd. in favor of Citizens Bank, N.A., as Administrative Agent and as Multicurrency Agent for the banks and other financial institutions or entities from time to time parties to the Amended and Restated Credit Facility (filed as Exhibit 99.3 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on March 7, 2017 and incorporated in this document by reference).
10.28	Multi-Currency Note Purchase and Private Shelf Agreement, dated as of December 14, 2018 among the Registrant, PGIM, Inc. and the Purchasers as defined therein. (1)**
10.29	Promissory Note in the principal amount of $21,000,000 dated July 6, 2018, executed by the Registrant, Kadant Johnson LLC, Kadant Black Clawson LLC and Verus Lebanon, LLC in favor of Citizens Bank, N.A (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on July 12, 2018 and incorporated in this document by reference).
10.30	Mortgage, Security Agreement and Assignment of Leases and Rents dated July 6, 2018 executed by the Registrant in favor of Citizens Bank, N.A. relating to the real property and related personal property located in Auburn, Massachusetts. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on July 12, 2018 and incorporated in this document by reference).
10.31	Mortgage dated July 6, 2018 by Kadant Johnson LLC in favor of Citizens Bank, N.A. relating to the real property and related personal property located in Three Rivers, Michigan (filed as Exhibit 99.3 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on July 12, 2018 and incorporated in this document by reference).
10.32	Open-End Mortgage, Security Agreement, and Assignment of Leases and Rents dated July 6, 2018 by Verus Lebanon, LLC in favor of Citizens Bank, N.A. to the real property and related personal property located in Lebanon, Ohio (filed as Exhibit 99.4 to the Registrant's Current Report on Form 8-K [File No. 001-11406] filed with the Commission on July 12, 2018 and incorporated in this document by reference).
10.33	International Swap Dealers Association, Inc. Master Agreement dated May 13, 2005 between the Registrant and Citizens Bank of Massachusetts and Swap Confirmation dated May 18, 2005 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 2, 2005 [File No. 001-11406] filed with the Commission on August 11, 2005 and incorporated in this document by reference).

Exhibit Index

Exhibit Number	Description of Exhibit
10.34	Swap Confirmation dated January 16, 2015 between the Registrant and Citizens Bank, National Association (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 4, 2015 [File No. 001-11406] filed with the Commission on May 13, 2015 and incorporated in this document by reference).
10.35	Swap Confirmation dated May 16, 2018 between the Registrant and Citizens Bank, National Association (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 [File No. 001-11406] filed with the Commission on August 8, 2018 and incorporated in this document by reference.)
21	Subsidiaries of the Registrant.
23	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
24	Power of Attorney (included on the signatures page to the Annual Report on Form 10-K).
31.1	Certification of the Principal Executive Officer of the Registrant Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Principal Financial Officer of the Registrant Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32	Certification of the Chief Executive Officer and the Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema Document.**
101.CAL	XBRL Taxonomy Calculation Linkbase Document.**
101.LAB	XBRL Taxonomy Label Linkbase Document.**
101.PRE	XBRL Taxonomy Presentation Linkbase Document.**
101.DEF	XBRL Taxonomy Definition Linkbase Document.**

* Management contract or compensatory plan or arrangement.

** Submitted electronically herewith.

(1) The schedules to this document have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the schedules to the U.S. Securities and Exchange Commission upon request.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheet as of December 29, 2018 and December 30, 2017, (ii) Consolidated Statement of Income for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, (iii) Consolidated Statement of Comprehensive Income for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, (iv) Consolidated Statement of Cash Flows for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, (v) Consolidated Statement of Stockholders' Equity for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016, and (vi) Notes to Consolidated Financial Statements.

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

KADANT INC.

Date: February 26, 2019

By: /s/ Jonathan W. Painter

Jonathan W. Painter

Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jonathan W. Painter, Michael J. McKenney and Deborah S. Selwood, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on February 26, 2019.

	Signature	Title
By:	/s/ Jonathan W. Painter **Jonathan W. Painter**	Chief Executive Officer, President and Director (Principal Executive Officer)
By:	/s/ Michael J. McKenney **Michael J. McKenney**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
By:	/s/ Deborah S. Selwood **Deborah S. Selwood**	Vice President and Chief Accounting Officer (Principal Accounting Officer)
By:	/s/ William A. Rainville **William A. Rainville**	Director and Chairman of the Board
By:	/s/ John M. Albertine **John M. Albertine**	Director
By:	/s/ Thomas C. Leonard **Thomas C. Leonard**	Director
By:	/s/ Erin L Russell **Erin L. Russell**	Director
By:	/s/ William P. Tully **William P. Tully**	Director

Kadant Inc.
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Index to Consolidated Financial Statements and Schedule

The following Consolidated Financial Statements of the Registrant and its subsidiaries are required to be included in Item 8:

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Kadant Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Kadant Inc. and subsidiaries (the Company) as of December 29, 2018 and December 30, 2017, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the fiscal years in the three-year period ended December 29, 2018, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended December 29, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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 accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion 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.

Report of Independent Registered Public Accounting Firm (continued)

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Boston, Massachusetts
February 26, 2019

Consolidated Balance Sheet

(In thousands, except share and per share amounts)	December 29, 2018	December 30, 2017
Assets		
Current Assets:		
Cash and cash equivalents	$ 45,830	$ 75,425
Restricted cash	287	1,421
Accounts receivable, less allowances of $2,897 and $2,879	92,624	89,624
Inventories	86,373	84,933
Unbilled revenues	15,741	2,374
Other current assets	11,906	12,246
Total Current Assets	252,761	266,023
Property, Plant, and Equipment, at Cost, Net	80,157	79,723
Other Assets (Note 5)	21,310	14,311
Intangible Assets, Net	113,347	133,036
Goodwill	258,174	268,001
Total Assets	$ 725,749	$ 761,094
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term obligations (Note 6)	$ 1,668	$ 696
Accounts payable	35,720	35,461
Accrued payroll and employee benefits	30,902	29,616
Customer deposits	26,987	30,103
Advanced billings	5,534	7,316
Other current liabilities	28,178	29,038
Total Current Liabilities	128,989	132,230
Long-Term Obligations (Note 6)	174,153	241,384
Long-Term Deferred Income Taxes (Note 5)	22,962	29,085
Other Long-Term Liabilities (Note 3)	25,074	25,891
Commitments and Contingencies (Note 7)		
Stockholders' Equity (Notes 3 and 4):		
Preferred stock, $.01 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, $.01 par value, 150,000,000 shares authorized; 14,624,159 shares issued	146	146
Capital in excess of par value	104,731	103,221
Retained earnings	393,578	342,893
Treasury stock at cost, 3,514,163 and 3,613,838 shares	(86,111)	(88,554)
Accumulated other comprehensive items (Note 13)	(39,376)	(26,715)
Total Kadant Stockholders' Equity	372,968	330,991
Noncontrolling interest	1,603	1,513
Total Stockholders' Equity	374,571	332,504
Total Liabilities and Stockholders' Equity	$ 725,749	$ 761,094

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

Consolidated Statement of Income

(In thousands, except per share amounts)	December 29, 2018	December 30, 2017	December 31, 2016
Revenues (Note 11)	$ 633,786	$ 515,033	$ 414,126
Costs and Operating Expenses:			
Cost of revenues	355,505	283,886	225,587
Selling, general, and administrative expenses	177,414	159,756	134,834
Research and development expenses	10,552	9,563	7,380
Restructuring costs and other income (Note 8)	1,717	203	(317)
	545,188	453,408	367,484
Operating Income	88,598	61,625	46,642
Interest income	379	447	269
Interest expense	(7,032)	(3,547)	(1,293)
Other expense, net (Note 3)	(2,417)	(872)	(1,069)
Income from Continuing Operations Before Provision for Income Taxes	79,528	57,653	44,549
Provision for income taxes (Note 5)	18,482	26,070	12,083
Income from Continuing Operations	61,046	31,583	32,466
Income from discontinued operation (net of income tax provision of $2)	—	—	3
Net Income	61,046	31,583	32,469
Net Income Attributable to Noncontrolling Interest	(633)	(491)	(392)
Net Income Attributable to Kadant	$ 60,413	$ 31,092	$ 32,077
Amounts Attributable to Kadant			
Income from Continuing Operations	$ 60,413	$ 31,092	$ 32,074
Income from Discontinued Operation	—	—	3
Net Income Attributable to Kadant	$ 60,413	$ 31,092	$ 32,077
Earnings per Share from Continuing Operations Attributable to Kadant (Note 12)			
Basic	$ 5.45	$ 2.83	$ 2.95
Diluted	$ 5.30	$ 2.75	$ 2.88
Earnings per Share Attributable to Kadant (Note 12)			
Basic	$ 5.45	$ 2.83	$ 2.95
Diluted	$ 5.30	$ 2.75	$ 2.88
Weighted Average Shares (Note 12)			
Basic	11,086	10,991	10,869
Diluted	11,400	11,312	11,149
Cash Dividends Declared per Common Share	$ 0.88	$ 0.84	$ 0.76

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

Consolidated Statement of Comprehensive Income

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Comprehensive Income			
Net Income	$ 61,046	$ 31,583	$ 32,469
Other Comprehensive Items:			
Foreign currency translation adjustment	(17,381)	23,847	(13,240)
Pension and other post-retirement liability adjustments, net (net of tax of $412, $(150), and $125)	1,248	(738)	256
Effect of pension and other post-retirement plan amendments (net of tax of $351)	(1,087)	—	—
Effect of pension and other post-retirement plan curtailments (net of tax of $1,183)	3,679	—	—
Pension and other post-retirement curtailment loss (net of tax of $347)	1,078	—	—
Deferred (loss) gain on cash flow hedges (net of tax of $(93), $39, and $(67))	(276)	67	241
Other Comprehensive Items	(12,739)	23,176	(12,743)
Comprehensive Income	48,307	54,759	19,726
Comprehensive Income Attributable to Noncontrolling Interest	(555)	(745)	(314)
Comprehensive Income Attributable to Kadant	$ 47,752	$ 54,014	$ 19,412

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

Consolidated Statement of Cash Flows

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Operating Activities			
Net income attributable to Kadant	$ 60,413	$ 31,092	$ 32,077
Net income attributable to noncontrolling interest	633	491	392
Income from discontinued operation	—	—	(3)
Income from continuing operations	61,046	31,583	32,466
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	23,568	19,375	14,326
Stock-based compensation expense	7,027	5,803	5,069
Provision for losses on accounts receivable	355	436	453
Loss (gain) on sale of property, plant, and equipment	110	42	(350)
Deferred income tax (benefit) provision	(4,240)	578	(613)
Other items, net	2,735	1,420	1,362
Contributions to U.S. pension plan	—	(1,080)	(1,080)
Changes in current assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(7,016)	(10,907)	1,003
Unbilled revenues	(11,350)	1,310	3,407
Inventories	(6,577)	1,163	3,553
Other current assets	3,820	(130)	753
Accounts payable	5,419	(522)	(5,238)
Other current liabilities	(11,912)	16,093	(4,111)
Net cash provided by continuing operations	62,985	65,164	51,000
Net cash provided by discontinued operation	—	—	3
Net cash provided by operating activities	62,985	65,164	51,003
Investing Activities			
Acquisitions, net of cash acquired (Note 2)	—	(204,731)	(56,617)
Purchases of property, plant, and equipment	(16,559)	(17,281)	(5,804)
Proceeds from sale of property, plant, and equipment	195	130	428
Net cash used in continuing operations for investing activities	(16,364)	(221,882)	(61,993)
Financing Activities			
Proceeds from issuance of debt (Note 6)	50,055	232,019	51,046
Repayment of debt	(109,642)	(67,696)	(18,429)
Dividends paid	(9,644)	(9,011)	(8,038)
Tax withholding payments related to stock-based compensation	(3,886)	(2,206)	(2,572)
Payment of debt issuance costs (Note 6)	(934)	(1,257)	(27)
Dividend paid to noncontrolling interest	(465)	(882)	—
Proceeds from issuance of Company common stock	813	—	2,350
Payment of contingent consideration	—	—	(1,091)
Other financing activities	(452)	(491)	216
Net cash (used in) provided by continuing operations for financing activities	(74,155)	150,476	23,455
Exchange Rate Effect on Cash, Cash Equivalents, and Restricted Cash from Continuing Operations	(3,195)	9,519	(5,827)
Decrease in Cash from Discontinued Operation	—	—	(5)
(Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash from Continuing Operations	(30,729)	3,277	6,633
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	76,846	73,569	66,936
Cash, Cash Equivalents, and Restricted Cash at End of Year	$ 46,117	$ 76,846	$ 73,569

See Note 1 - Supplemental Cash Flow Information and Recently Adopted Accounting Pronouncements, *Statement of Cash Flows (Topic 230), Restricted Cash* for further details.

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

Consolidated Statement of Stockholders' Equity

(In thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Items	Noncontrolling Interest	Total Stockholders' Equity
Balance at January 2, 2016	14,624,159	$ 146	$ 100,536	$ 297,258	3,850,779	$ (94,359)	$ (36,972)	$ 1,336	$ 267,945
Net income	—	—	—	32,077	—	—	—	392	32,469
Dividends declared	—	—	—	(8,285)	—	—	—	—	(8,285)
Activity under stock plans	—	—	869	—	(164,247)	4,024	—	—	4,893
Other comprehensive items	—	—	—	—	—	—	(12,665)	(78)	(12,743)
Balance at December 31, 2016	14,624,159	$ 146	$ 101,405	$ 321,050	3,686,532	$ (90,335)	$ (49,637)	$ 1,650	$ 284,279
Net income	—	—	—	31,092	—	—	—	491	31,583
Dividends declared	—	—	—	(9,249)	—	—	—	—	(9,249)
Dividend paid to noncontrolling interest	—	—	—	—	—	—	—	(882)	(882)
Activity under stock plans	—	—	1,816	—	(72,694)	1,781	—	—	3,597
Other comprehensive items	—	—	—	—	—	—	22,922	254	23,176
Balance at December 30, 2017	14,624,159	$ 146	$ 103,221	$ 342,893	3,613,838	$ (88,554)	$ (26,715)	$ 1,513	$ 332,504
Net income	—	—	—	60,413	—	—	—	633	61,046
Adoption of ASU No. 2014-09 (Note 1)			—	119	—	—	—	—	119
Adoption of ASU No. 2016-16 (Note 1)			—	(75)	—	—	—	—	(75)
Dividends declared	—	—	—	(9,772)	—	—	—	—	(9,772)
Dividend paid to noncontrolling interest	—	—	—	—	—	—	—	(465)	(465)
Activity under stock plans	—	—	1,510	—	(99,675)	2,443	—	—	3,953
Other comprehensive items	—	—	—	—	—	—	(12,661)	(78)	(12,739)
Balance at December 29, 2018	14,624,159	$ 146	$ 104,731	$ 393,578	3,514,163	$ (86,111)	$ (39,376)	$ 1,603	$ 374,571

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

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Continuing Operations

Kadant Inc. was incorporated in Delaware in November 1991 and currently trades on the New York Stock Exchange under the ticker symbol "KAI."

Kadant Inc. and its subsidiaries (collectively, the Company) is a leading global supplier of equipment and critical components used in process industries worldwide. In addition, the Company manufactures granules made from papermaking by-products. The Company has a diverse and large customer base, including most of the world's major paper, lumber and oriented strand board (OSB) manufacturers, and its products, technologies, and services play an integral role in enhancing process efficiency, optimizing energy utilization, and maximizing productivity in resource-intensive industries.

The Company's continuing operations include two reportable operating segments, Papermaking Systems and Wood Processing Systems, and a separate product line, Fiber-based Products. See Note 11, Business Segment and Geographical Information, for further details.

Discontinued Operation

In 2005, the Company's Kadant Composites LLC subsidiary sold substantially all of its assets to a third party. All activity related to this business is classified in the results of the discontinued operation in the accompanying consolidated financial statements.

Noncontrolling Interest

One of the Company's foreign subsidiaries that manufactures fluid-handling products is part of a joint venture agreement with an Italian company in which each holds a 50 percent ownership interest. The agreement provides the Company's subsidiary with the option to purchase the remaining 50 percent interest in the joint venture.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of its wholly and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

Fiscal Year

The Company has adopted a fiscal year ending on the Saturday nearest to December 31. References to 2018, 2017, and 2016 are for the fiscal years ended December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

Financial Statement Presentation

Certain reclassifications have been made to prior periods to conform with current reporting. As a result of the adoption of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost*, certain components of net benefit cost have been reclassified from operating income to non-operating expenses and included in other expense, net in the accompanying consolidated statement of income in the 2017 and 2016 periods. In addition, as a result of the adoption of the FASB's ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*, the change in restricted cash has been reclassified from financing activities and exchange rate effect on cash and included in cash, cash equivalents, and restricted cash in the accompanying consolidated statement of cash flows in the 2017 and 2016 periods.

Effective at the beginning of fiscal 2018, the Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (Topic 606), using the modified retrospective method. See *Recently Adopted Accounting Pronouncements* in this note for further discussion. Results for fiscal 2018 are presented under Topic 606, while prior period amounts are not adjusted and are reported under the Company's prior method of reporting revenue recognition in accordance with Accounting Standards Codification (ASC), *Revenue Recognition (Topic 605)* (Topic 605). The impact on any financial statement line item arising from the application of Topic 606 compared to Topic 605 on the Company's results for the 2018 period is not material.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates and Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Critical accounting policies are defined as those that entail significant judgments and estimates, and could potentially result in materially different results under different assumptions and conditions. The Company believes that the most critical accounting policies upon which its financial position depends, and which involve the most complex or subjective decisions or assessments, concern revenue recognition, income taxes, the valuation of goodwill and intangible assets, inventories, and pension obligations. A discussion of the application of these and other accounting policies is included in Notes 1 and 3.

Although the Company makes every effort to ensure the accuracy of the estimates and assumptions used in the preparation of its consolidated financial statements or in the application of accounting policies, if business conditions were different, or if the Company were to use different estimates and assumptions, it is possible that materially different amounts could be reported in the Company's consolidated financial statements.

Revenue Recognition

Effective at the beginning of fiscal 2018, the Company adopted Topic 606, using a modified retrospective method. See *Recently Adopted Accounting Pronouncements* in this note for further discussion. Results for fiscal 2018 are presented under Topic 606, while prior period amounts are not adjusted and are reported in accordance with Topic 605. The impact on any financial statement line item arising from the application of Topic 606 compared to Topic 605 on the Company's results for the 2018 period is not material.

In 2018, approximately 91% of the Company’s revenue was recognized at a point in time for each performance obligation under the contract when the customer obtains control of the goods or service. The majority of the Company’s parts and consumables products and capital products with minimal customization are accounted for at a point in time. The Company has made a policy election to not treat the obligation to ship as a separate performance obligation under the contract and, as a result, the associated shipping costs are accrued when revenue is recognized.

The remaining 9% of the Company’s revenue in 2018 was recognized on an over time basis based on an input method that compares the costs incurred to date to the total expected costs required to satisfy the performance obligation. Contracts are accounted for on an over time basis when they include products which have no alternative use and an enforceable right to payment over time. The majority of the contracts recognized on an over time basis are for large capital projects within the Company's Stock-Preparation product line and, to a lesser extent, its Fluid-Handling and Doctoring, Cleaning, & Filtration product lines. These projects are highly customized for the customer and, as a result, would include a significant cost to rework in the event of cancellation.

The following table presents revenue by revenue recognition method:

(In thousands)	December 29, 2018
Point in Time	$ 577,506
Over Time	56,280
	$ 633,786

The transaction price is typically based on the amount billed to the customer and includes estimated variable consideration where applicable. Such variable consideration relates to certain performance guarantees and rights to return the product. The Company estimates variable consideration as the most likely amount to which it expects to be entitled based on the terms of the contracts with customers and historical experience, where relevant. For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative stand-alone selling price.

The Company's contracts covering the sale of its products include warranty provisions that provide assurance to its customers that the products will comply with agreed-upon specifications. The Company negotiates the terms regarding warranty coverage and length of warranty depending on the products and applications.

The Company disaggregates its revenue from contracts with customers by product line, product type and geography as this best depicts how its revenue is affected by economic factors.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The following table presents the disaggregation of revenues by product type and geography:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Revenues by Product Type:			
Parts and Consumables	$ 374,433	$ 316,506	$ 258,171
Capital	259,353	198,527	155,955
	$ 633,786	$ 515,033	$ 414,126
Revenues by Geography:			
North America	$ 305,618	$ 238,483	$ 203,063
Europe	174,681	157,994	115,233
Asia	109,688	78,443	62,703
Rest of World	43,799	40,113	33,127
	$ 633,786	$ 515,033	$ 414,126

See Note 11, Business Segment and Geographical Information, for information on how the Company disaggregates its revenue from contracts with customers by product line.

The following tables presents contract balances from contracts with customers:

(In thousands)	December 29, 2018	December 30, 2017
Accounts receivable	$ 92,624	$ 89,624
Contract assets	$ 15,741	$ 2,374
Contract liabilities	$ 34,774	$ 38,702

Contract assets represent unbilled revenues associated with revenue recognized on contracts accounted for on an over time basis, which will be billed in future periods based on the contract terms. Contract assets increased from $2,374,000 at December 30, 2017 to $15,741,000 at December 29, 2018 due to the timing of progress payments associated with the shipment of large capital projects in the second half of 2018. Contract liabilities consist of customer deposits and advanced billings, and deferred revenue which is included in other current liabilities in the accompanying consolidated balance sheet. Contract liabilities will be recognized as revenue in future periods once the revenue recognition criteria are met. The majority of the contract liabilities relate to advanced payments on contracts accounted for at a point in time. These advance payments will be recognized as revenue when the Company's performance obligations have been satisfied, which typically occurs when the product has been shipped and control of the asset has transferred to the customer. The Company recognized revenue of $36,556,000 in 2018 that was included in the contract liabilities balance at the beginning of fiscal 2018.

Customers in China will often settle their accounts receivable with a banker's acceptance draft, in which case cash settlement will be delayed until the banker's acceptance draft matures or is settled prior to maturity. For customers outside of China, final payment for the majority of the Company's products is received in the quarter following the product shipment. Certain of the Company's contracts include a longer period before final payment is due, which is typically within one year of final shipment or transfer of control to the customer.

The Company includes in revenue amounts invoiced for shipping and handling with the corresponding costs reflected in cost of revenues. Provisions for discounts, warranties, returns and other adjustments are provided for in the period in which the related sales was recorded. Sales taxes, value-added taxes and certain excise taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue.

In 2017 and 2016, the Company recognized revenue under ASC 605, "Revenue Recognition," (ASC 605) when the following criteria had been met: persuasive evidence of an arrangement existed, delivery had occurred or service had been rendered, the sales price was fixed or determinable, and collectability was reasonably assured. When the terms of the sale included customer acceptance provisions, and compliance with those provisions could not be demonstrated until customer acceptance, revenue was recognized upon such acceptance.

Most of the Company's revenue in 2017 and 2016 was recognized in accordance with the accounting policies in the preceding paragraph. However, when a sale arrangement involved multiple elements, such as equipment and installation, the Company considered the guidance in ASC 605. Such transactions were evaluated to determine whether the deliverables in the arrangement represented separate units of accounting based on the following criteria: the delivered item had value to the customer on a stand-alone basis, and if the contract included a general right of return relative to the delivered item, delivery or performance of the undelivered item was considered probable and substantially under the control of the Company. Revenue was

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

allocated to each unit of accounting or element based on relative selling prices and was recognized as each element was delivered or completed. The Company determined relative selling prices by using either vendor-specific objective evidence (VSOE) if that existed, or third-party evidence of selling price. When neither VSOE nor third-party evidence of selling price existed for a deliverable, the Company used its best estimate of the selling price for that deliverable. In cases in which elements could not be treated as separate units of accounting, the elements were combined into a single unit of accounting for revenue recognition purposes.

In addition in 2017 and 2016, revenues and profits on certain long-term contracts were recognized using the percentage-of-completion method or the completed-contract method of accounting pursuant to ASC 605. Revenues recorded under the percentage-of-completion method were $27,676,000 in 2017 and $23,300,000 in 2016. The percentage of completion was determined by comparing the actual costs incurred to date to an estimate of total costs to be incurred on each contract. If a loss was indicated on any contract in process, a provision was made currently for the entire estimated loss. The Company's contracts generally provided for billing of customers upon the attainment of certain milestones specified in each contract. Revenues earned on contracts in process in excess of billings are classified as unbilled revenues and amounts billed in excess of revenues earned are classified as advanced billings.

For long-term contracts that did not meet the criteria under ASC 605 to be accounted for under the percentage-of-completion method in 2017 and 2016, the Company recognized revenue using the completed-contract method. When using the completed-contract method, the Company recognized revenue when the contract was substantially complete, the product was delivered and, if applicable, the customer acceptance criteria were met. Customer deposits included $2,945,000 at year-end 2017 of advance payments, net of accumulated costs, on long-term contracts accounted for under the completed-contract method.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company exercises judgment in determining its allowance for doubtful accounts, which is based on its historical collection experience, current trends, credit policies, specific customer collection issues, and accounts receivable aging categories. In determining this allowance, the Company looks at historical write-offs of its receivables. The Company also looks at current trends in the credit quality of its customer base as well as changes in its credit policies. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and each customer's current creditworthiness. The Company continuously monitors collections and payments from its customers. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered. In some instances, the Company utilizes letters of credit to mitigate its credit exposure.

The changes in the allowance for doubtful accounts are as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Balance at Beginning of Year	$ 2,879	$ 2,395	$ 2,163
Provision charged to expense	355	436	453
Accounts written off	(165)	(159)	(128)
Currency translation	(172)	207	(93)
Balance at End of Year	$ 2,897	$ 2,879	$ 2,395

The Company's Chinese subsidiaries may receive banker's acceptance drafts from customers as payment for their trade accounts receivable. The drafts are noninterest-bearing obligations of the issuing bank and mature within six months of the origination date. The Company's subsidiaries may sell the drafts at a discount to a third-party financial institution or transfer the drafts to vendors in settlement of current accounts payable prior to the scheduled maturity date. These drafts, which totaled $7,976,000 at year-end 2018 and $15,960,000 at year-end 2017, are included in accounts receivable in the accompanying consolidated balance sheet until the subsidiary sells the drafts to a bank and receives a discounted amount, transfers the banker's acceptance drafts in settlement of current accounts payable prior to maturity, or obtains cash payment on the scheduled maturity date.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Warranty Obligations

The Company provides for the estimated cost of product warranties at the time of sale based on the historical occurrence rates and repair costs, as well as knowledge of any specific warranty problems that indicate projected warranty costs may vary from historical patterns. The Company typically negotiates the terms regarding warranty coverage and length of warranty depending on the products and applications. While the Company engages in extensive product quality programs and processes, the Company's warranty obligation is affected by product failure rates, repair costs, service delivery costs incurred in correcting a product failure, and supplier warranties on parts delivered to the Company. Should these factors or actual results differ from the Company's estimates, revisions to the estimated warranty liability would be required.

The changes in the carrying amount of accrued warranty costs included in other current liabilities in the accompanying consolidated balance sheet are as follows:

(In thousands)	December 29, 2018	December 30, 2017
Balance at Beginning of Year	$ 5,498	$ 3,843
Provision charged to expense	3,708	2,652
Usage	(3,140)	(2,225)
Acquisitions	—	790
Currency translation	(340)	438
Balance at End of Year	$ 5,726	$ 5,498

Income Taxes

In accordance with ASC 740, "Income Taxes," (ASC 740), the Company recognizes deferred income taxes based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using enacted tax rates in effect for the year in which these differences are expected to reverse. A tax valuation allowance is established, as needed, to reduce deferred tax assets to the amount expected to be realized. In the period in which it becomes more likely than not that some or all of the deferred tax assets will be realized, the valuation allowance will be adjusted.

It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. At December 29, 2018, the Company believes that it has appropriately accounted for any liability for unrecognized tax benefits. To the extent the Company prevails in matters for which a liability for an unrecognized tax benefit is established, the statute of limitations expires for a tax jurisdiction year, or the Company is required to pay amounts in excess of the liability, its effective tax rate in a given financial statement period may be affected.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to Kadant by the weighted average number of shares outstanding during the year. Diluted EPS is computed using the treasury stock method assuming the effect of all potentially dilutive securities, including stock options, restricted stock units (RSUs) and employee stock purchase plan shares.

Cash and Cash Equivalents

At year-end 2018 and year-end 2017, the Company's cash equivalents included investments in money market funds and other marketable securities, which had maturities of three months or less at the date of purchase. The carrying amounts of cash equivalents approximate their fair values due to the short-term nature of these instruments.

Restricted Cash

The Company's restricted cash serves as collateral for bank guarantees primarily associated with providing assurance to customers that the Company will fulfill certain customer obligations entered into in the normal course of business. The majority of the bank guarantees will expire over the next twelve months.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Company's consolidated balance sheet that are shown in aggregate in the consolidated statement of cash flows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Cash and cash equivalents	$ 45,830	$ 75,425	$ 71,487
Restricted cash	287	1,421	2,082
Total Cash, Cash Equivalents, and Restricted Cash	$ 46,117	$ 76,846	$ 73,569

Supplemental Cash Flow Information

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Cash Paid for Interest	$ 7,550	$ 2,624	$ 1,183
Cash Paid for Income Taxes, Net of Refunds	$ 25,654	$ 20,559	$ 15,632
Non-Cash Investing Activities:			
Estimated post-closing adjustment (a)	$ 397	$ —	$ —
Fair value of assets of acquired	$ —	$ 242,048	$ 84,969
Cash paid for acquired businesses	—	(206,950)	(58,894)
Liabilities Assumed of Acquired Businesses	$ —	$ 35,098	$ 26,075
Non-cash additions to property, plant, and equipment	$ 917	$ 4,620	$ 379
Non-Cash Financing Activities:			
Issuance of Company common stock upon vesting of RSUs	$ 4,231	$ 3,192	$ 3,463
Dividends declared but unpaid	$ 2,444	$ 2,316	$ 2,078

(a) Represents an estimated post-closing purchase price adjustment related to the 2017 acquisition of certain assets of Unaflex, LLC, which is expected to be settled in early 2019.

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out; or weighted average basis) or net realizable value and include materials, labor, and manufacturing overhead. The Company regularly reviews its quantities of inventories on hand and compares these amounts to the historical and forecasted usage of and demand for each particular product or product line. The Company records a charge to cost of revenues for excess and obsolete inventory to reduce the carrying value of inventories to net realizable value.

The components of inventories are as follows:

(In thousands)	December 29, 2018	December 30, 2017
Raw Materials	$ 44,522	$ 38,952
Work in Process	15,876	18,203
Finished Goods (includes $494 and $1,883 at customer locations)	25,975	27,778
	$ 86,373	$ 84,933

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. The costs of additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. The Company provides for depreciation and amortization primarily using the straight-line method over the estimated useful lives of the property as follows: buildings, 10 to 40 years; machinery

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

and equipment, 2 to 10 years; and leasehold improvements, the shorter of the term of the lease or the life of the asset. For construction in progress, no provision for depreciation is made until the assets are available and ready for use.

Property, plant, and equipment consist of the following:

(In thousands)	December 29, 2018	December 30, 2017
Land	$ 7,614	$ 7,894
Buildings	58,866	48,094
Machinery, Equipment, and Leasehold Improvements	100,453	94,779
Construction in Progress	3,764	14,464
	170,697	165,231
Less: Accumulated Depreciation and Amortization	90,540	85,508
	$ 80,157	$ 79,723

At year-end 2017, construction in progress primarily related to the construction of a manufacturing facility in the U.S. that was completed in the first half of 2018. Following completion, the assets were transferred to building and machinery, equipment and leasehold improvements and depreciated over their estimated useful lives.

Property, plant, and equipment at year-end 2018 and year-end 2017 included assets under capital leases. The gross amount of property, plant, and equipment under capital leases was $5,674,000 at year-end 2018 and $6,038,000 at year-end 2017. Accumulated amortization associated with capital leases was $764,000 at year-end 2018 and $550,000 at year-end 2017. Depreciation and amortization expense, including amortization of assets under capital lease, was $9,386,000 in 2018, $7,418,000 in 2017, and $6,194,000 in 2016.

Intangible Assets, Net

Acquired intangible assets by major asset class are as follows:

(In thousands)	Gross	Currency Translation	Accumulated Amortization	Net
December 29, 2018				
Definite-Lived				
Customer relationships	$ 113,283	$ (4,520)	$ (38,160)	$ 70,603
Product technology	46,501	(1,677)	(23,563)	21,261
Tradenames	5,227	(390)	(1,980)	2,857
Other	13,744	(127)	(11,476)	2,141
	178,755	(6,714)	(75,179)	96,862
Indefinite-Lived				
Tradenames	16,600	(115)	—	16,485
Acquired Intangible Assets	$ 195,355	$ (6,829)	$ (75,179)	$ 113,347
December 30, 2017				
Definite-Lived				
Customer relationships	$ 113,301	$ (621)	$ (28,789)	$ 83,891
Product technology	46,501	(737)	(19,841)	25,923
Tradenames	5,227	(262)	(1,504)	3,461
Other	13,754	(35)	(10,863)	2,856
	178,783	(1,655)	(60,997)	116,131
Indefinite-Lived				
Tradenames	16,600	305	—	16,905
Acquired Intangible Assets	$ 195,383	$ (1,350)	$ (60,997)	$ 133,036

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Intangible assets are initially recorded at fair value at the date of acquisition. Definite-lived intangible assets are stated net of accumulated amortization and currency translation in the accompanying consolidated balance sheet. The Company amortizes definite-lived intangible assets over lives that have been determined based on the anticipated cash flow benefits of the intangible asset. Definite-lived intangible assets have a weighted average amortization period of 12 years. Amortization of definite-lived intangible assets was $14,182,000 in 2018, $11,957,000 in 2017, and $8,132,000 in 2016. The estimated future amortization expense of definite-lived intangible assets is $12,869,000 in 2019; $12,299,000 in 2020; $11,784,000 in 2021; $11,011,000 in 2022; $9,610,000 in 2023; and $39,289,000 in the aggregate thereafter.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired business at the date of acquisition. The Company's acquisitions have historically been made at prices above the fair value of the acquired net assets, resulting in goodwill, due to the expectation of synergies from combining the businesses.

The changes in the carrying amount of goodwill by segment are as follows:

(In thousands)	Papermaking Systems Segment	Wood Processing Systems Segment	Total
Balance as of December 31, 2016			
Gross balance	$ 219,699	$ 17,265	$ 236,964
Accumulated impairment losses	(85,509)	—	(85,509)
Net balance	134,190	17,265	151,455
2017 Adjustments			
Acquisitions (Note 2)	16,373	85,508	101,881
Currency translation	10,942	3,723	14,665
Total 2017 Adjustments	27,315	89,231	116,546
Balance at December 30, 2017			
Gross balance	247,014	106,496	353,510
Accumulated impairment losses	(85,509)	—	(85,509)
Net balance	161,505	106,496	268,001
2018 Adjustments			
Acquisitions (Note 2)	(17)	(75)	(92)
Currency translation	(5,085)	(4,650)	(9,735)
Total 2018 Adjustments	(5,102)	(4,725)	(9,827)
Balance at December 29, 2018			
Gross balance	241,912	101,771	343,683
Accumulated impairment losses	(85,509)	—	(85,509)
Net balance	$ 156,403	$ 101,771	$ 258,174

Impairment of Long-Lived Assets

The Company evaluates the recoverability of goodwill and indefinite-lived intangible assets as of the end of each fiscal year, or more frequently if events or changes in circumstances, such as a significant decline in sales, earnings, or cash flows, or material adverse changes in the business climate, indicate that the carrying value of an asset might be impaired.

At year-end 2018, the Company performed a quantitative goodwill impairment assessment (Step 1) for all of its reporting units, which indicated that the fair value of each reporting unit exceeded its carrying value, and determined that the asset was not impaired.

At year-end 2017, the Company performed a qualitative impairment analysis (Step 0) of its goodwill and determined that the asset was not impaired. The impairment analysis included an assessment of certain qualitative factors including, but not limited to, the results of prior fair value calculations, the movement of the Company's share price and market capitalization, the reporting unit and overall financial performance, and macroeconomic and industry conditions. The Company considered the qualitative factors and weighed the evidence obtained, and determined that it was not more likely than not that the fair value of any of the assets was less than its carrying amount. Although the Company believes the factors considered in the impairment analysis are reasonable, significant changes in any one of the assumptions used could have produced a different result.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Goodwill by reporting unit is as follows:

(In thousands)	December 29, 2018	December 30, 2017
Stock-Preparation	$ 58,142	$ 60,275
Fluid-Handling	64,052	65,289
Doctoring, Cleaning, & Filtration	34,209	35,941
Wood Processing Systems	101,771	106,496
	$ 258,174	$ 268,001

At year-end 2018, the Company performed a quantitative impairment analysis on its indefinite-lived intangible assets and determined that the assets were not impaired. At year-end 2017, the Company performed a qualitative impairment analysis on its indefinite-lived intangible assets and determined that the assets were not impaired.

The Company assesses its long-lived assets, other than goodwill and indefinite-lived intangible assets, for impairment whenever facts and circumstances indicate that the carrying amounts may not be fully recoverable. To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining lives of such assets or asset groups. If these projected cash flows were to be less than the carrying amounts, an impairment loss would be recognized, resulting in a write-down of the assets with a corresponding charge to earnings. The impairment loss would be measured based upon the difference between the carrying amounts of the assets and their fair values calculated using projected cash flows. No indicators of impairment were identified in 2018 or 2017.

Foreign Currency Translation and Transactions

All assets and liabilities of the Company's foreign subsidiaries are translated at fiscal year-end exchange rates, and revenues and expenses are translated at average exchange rates for each quarter in accordance with ASC 830, *Foreign Currency Matters*. Resulting translation adjustments are reflected in the "accumulated other comprehensive items" (AOCI) component of stockholders' equity (see Note 13). Foreign currency transaction gains and losses are included in the accompanying consolidated statement of income and are not material in the three years presented.

Stock-Based Compensation

The Company recognizes compensation cost for all stock-based awards granted to employees and directors based on the grant date estimate of fair value for those awards. The fair value of RSUs is based on the grant date price of the Company's common stock, reduced by the present value of estimated dividends foregone during the requisite service period. The fair value of stock options is based on the Black-Scholes option-pricing model. For stock options and time-based RSUs, compensation expense is recognized ratably over the requisite service period for the entire award and net of actual forfeitures recorded when they occur. For performance-based RSUs, compensation expense is recognized ratably over the requisite service period for each separately-vesting portion of the award based on the grant date fair value, net of actual forfeitures and remeasured at each reporting period until the total number of RSUs to be issued is known. Compensation expense related to any modified stock-based awards is based on the fair value for those awards as of the modification date with any remaining incremental compensation expense recognized ratably over the remaining requisite service period.

Derivatives

The Company uses derivative instruments primarily to reduce its exposure to changes in currency exchange rates and interest rates. When the Company enters into a derivative contract, the Company makes a determination as to whether the transaction is deemed to be a hedge for accounting purposes. If a contract is deemed a hedge, the Company formally documents the relationship between the derivative instrument and the risk being hedged. In this documentation, the Company specifically identifies the asset, liability, forecasted transaction, cash flow, or net investment that has been designated as the hedged item, and evaluates whether the derivative instrument is expected to reduce the risks associated with the hedged item. To the extent these criteria are not met, the Company does not use hedge accounting for the derivative. The change in the fair value of a derivative not deemed to be a hedge is recorded currently in earnings. The Company does not hold or engage in transactions involving derivative instruments for purposes other than risk management.

ASC 815, *Derivatives and Hedging*, requires that all derivatives be recognized on the balance sheet at fair value. For derivatives designated as cash flow hedges, the related gains or losses on these contracts are deferred as a component of AOCI. These deferred gains and losses are recognized in the statement of income in the period in which the underlying anticipated transaction occurs. For derivatives designated as fair value hedges, the unrealized gains and losses resulting from the impact of

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

currency exchange rate movements are recognized in earnings in the period in which the exchange rates change and offset the currency gains and losses on the underlying exposures being hedged. The Company performs an evaluation of the effectiveness of the hedge both at inception and on an ongoing basis. The ineffective portion of a hedge, if any, and changes in the fair value of a derivative not deemed to be a hedge, are recorded in the accompanying consolidated statement of income.

Recent Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606), Section A-Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40). In May 2014, the FASB issued ASU No. 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Company adopted this ASU (as modified by subsequently issued clarifying guidance) using the modified retrospective transition approach effective at the beginning of fiscal 2018. The guidance applies to all new contracts initiated in fiscal 2018. For existing contracts that had remaining obligations as of the beginning of fiscal 2018, any difference between the recognition criteria in this ASU and the Company's previous revenue recognition practices under Topic 605 was recognized using a cumulative-effect adjustment that increased retained earnings by $119,000. The increase in retained earnings primarily related to contracts which met the over time criteria under the new revenue standard and, as a result, the portion of the contract completed as of the beginning of fiscal 2018 was recognized immediately in retained earnings. Partially offsetting this increase was a reduction of retained earnings associated with certain contracts which were previously accounted for under the percentage-of-completion method of accounting, but did not meet the requirements for over time recognition under Topic 606. Amounts previously recognized in fiscal 2017 based on the percentage-of-completion method of accounting were deferred at the beginning of fiscal 2018 and were recognized along with the remaining revenue and costs in fiscal 2018 when control of the asset was transferred to the customer.

The Company implemented certain modifications to its existing internal controls to support the recognition criteria and disclosure requirements of this ASU. See *Revenue Recognition* in this note for further disclosures required by this ASU.

Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued ASU No. 2016-15, which simplifies the diversity in practice related to the presentation and classification of certain cash receipts and cash payments in the statement of cash flows under Topic 230. The Company adopted this ASU at the beginning of fiscal 2018 with no impact on the Company's consolidated statement of cash flows.

Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory. In October 2016, the FASB issued ASU No. 2016-16, which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs and eliminates the exception for an intra-entity transfer of an asset other than inventory. The Company adopted this ASU at the beginning of fiscal 2018 on a modified retrospective basis, which resulted in an immaterial adjustment to retained earnings. The impact of the adoption of this standard on future periods will be dependent on future asset transfers, which generally occur in connection with acquisitions and other business structuring activities.

Statement of Cash Flows (Topic 230), Restricted Cash. In November 2016, the FASB issued ASU No. 2016-18, which requires inclusion of restricted cash and restricted cash equivalents within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this ASU at the beginning of fiscal 2018. Prior period amounts related to the Company's "cash flows from financing activities," "exchange rate effect on cash," and "cash, cash equivalents, and restricted cash" were restated as required by this ASU, which did not have a material effect on the Company's consolidated statement of cash flows. See *Restricted Cash* in this note for further disclosures required by this ASU.

Business Combinations (Topic 805), Clarifying the Definition of a Business. In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The Company adopted this ASU on a prospective basis at the beginning of fiscal 2018. The adoption of this ASU will impact how the Company assesses acquisitions and disposals of businesses in the future.

Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost. In March 2017, the FASB issued ASU No. 2017-07, which requires employers to include only the service cost component of net periodic pension cost and net periodic post-retirement benefit cost within costs and operating expenses in the same income statement line item as the related employees' compensation costs. The other components of net benefit cost are required to be included within non-operating expenses. The Company adopted this ASU at the beginning of fiscal 2018 and prior period amounts were reclassified with no impact on the Company’s consolidated net income. As a result of the adoption, the Company reclassified $872,000 in 2017 and $1,069,000 in 2016 from operating income to other expense, net in the accompanying consolidated statement of income.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting. In May 2017, the FASB issued ASU No. 2017-09, which provides clarity on which changes to the terms or conditions of share-based payment awards require entities to apply the modification accounting provisions required in Topic 718. The Company adopted this ASU on a prospective basis at the beginning of fiscal 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. In March 2018, the FASB issued ASU No. 2018-05, an amendment to the December 2017 SEC Staff Accounting Bulletin No. 118 (SAB 118), which allowed SEC registrants to record provisional amounts in earnings due to the complexities involved in accounting for the December 22, 2017 enactment of The Tax Cuts and Jobs Act of 2017 (2017 Tax Act). Those provisional amounts would be subject to adjustment during the measurement period, which is limited to no more than one year beyond the enactment of the 2017 Tax Act. The Company recorded provisional amounts based on reasonable estimates in its 2017 consolidated financial statements and has made adjustments to those provisional amounts in its 2018 consolidated financial statements.

Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. In August 2018, the FASB issued ASU No. 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company elected to early adopt this ASU on a prospective basis in the third quarter of 2018. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Leases (Topic 842). In February 2016, the FASB issued ASU No. 2016-02, which requires a lessee to recognize a right-of-use asset and a lease liability for operating leases, initially measured at the present value of the future lease payments, in its balance sheet. This ASU also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*, which provides an additional transition method that allows entities to recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company elected this new transition method upon adoption of this ASU at the beginning of the first quarter of fiscal 2019. Consequently, financial information will not be updated, and disclosures required under the new standard will not be provided for dates and periods before the beginning of fiscal 2019.

The Company has completed the evaluation of its lease population and has implemented a third-party software solution to assist with the accounting under the new standard. The new standard provides for a number of optional practical expedients in transition. The Company elected the "package of practical expedients" upon adoption, which permits the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs under the new standard. The Company did not elect the "use-of hindsight" practical expedient to determine the lease term or in assessing the likelihood that a lease purchase option will be exercised. The new standard also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases that qualify that allows it not to recognize right-of-use assets or lease liabilities for short-term leases, including not recognizing right-of-use assets or lease liabilities for existing short-term leases in transition. The Company also elected the practical expedient, as a policy election, to not separate lease and non-lease components for all leases except vehicle leases. Based on its lease portfolio at year-end 2018, the Company anticipates recognizing a lease liability of approximately $15,500,000 to $17,500,000 and a related right-of-use asset of approximately $18,500,000 to $20,500,000 on its consolidated balance sheet upon adoption. When determinable, the Company will utilize the rate implicit in the lease as the discount rate to determine the lease liability. However, if this rate is not determinable, the Company will use its incremental borrowing rate as the discount rate, which is the rate the Company would incur to borrow over a similar term the funds needed to purchase the leased asset. The Company does not expect that the adoption of this standard will have a material impact on its results of operations or cash flows.

Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. In June 2016, the FASB issued ASU No. 2016-13, which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining lives. This new guidance is effective for the Company in fiscal 2020 with early adoption permitted beginning in fiscal 2019. The Company is currently evaluating the effects that the adoption of this ASU will have on its consolidated financial statements.

Derivatives and Hedging (Topic 815), Targeted Improvements in Accounting for Hedging Activity. In August 2017, the FASB issued ASU No. 2017-12, which provides improvements to current hedge accounting to better portray the economic

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

results of an entity's risk management activities and to simplify the application of current hedge accounting guidance. The Company will adopt this new guidance on a prospective basis at the beginning of the first quarter of fiscal 2019. The Company does not believe that adoption of this ASU will have a material effect on its consolidated financial statements.

Income Statement - Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. In February 2018, the FASB issued ASU No. 2018-02, which allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the 2017 Tax Act. The reclassification is elective and would allow the income tax effects on items that were originally recorded in AOCI to be reclassified from AOCI to retained earnings. This ASU is effective for the Company in fiscal year 2019 and interim periods therein and should be applied either at the beginning of the period of adoption or retrospectively to each period in which the income tax effects of the 2017 Tax Act are recognized. The Company does not believe that adoption of this ASU will have a material effect on its consolidated financial statements.

Compensation-Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20), Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. In August 2018, the FASB issued ASU 2018-14, which removes, adds and clarifies several disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This new guidance is effective on a retrospective basis for the Company beginning in fiscal 2021. Early adoption is permitted. The Company does not believe that the adoption of this ASU will have a material effect on its consolidated financial statements.

2. Acquisitions

The Company's acquisitions are accounted for using the purchase method of accounting and their results are included in the accompanying financial statements from their respective dates of acquisition. Historically, the Company's acquisitions have been made at prices above the fair value of identifiable net assets, resulting in goodwill. Acquisition transaction costs are included in selling, general, and administrative expenses (SG&A) in the accompanying consolidated statement of income as incurred. The Company recorded acquisition transaction costs of $1,321,000 in 2018 (see Note 15, Subsequent Events), $5,375,000 in 2017, and $1,832,000 in 2016.

2017

On August 14, 2017, the Company acquired certain assets of Unaflex, LLC (Unaflex) for $31,274,000 in cash, subject to a post-closing adjustment. The Company expects to pay additional consideration of $397,000 to the sellers in 2019. The Company funded the acquisition through borrowings under its revolving credit facility. Unaflex, located principally in South Carolina, is a leading manufacturer of expansion joints and related products for process industries. This acquisition complemented the Company's existing Fluid-Handling product line within its Papermaking Systems segment. The Company anticipated and continues to achieve several synergies in connection with this acquisition, including the expansion of sales by Unaflex through leveraging the Company's sales efforts, as well as sourcing and manufacturing efficiencies. Goodwill from the Unaflex acquisition was $15,640,000, all of which is expected to be deductible for tax purposes. For 2017, the Company recorded revenues of $7,335,000 and operating income of $187,000 for Unaflex from its date of acquisition, including amortization expense of $176,000 associated with acquired profit in inventory.

On July 5, 2017, the Company acquired the forest products business of NII FPG Company (NII FPG) pursuant to a Stock and Asset Purchase Agreement dated May 24, 2017, for $170,792,000, net of cash acquired. In connection with the acquisition, the Company borrowed an aggregate $170,018,000 under its revolving credit facility, including $62,690,000 of Canadian dollar-denominated and $61,769,000 of euro-denominated borrowings. NII FPG, which has two primary manufacturing facilities located in Canada and Finland, is a global leader in the design and manufacture of equipment used by sawmills, veneer mills, and other manufacturers in the forest products industry. NII FPG also designs and manufactures logging equipment used in harvesting timber from forest plantations. This acquisition extended the Company's presence deeper into the forest products industry and complemented its existing Wood Processing Systems segment. Goodwill from the NII FPG acquisition was $85,432,000, of which $33,993,000 is expected to be deductible for tax purposes. For 2017, the Company recorded revenues of $48,363,000 and operating income of $1,238,000 for NII FPG from its date of acquisition, including amortization expense of $6,399,000 associated with acquired profit in inventory and backlog.

In addition, the Company paid $2,500,000 in cash for another acquisition within the Fluid-Handling product line in the Company's Papermaking Systems segment.

2. Acquisitions (continued)

The following table summarizes the estimated fair values of assets acquired and liabilities assumed and the purchase price of the Company's 2017 acquisitions.

(In thousands)	NII FPG July 5, 2017	Unaflex August 14, 2017	Other October 30, 2017	Total
Net Assets Acquired:				
Cash and Cash Equivalents	$ 2,219	$ —	$ —	$ 2,219
Accounts Receivable	6,542	2,079	—	8,621
Inventories	25,304	2,033	—	27,337
Property, Plant, and Equipment	12,912	1,279	284	14,475
Other Assets	2,375	72	—	2,447
Definite-Lived Intangible Assets				
Customer relationships	44,682	8,000	1,500	54,182
Product technology	17,100	2,300	—	19,400
Other	2,530	900	—	3,430
Indefinite-Lived Intangible Assets				
Tradenames	8,500	—	—	8,500
Goodwill	85,432	15,640	716	101,788
Total assets acquired	207,596	32,303	2,500	242,399
Accounts Payable	4,970	358	—	5,328
Customer Deposits	7,396	100	—	7,496
Long-Term Deferred Income Taxes	16,622	—	—	16,622
Other Liabilities	5,597	174	—	5,771
Total liabilities assumed	34,585	632	—	35,217
Net assets acquired	$ 173,011	$ 31,671	$ 2,500	$ 207,182
Purchase Price:				
Cash Paid	$ 2,993	$ —	$ —	$ 2,993
Cash Paid to Seller Borrowed Under the Revolving Credit Facility	170,018	31,274	2,500	203,792
Estimated Post-closing Adjustment —	—	397	—	397
Total purchase price	$ 173,011	$ 31,671	$ 2,500	$ 207,182

For NII FPG, the weighted-average amortization period for definite-lived intangible assets acquired is 12 years, including weighted-average amortization periods of 15 years for product technology, 11 years for customer relationships, and 4 years for other intangible assets. For Unaflex, the weighted average amortization period for definite-lived intangible assets acquired, including customer relationships, product technology and other intangible assets, is 10 years. For the other acquisition, the amortization period for customer relationships is 11 years.

2. Acquisitions (continued)

Unaudited Supplemental Pro Forma Information

Had the acquisitions of NII FPG and Unaflex been completed as of the beginning of 2016, the Company's pro forma results of operations for 2017 and 2016 would have been as follows:

(In thousands, except per share amounts)	December 30, 2017	December 31, 2016
Revenues	$ 565,710	$ 508,832
Net Income Attributable to Kadant	$ 44,159	$ 30,638
Earnings per Share Attributable to Kadant		
Basic	$ 4.02	$ 2.82
Diluted	$ 3.90	$ 2.75

Pro forma results include the following non-recurring pro forma adjustments that were directly attributable to the business combinations:

- Pre-tax charge to SG&A expenses of $5,360,000 in 2016 and reversal in 2017, for acquisition transaction costs.
- Pre-tax charge to cost of revenues of $5,137,000 in 2016 and reversal in 2017, for the sale of inventory revalued at the date of acquisition.
- Pre-tax charge to SG&A expenses of $1,669,000 in 2016 and reversal of $1,438,000 in 2017, for intangible asset amortization related to acquired backlog.
- Reversal of pre-tax income of $852,000 in 2017, related to NII FPG's gain on the sale of a building.

These pro forma results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that would have resulted had the acquisitions of NII FPG and Unaflex occurred as of the beginning of 2016, or that may result in the future. The Company's pro forma results above exclude its other 2017 acquisitions as those results would not have been materially different then the results presented above had they occurred at the beginning of 2016.

2016

On April 4, 2016, the Company acquired all the outstanding shares of RT Holding GmbH, the parent corporation of a group of companies known as the PAALGROUP (PAAL) for 49,713,000 euros, net of cash acquired, or $56,617,000, pursuant to a post-closing adjustment. The Company paid additional consideration of $165,000 to the sellers in 2017. In connection with the acquisition, the Company borrowed $29,866,000 of euro-denominated borrowings under its revolving credit facility. The remainder of the purchase price was funded from the Company's internal overseas cash.

PAAL, which has operations in Germany, the United Kingdom, France and Spain, manufactures balers and related equipment used in the processing of recyclable and waste materials. This acquisition, which is included in the Company's Papermaking Systems segment's Stock-Preparation product line, broadened the Company's product portfolio and extended its presence deeper into recycling and waste management. The Company anticipated and continues to achieve several synergies in connection with this acquisition, including expanding sales of the products of the acquired business by leveraging the Company's geographic presence to enter or further penetrate existing markets, as well as sourcing and manufacturing efficiencies. Goodwill from the PAAL acquisition was $38,552,000, which is not deductible for tax purposes. For 2016, Company recorded revenues of $40,783,000 and operating income of $2,372,000 for PAAL from its date of acquisition, which included amortization expense of $1,926,000 associated with acquired inventory and backlog.

2. Acquisitions (continued)

The following table summarizes the estimated fair values of assets acquired and liabilities assumed and the purchase price of PAAL.

(In thousands)	PAAL April 4, 2016
Net Assets Acquired:	
Cash and Cash Equivalents	$ 2,277
Accounts Receivable	5,441
Inventories	3,947
Property, Plant, and Equipment	7,179
Other Assets	2,882
Definite-Lived Intangible Assets	
Customer relationships	15,831
Product technology	4,203
Tradenames	2,278
Other	2,379
Goodwill	38,552
Total assets acquired	84,969
Accounts Payable	5,536
Customer Deposits	2,471
Obligations Under Capital Lease	4,842
Long-Term Deferred Income Taxes	6,148
Other Liabilities	6,913
Total liabilities assumed	25,910
Net assets acquired	$ 59,059
Purchase Price:	
Cash	$ 29,193
Cash Paid to Seller Borrowed Under the Revolving Credit Facility	29,866
Total purchase price	$ 59,059

For the PAAL acquisition, the weighted-average amortization period for definite-lived intangible assets acquired is 12 years, including weighted-average amortization periods of 13 years for customer relationships, 9 years for product technology, 14 years for tradenames, and 7 years for other intangible assets.

3. Employee Benefit Plans

Stock-Based Compensation Plans

The Company maintains stock-based compensation plans primarily for its key employees and directors, although the plans permit awards to others expected to make significant contributions to the future of the Company. The plans authorize the compensation committee of the Company's board of directors (the board committee) to award a variety of stock and stock-based incentives, such as restricted stock, RSUs, nonqualified and incentive stock options, stock bonus shares, or performance-based shares. The award recipients and the terms of awards, including price, granted under these plans are determined by the board committee. Upon a change of control, as defined in the plans, all options or other awards become fully vested and all restrictions lapse. The Company had 451,441 shares available for grant under stock-based compensation plans at year-end 2018. The Company generally issues its common stock out of treasury stock, to the extent available, for share issuances related to its stock-based compensation plans.

The Company recognizes compensation cost for all stock-based awards granted to employees and directors based on the grant date estimate of fair value for those awards. The fair value of RSUs is based on the grant date price of the Company's common stock, reduced by the present value of estimated dividends foregone during the requisite service period. The fair value of stock options is based on the Black-Scholes option-pricing model.

3. Employee Benefit Plans (continued)

The components of pre-tax stock-based compensation expense included in SG&A expenses in the accompanying consolidated statement of income are as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
RSU Awards	$ 6,838	$ 5,621	$ 4,848
Employee Stock Purchase Plan Awards	189	182	170
Stock Option Awards	—	—	51
Total	$ 7,027	$ 5,803	$ 5,069

The Company grants RSUs to non-employee directors and certain employees. Holders of RSUs have no voting rights and are not entitled to receive cash dividends.

Non-Employee Director Restricted Stock Units

The Company granted RSUs of 2,700 in 2018, 3,000 in 2017 and 5,000 in 2016 to each of its non-employee directors. Each RSU represents the right to receive one share of the Company's common stock upon vesting. Of the RSUs granted in 2018, half of the RSUs vested on June 1, 2018 and the remaining RSUs vested ratably on the last day of the remaining two fiscal quarters of 2018. The 2017 and 2016 RSUs vested ratably on the last day of each fiscal quarter within the year.

Performance-Based Restricted Stock Units

The Company grants performance-based RSUs to certain officers of the Company. Each performance-based RSU represents the right to receive one share of the Company's common stock upon vesting. The RSUs are subject to adjustment based on the achievement of a performance measure selected for the fiscal year, which historically has been a specified target for adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) generated from continuing operations. Following the adjustment, the RSUs are subject to additional time-based vesting, and vest in three equal annual installments, provided that the officer is employed by the Company on the applicable vesting dates.

The Company recognizes compensation expense associated with performance-based RSUs ratably over the requisite service period for each separately-vesting portion of the award based on the grant date fair value, and net of actual forfeitures recorded when they occur. Compensation expense recognized is remeasured each reporting period until the total number of RSUs to be issued is known. Unrecognized compensation expense related to the unvested performance-based RSUs totaled $2,164,000 at year-end 2018, and will be recognized over a weighted average period of 1.4 years.

The performance-based RSU agreements provide for forfeiture in certain events, such as voluntary or involuntary termination of employment, and for acceleration of vesting in certain events, such as death, disability or a change in control of the Company. If death, disability, or a change in control occurs prior to the end of the performance period, the officer will receive the target RSU amount; otherwise, the officer will receive the number of deliverable RSUs based on the achievement of the performance goal, as stated in the RSU agreements.

Time-Based Restricted Stock Units

The Company grants time-based RSUs to its officers and other employees of the Company. Each time-based RSU represents the right to receive one share of the Company's common stock upon vesting. The Company recognizes compensation expense associated with these time-based RSUs ratably over the requisite service period for the entire award based on the grant date fair value, and net of actual forfeitures recorded when they occur. The time-based RSU agreement provides for forfeiture in certain events, such as voluntary or involuntary termination of employment, and for acceleration of vesting in certain events, such as death, disability, or a change in control of the Company. Unrecognized compensation expense related to the time-based RSUs totaled $2,937,000 at year-end 2018, and will be recognized over a weighted average period of 1.8 years.

3. Employee Benefit Plans (continued)

A summary of the activity of the Company's unvested RSUs in 2018 is as follows:

	Units (In thousands)	Weighted Average Grant-Date Fair Value
Unvested RSUs at December 30, 2017	199	$ 49.32
Granted	73	$ 98.12
Vested	(116)	$ 54.11
Unvested RSUs at December 29, 2018	156	$ 68.57

The weighted-average grant date fair value of RSUs granted was $98.12 in 2018, $59.30 in 2017, and $40.41 in 2016. The total fair value of shares vested was $11,932,000 in 2018, $6,719,000 in 2017, and $6,233,000 in 2016.

Stock Options

The Company has not granted stock options since 2013. Prior to 2014, the Company granted nonqualified stock options to its executive officers that vested over three years and were not exercisable until vested. All options awarded in prior periods were granted at an exercise price equal to the fair market value of the Company's common stock on the date of grant. Stock options vested in three equal annual installments beginning on the first anniversary of the grant date, provided that the recipient remained employed by the Company on the applicable vesting dates and expire on the tenth anniversary of the grant date. All outstanding stock options are fully vested. The Company recognized compensation expense associated with these stock options ratably over the requisite service period for the entire award based on the grant date fair value, net of forfeitures. There was no unrecognized compensation expense related to these stock options at year-end 2018.

The Company used the Black-Scholes option-pricing model to determine the fair value of stock options, which was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. Option-pricing models require the input of highly subjective assumptions, including expected stock price volatility. Expected stock price volatility was calculated based on a review of the Company's actual historic stock prices commensurate with the expected life of the award. The expected option life was derived based on a review of the Company's historic option holding periods, including consideration of the holding period inherent in currently vested but unexercised options. The expected annual dividend rate was calculated by dividing the Company's annual dividend by the closing stock price on the grant date. The risk-free interest rate is based on the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term of the option. The compensation expense recognized for these equity-based awards was net of estimated forfeitures. Forfeitures were estimated based on an analysis of actual option forfeitures.

A summary of the Company's stock option activity in 2018 is as follows:

(In thousands, except per share amounts)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (a)
Options Outstanding at December 30, 2017	307	$ 20.72		
Exercised	(8)	$ 15.51		
Options Outstanding at December 29, 2018	299	$ 20.86	2.5 years	$ 18,029
Vested and Exercisable at December 29, 2018	299	$ 20.86	2.5 years	$ 18,029

(a) The closing price per share on the last trading day prior to year-end 2018 was $81.12.

There were no stock option exercises in 2017. A summary of the Company's stock option exercises in 2018 and 2016 are as follows:

(In thousands)	December 29, 2018	December 31, 2016
Total Intrinsic Value of Options Exercised	$ 515	$ 1,341
Cash Received from Options Exercised	$ 127	$ 1,189

3. Employee Benefit Plans (continued)

Modified Awards

On September 20, 2017, the Company entered into an executive transition agreement with its vice president, general counsel and secretary in connection with her retirement on July 1, 2018. This agreement included provisions for post-employment compensation and modifications to outstanding equity awards. The Company recognized $374,000 of post-employment compensation ratably through the retirement date. Pursuant to this agreement, all unvested RSUs vested at the retirement date. As of September 20, 2017, 4,254 RSUs were remeasured at a fair value of $93.82 per unit. The remaining compensation expense associated with the modified RSUs totaled $332,000 as of September 20, 2017, which was recognized ratably through the retirement date.

Employee Stock Purchase Plan

The Company's eligible U.S. employees may elect to participate in its employee stock purchase plan. Under the plan, shares of the Company's common stock may be purchased at a 15% discount from the fair market value at the beginning or end of the purchase period, whichever is lower. Shares purchased under the plan are subject to a one-year resale restriction and are purchased through payroll deductions of up to 10% of each participating employee's gross wages. The Company issued 10,439 shares for 2018 (issued in 2019), 13,156 shares for 2017 (issued in 2018), and 17,874 shares in 2016 of its common stock under this plan.

401(k) Savings and Other Defined Contribution Plans

The Company's U.S. subsidiaries participate in the Kadant Inc. 401(k) Retirement Savings Plan sponsored by the Company. Contributions to the plan are made by both the employee and the Company and are immediately vested. Company contributions are based upon the level of employee contributions.

Certain of the Company's subsidiaries offer other retirement plans, the majority of which are defined contribution plans. Company contributions to these plans are based on formulas determined by the Company.

For these plans, the Company contributed and charged to expense $3,705,000 in 2018, $3,327,000 in 2017, and $3,005,000 in 2016.

Pension and Other Post-Retirement Benefits Plans

The Company sponsors a noncontributory defined benefit pension plan, which is closed to new participants, for eligible employees at one of its U.S. divisions and its corporate office. Certain of the Company’s non-U.S. subsidiaries also sponsor defined benefit pension plans covering certain employees at those subsidiaries. Funds for the U.S. pension plan (Retirement Plan) and one of the non-U.S. pension plans are contributed to a trustee as necessary to provide for current service and for any unfunded projected benefit obligation over a reasonable period. The remaining non-U.S. pension plans are unfunded as permitted under their plans and applicable laws. Benefits under the Company’s pension plans are based on years of service and employee compensation.

The Company also provides other post-retirement benefits under plans in the United States and at one of its non-U.S. subsidiaries. In addition, the Company provides for a restoration plan (Restoration Plan) for certain executive officers which fully supplements benefits lost under the noncontributory defined benefit retirement plan as a consequence of applicable Internal Revenue Service limits and restores benefits for the limitation of years of service under the retirement plan.

In accordance with ASC 715, *Compensation-Retirement Benefits*, (ASC 715), the Company recognizes the funded status of its defined benefit pension and other post-retirement benefit plans as an asset or liability and changes in the funded status through AOCI, net of tax. The amounts in AOCI are recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost will be recognized as a component of AOCI, net of tax. The actuarial loss included in AOCI and expected to be recognized in net periodic benefit cost in 2019 is $65,000.

Effective at the beginning of fiscal 2018, the Company retrospectively adopted ASU No. 2017-07. See *Recently Adopted Accounting Pronouncements* in Note 1 for further discussion. As a result, only the service cost component of net periodic benefit cost is included in operating income. All other components are included in other expense, net in the accompanying consolidated statement of income.

In 2018, the Company's board of directors and its compensation committee approved amendments to freeze and terminate the Retirement Plan and Restoration Plan as of December 29, 2018 and, as a result, incurred a curtailment loss of $1,425,000 which was reclassified from AOCI and included in other expense, net in the accompanying consolidated statement of income in the fourth quarter of 2018. Additionally, an effect of curtailment of $4,862,000 was recognized as a reclassification from AOCI and a reduction in the accrued pension liability in the accompanying consolidated balance sheet at year-end 2018.

3. Employee Benefit Plans (continued)

Procedures for plan settlement and distribution of the Retirement Plan assets will be initiated once the plan termination satisfies certain regulatory requirements, which is expected to occur in late 2019 or early 2020. At the settlement date, the Company will recognize a loss based on the difference between the unrecognized actuarial loss, unfunded benefit obligation, and any additional cash required to be paid. Participants in the Retirement Plan will have the option to receive either a lump sum payment or an annuity. Retirees will continue to receive payments pursuant to their current annuity elections. The Company will settle liabilities under the Restoration Plan by paying a lump sum to plan participants at least twelve and no more than twenty-four months following the termination date. The Company expects to settle the liabilities under the Restoration Plan in 2020. The Company has included the 2018 Retirement Plan liability in accrued payroll and employee benefits and the 2018 Restoration Plan liability in other long-term liabilities in the accompanying consolidated balance sheet.

The following table summarizes the change in benefit obligation; the change in plan assets; the unfunded status; and the amounts recognized in the accompanying consolidated balance sheet for the Company's U.S. and non-U.S. pension benefit plans and other post-retirement benefit plans. In accordance with ASU No. 2015-04, *Compensation - Retirement Benefits (Topic 715)*, the Company elects to measure its plan assets and benefit obligations as of December 31.

	U.S. Pension		Non-U.S. Pension		Other Post-Retirement	
(In thousands)	**December 29, 2018**	**December 30, 2017**	**December 29, 2018**	**December 30, 2017**	**December 29, 2018**	**December 30, 2017**
Change in Projected Benefit Obligation:						
Projected benefit obligation at beginning of year	$ 34,757	$ 31,935	$ 4,270	$ 3,341	$ 4,704	$ 3,894
Acquisition	—	—	—	241	—	—
Service cost	699	685	173	148	213	175
Interest cost	1,193	1,231	126	114	172	170
Actuarial (gain) loss	(2,674)	2,626	(368)	270	(508)	635
Benefits paid	(1,589)	(1,720)	(394)	(265)	(157)	(175)
Plan amendment	1,116	—	—	—	322	—
Effect of curtailment	(3,787)	—	—	—	(1,075)	—
Currency translation	—	—	(136)	421	1	5
Projected benefit obligation at end of year	$ 29,715	$ 34,757	$ 3,671	$ 4,270	$ 3,672	$ 4,704
Change in Plan Assets:						
Fair value of plan assets at beginning of year	$ 31,754	$ 28,985	$ 557	$ 426	$ 35	$ 28
Actual return on plan assets	(1,436)	3,409	38	23	2	1
Employer contributions	—	1,080	528	355	164	179
Benefits paid	(1,589)	(1,720)	(394)	(265)	(157)	(175)
Currency translation	—	—	(3)	18	—	2
Fair value of plan assets at end of year	$ 28,729	$ 31,754	$ 726	$ 557	$ 44	$ 35
Unfunded Status	$ (986)	$ (3,003)	$ (2,945)	$ (3,713)	$ (3,628)	$ (4,669)
Accumulated Benefit Obligation at End of Year	$ 29,715	$ 30,311	$ 2,604	$ 3,047	$ —	$ —
Amounts Included in the Balance Sheet:						
Current liability	$ (986)	$ —	$ (58)	$ (205)	$ (144)	$ (173)
Non-current liability	$ —	$ (3,003)	$ (2,887)	$ (3,508)	$ (3,484)	$ (4,496)
Amounts Included in Accumulated Other Comprehensive Items Before Tax:						
Unrecognized net actuarial loss	$ (3,205)	$ (7,485)	$ (674)	$ (1,085)	$ (69)	$ (1,424)
Unrecognized prior service cost	—	—	(45)	(52)	—	(439)
	$ (3,205)	$ (7,485)	$ (719)	$ (1,137)	$ (69)	$ (1,863)

3. Employee Benefit Plans (continued)

(In thousands)	U.S. Pension		Non-U.S. Pension		Other Post-Retirement	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Changes in Amounts Included in Accumulated Other Comprehensive Items Before Tax:						
Net actuarial (loss) gain	$ (48)	$ (544)	$ 368	$ (277)	$ 508	$ (634)
Amortization of net actuarial loss	541	442	63	38	136	83
Amortization of prior service cost	—	53	6	6	86	88
Plan amendment	(1,116)	—	—	—	(322)	—
Effect of curtailment	3,787	—	—	—	1,075	—
Curtailment loss	1,116	—	—	—	309	—
Currency translation	—	—	(19)	(78)	2	(3)
	$ 4,280	$ (49)	$ 418	$ (311)	$ 1,794	$ (466)

The weighted-average assumptions used to determine the benefit obligation are as follows:

	U.S. Pension		Non-U.S. Pension		Other Post-Retirement	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Discount rate	4.10%	3.51%	3.56%	3.16%	4.32%	3.71%
Rate of compensation increase	—	3.00%	3.24%	3.33%	5.57%	3.11%

The discount rates for pension and other post-retirement plans are based on market yields on high-quality corporate bonds currently available and expected to be available during the period to maturity of the benefits. For pension and post-retirement plans that have been closed to new participants thereby shortening the duration, the discount rate is determined based on discounting the projected benefit streams against the Citigroup Pension discount curve.

The projected benefit obligations and fair values of plan assets for the Company's pension plans with projected benefit obligations in excess of plan assets are as follows:

(In thousands)	U.S. Pension		Non-U.S. Pension	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Pension Plans with Projected Benefit Obligations in Excess of Plan Assets:				
Projected benefit obligation	$ 29,715	$ 34,757	$ 3,671	$ 4,270
Fair value of plan assets	$ 28,729	$ 31,754	$ 726	$ 557

The accumulated benefit obligations and fair values of plan assets for the Company's pension plans with accumulated benefit obligations in excess of plan assets are as follows:

(In thousands)	U.S. Pension		Non-U.S. Pension	
	December 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets:				
Accumulated benefit obligation	$ 29,715	$ —	$ 2,604	$ 3,047
Fair value of plan assets	$ 28,729	$ —	$ 726	$ 557

3. Employee Benefit Plans (continued)

The components of net periodic benefit cost are as follows:

(In thousands)	U.S. Pension			Non-U.S. Pension			Other Post-Retirement		
	December 29, 2018	December 30, 2017	December 31, 2016	December 29, 2018	December 30, 2017	December 31, 2016	December 29, 2018	December 30, 2017	December 31, 2016
Service cost	$ 699	$ 685	$ 723	$ 173	$ 148	$ 102	$ 213	$ 175	$ 130
Interest cost	1,193	1,231	1,273	126	114	107	172	170	156
Expected return on plan assets	(1,286)	(1,326)	(1,288)	(42)	(25)	(25)	(3)	(2)	(2)
Amortization of net actuarial loss	541	442	498	63	38	39	136	83	50
Amortization of prior service cost	—	53	55	6	6	4	86	88	88
Settlement loss	—	—	—	—	—	—	—	—	114
Curtailment loss	1,116	—	—	—	—	—	309	—	—
Net Periodic Benefit Cost	$ 2,263	$ 1,085	$ 1,261	$ 326	$ 281	$ 227	$ 913	$ 514	$ 536

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

	U.S. Pension			Non-U.S. Pension			Other Post-Retirement		
	December 29, 2018	December 30, 2017	December 31, 2016	December 29, 2018	December 30, 2017	December 31, 2016	December 29, 2018	December 30, 2017	December 31, 2016
Discount Rate	3.51%	4.03%	4.22%	3.49%	3.45%	3.87%	3.58%	4.10%	4.28%
Expected Long-Term Return on Plan Assets	4.50%	5.00%	5.00%	7.43%	7.53%	7.72%	7.43%	7.53%	7.72%
Rate of Compensation Increase	3.00%	3.00%	3.00%	3.97%	3.65%	3.67%	3.05%	3.08%	3.05%

In developing the overall expected long-term return on plan assets assumption, a building block approach was used in which rates of return in excess of inflation were considered separately for equity securities, debt securities, and other assets. The excess returns were weighted by the representative target allocation and added along with an appropriate rate of inflation to develop the overall expected long-term return on plan assets assumption. The Company believes this determination is consistent with ASC 715, *Compensation – Retirement Benefits*.

3. Employee Benefit Plans (continued)

Plan Assets

The fair values of the Company's noncontributory defined benefit retirement plan assets at year-end 2018 and year-end 2017 by asset category are as follows:

	December 29, 2018 Fair Value Measurement			
(In thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Retirement Plan Assets:				
Mutual funds:				
Money market funds	$ 12,852	$ —	$ —	$ 12,852
Fixed income funds	11,581	—	—	11,581
Investments measured at NAV				4,296
Total assets at fair value				$ 28,729
Non-U.S. Pension Plan Assets:				
Mutual funds	$ 726	$ —	$ —	$ 726
Total assets at fair value				$ 726

	December 30, 2017 Fair Value Measurement			
(In thousands)	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Retirement Plan Assets:				
Mutual funds:				
Fixed income funds	$ 17,560	$ —	$ —	$ 17,560
Equity funds	4,763	—	—	4,763
Investments measured at NAV				9,431
Total assets at fair value				$ 31,754
Non-U.S. Pension Plan Assets:				
Mutual funds	$ 557	$ —	$ —	$ 557
Total assets at fair value				$ 557

Description of Fair Value Measurements

Level 1 – Quoted, active market prices for identical assets.

Level 2 – Observable inputs other than Level 1 prices, based on model-derived valuations in which all significant inputs are observable in active markets.

Level 3 – Unobservable inputs based on the Company's own assumptions.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in valuation techniques during 2018 or 2017.

Mutual funds - Investments in money market, common stock index and fixed income funds. Share prices of the funds, referred to as a fund's Net Asset Value (NAV), are calculated daily based on the closing market prices and accruals of securities in the fund's total portfolio (total value of the fund) divided by the number of fund shares currently issued and outstanding. There are no redemption restrictions.

Investments measured at NAV - Investments in common collective trusts that invest in a diversified blend of investment and non-investment grade fixed income securities and are valued at NAV provided by the fund administrator. The NAV is used as the practical expedient to estimate fair value. The NAVs of the funds are calculated monthly based on the closing market prices

3. Employee Benefit Plans (continued)

and accruals of securities in the fund's total portfolio (total value of the fund) divided by the number of fund shares currently issued and outstanding. Redemptions of the investments occur by contract at the respective fund's redemption date NAV.

The Company's investment policy for its U.S. noncontributory defined benefit retirement plan is to emphasize the preservation of capital. The investment policy takes into consideration the benefit obligations, including timing of distributions.

The following target asset allocation has been established for the plan:

Asset Category	Minimum	Neutral	Maximum
Money market funds	0%	45%	100%
Debt Securities	0%	55%	100%
Total		100%	

Debt securities are weighted to reflect a portfolio duration to that of the plan's liabilities anticipated to be paid out as annuities. The credit quality must equal or exceed high investment grade quality ("Baa" or better).

Cash Flows

Contributions

The Company does not plan to make any material cash contributions to its pension and post-retirement benefit plans in 2019 other than to fund current benefit payments, as well as fund amounts related to the settlement of the Retirement Plan, which is expected to occur in late 2019 or early 2020.

Estimated Future Benefit Payments

Expected benefit payments are based on the same assumptions used to measure the Company's benefit obligation at year-end 2018. Estimated future benefit payments during the next five years and in aggregate for the five years thereafter are as follows:

(In thousands)	U.S. Pension	Non-U.S. Pension	Other Post-retirement
2019	$ 29,715	$ 194	$ 151
2020	—	142	2,871
2021	—	211	133
2022	—	312	127
2023	—	330	114
2024-2028	—	2,117	480

The estimated future benefit payments associated with the Retirement Plan are reflected in the table above in 2019. The actual settlement of the Retirement Plan's benefit obligation is dependent on the satisfaction of certain regulatory requirements, which is expected to occur in late 2019 or early 2020.

4. Stockholders' Equity

Preferred Stock

The Company's Certificate of Incorporation authorizes up to 5,000,000 shares of preferred stock, $.01 par value per share, for issuance by the Company's board of directors without further shareholder approval.

Common Stock

At year-end 2018, the Company reserved 945,279 unissued shares of its common stock for possible issuance under its stock-based compensation plans.

5. Income Taxes

The Tax Cuts and Jobs Act of 2017 (2017 Tax Act) was signed into law on December 22, 2017 and its provisions are generally effective for tax years beginning January 1, 2018. The most significant impacts of the 2017 Tax Act to the Company include a decrease in the federal corporate income tax rate from 35% to 21%, and a one-time mandatory transition tax on deemed repatriation of previously tax-deferred and unremitted foreign earnings. On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118) related to the income tax accounting implications of the 2017 Tax Act, which provides guidance on accounting for the 2017 Tax Act's impact. In accordance with SAB 118, the Company recorded a provisional net income tax expense of $7,487,000, including the impact of state taxes, in the fourth quarter of 2017, which consisted of a provisional amount for the one-time mandatory transition tax of $10,303,000, partially offset by a provisional net tax benefit of $2,816,000 for the re-measurement of the Company's deferred income tax assets and liabilities at the 21% federal corporate income tax rate. During 2018, the Company completed its accounting for the 2017 Tax Act under the SAB 118 guidance and recorded a net reduction of $138,000 to the 2017 provisional amount related to the one-time mandatory transition tax.

While the 2017 Tax Act provides for a territorial tax system, beginning in 2018, it includes two new U.S. tax base erosion provisions, Global Intangible Low-Taxed Income (GILTI) and Base Erosion Anti-Abuse Tax (BEAT). The Company has elected to account for the GILTI tax in the period in which it is incurred and, therefore, has not provided the deferred income tax impact of GILTI in its consolidated financial statements. In addition, the Company does not expect to be subject to the minimum tax pursuant to the BEAT provisions.

The components of income from continuing operations before provision for income taxes are as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Domestic	$ (397)	$ 2,797	$ 6,196
Foreign	79,925	54,856	38,353
	$ 79,528	$ 57,653	$ 44,549

The components of the provision for income taxes from continuing operations are as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Current Provision:			
Federal	$ 724	$ 7,835	$ 535
Foreign	21,829	17,372	11,323
State	169	285	838
	22,722	25,492	12,696
Deferred (Benefit) Provision:			
Federal	(2,551)	4,682	1,738
Foreign	(1,761)	(3,563)	(1,818)
State	72	(541)	(533)
	(4,240)	578	(613)
	$ 18,482	$ 26,070	$ 12,083

The provision for income taxes included in the accompanying consolidated statement of income is as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Continuing Operations	$ 18,482	$ 26,070	$ 12,083
Discontinued Operation	—	—	2
	$ 18,482	$ 26,070	$ 12,085

The Company receives a tax deduction upon the exercise of nonqualified stock options and the vesting of RSUs. In 2016, the Company adopted ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*. This ASU requires that excess income tax benefits and tax deficiencies related to stock-based compensation arrangements be recognized as discrete items within the provision for income taxes instead of capital in excess of par value in the reporting period in which they occur. The Company recognized an income tax benefit of $1,097,000 in 2018, $608,000 in 2017 and $582,000 in 2016 in the Company's accompanying consolidated statement of income.

5. Income Taxes (continued)

The provision for income taxes from continuing operations in the accompanying statement of income differs from the provision calculated by applying the statutory federal income tax rate to income from continuing operations before provision for income taxes due to the following:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Provision for Income Taxes at Statutory Rate (21% in 2018 and 35% in 2017 and 2016)	$ 16,701	$ 20,179	$ 15,592
Increases (Decreases) Resulting From:			
State income taxes, net of federal tax	164	151	189
U.S. tax cost of foreign earnings	1,215	761	192
Foreign tax rate differential	3,158	(3,747)	(3,921)
(Reversal of) provision for tax benefit reserves, net	(1,785)	1,517	(76)
Change in valuation allowance	141	(341)	(131)
Nondeductible expenses	781	1,177	1,090
Research and development tax credits	(445)	(297)	(229)
Excess tax benefit related to stock-based compensation	(967)	(581)	(553)
Impact of the U.S. Tax Cuts and Jobs Act	(106)	7,093	—
Other	(375)	158	(70)
	$ 18,482	$ 26,070	$ 12,083

Net deferred tax liability in the accompanying consolidated balance sheet consists of the following:

(In thousands)	December 29, 2018	December 30, 2017
Deferred Tax Asset:		
Foreign, state, and alternative minimum tax credit carryforwards	$ 184	$ 185
Reserves and accruals	3,555	4,455
Net operating loss carryforwards	12,785	15,161
Inventory basis difference	3,692	3,265
Research and development	—	88
Employee compensation	4,382	2,610
Allowance for doubtful accounts	482	505
Other	294	59
Deferred tax asset, gross	25,374	26,328
Less: valuation allowance	(9,946)	(10,835)
Deferred tax asset, net	15,428	15,493
Deferred Tax Liability:		
Goodwill and intangible assets	(28,060)	(32,120)
Fixed asset basis difference	(3,565)	(4,213)
Provision for unremitted foreign earnings	(1,124)	(2,718)
Research and development	(54)	—
Other	(619)	(554)
Deferred tax liability	(33,422)	(39,605)
Net deferred tax liability	$ (17,994)	$ (24,112)

The deferred tax assets and liabilities are presented in the accompanying consolidated balance sheet within other assets and long-term deferred income taxes on a net basis by tax jurisdiction. The Company has established valuation allowances related to certain domestic and foreign deferred tax assets on deductible temporary differences, tax losses, and tax credit carryforwards. The valuation allowance at year-end 2018 was $9,946,000, consisting of $418,000 in the United States and $9,528,000 in foreign jurisdictions. The decrease in the valuation allowance in 2018 of $889,000 related primarily to fluctuations in foreign currency exchange rates and tax rate changes. Compliance with ASC 740 requires the Company to periodically evaluate the necessity of establishing or adjusting a valuation allowance for deferred tax assets depending on whether it is more likely than not that a related tax benefit will be realized in future periods. When assessing the need for a valuation allowance in a tax jurisdiction, the Company evaluates the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. As part of this evaluation, the Company considers its cumulative three-year history of earnings before income taxes, taxable income in prior carryback years, future reversals of existing taxable temporary differences, prudent and feasible tax planning strategies, and expected future results of operations. As of year-end 2018, the Company continued to maintain a valuation allowance in the United States against a portion of its state net operating loss carryforwards due to the uncertainty of future profitability in state jurisdictions. As of year-end 2018, the Company maintained valuation allowances in certain foreign jurisdictions because of the uncertainty of future profitability.

At year-end 2018, the Company had domestic state net operating loss carryforwards of $25,852,000 and foreign net operating loss carryforwards of $44,495,000. The domestic state net operating loss carryforwards will expire in the years 2019 through 2037. Their utilization is limited to future taxable income from the Company's domestic subsidiaries. The foreign net operating loss carryforwards do not expire.

At year-end 2018, the Company had approximately $283,922,000 of unremitted foreign earnings. The Company intends to repatriate the distributable reserves of select foreign subsidiaries back to the United States and has recognized $830,000 of net tax expense on the estimated repatriation

amount during 2018. Except for these select foreign subsidiaries, the Company intends to indefinitely reinvest $272,846,000 of these earnings of its international subsidiaries in order to support the current and future capital needs of their operations in the foreign jurisdictions, including the repayment of the Company's foreign debt. The related foreign withholding taxes, which would be required if the Company were to remit these foreign earnings to the United States, would be approximately $4,949,000.

The Company operates within multiple tax jurisdictions and could be subject to audit in those jurisdictions. Such audits can involve complex income tax issues, which may require an extended period of time to resolve and may cover multiple years. In management's opinion, adequate provisions for income taxes have been made for all years subject to audit.

As of year-end 2018, the Company had $12,364,000 of unrecognized tax benefits which, if recognized, would reduce the effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits at year-end 2018 and year-end 2017 is as follows:

(In thousands)	December 29, 2018	December 30, 2017
Unrecognized Tax Benefits, Beginning of Year	$ 7,843	$ 5,467
Gross Increases—Tax Positions in Prior Periods	1,019	4
Gross Decreases—Tax Positions in Prior Periods	(390)	(22)
Gross Increases—Current-period Tax Positions	7,344	2,229
Settlements	(131)	—
Lapses of Statutes of Limitations	(3,190)	(11)
Currency Translation	(131)	176
Unrecognized Tax Benefits, End of Year	$ 12,364	$ 7,843

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company has accrued $2,087,000 at year-end 2018 and $1,523,000 at year-end 2017 for the potential payment of interest and penalties. The interest and penalties included in the accompanying consolidated statement of income was an expense of $544,000 in 2018 and $199,000 in 2017.

The Company is currently under audit in certain tax jurisdictions. It is reasonably possible that over the next fiscal year the amount of liability for unrecognized tax benefits may be reduced by up to $841,000 primarily from the expiration of tax statutes of limitations.

The Company remains subject to U.S. Federal income tax examinations for the tax years 2015 through 2018, and to non-U.S. income tax examinations for the tax years 2004 through 2018. In addition, the Company remains subject to state and local income tax examinations in the United States for the tax years 2004 through 2018.

6. Long-Term Obligations

Long-term obligations are as follows:

(In thousands)	December 29, 2018	December 30, 2017
Revolving Credit Facility, due 2023	$ 141,106	$ 237,011
Commercial Real Estate Loan, due 2019 to 2028	20,475	—
Senior Promissory Notes, due 2023 to 2028	10,000	—
Obligations Under Capital Lease, due 2019 to 2022	4,144	4,633
Other Borrowings, due 2019 to 2023	244	436
Unamortized Debt Issuance Costs	(148)	—
Total	175,821	242,080
Less: Current Maturities of Long-Term Obligations	(1,668)	(696)
Long-Term Obligations	$ 174,153	$ 241,384

See Note 10 for the fair value information related to the Company's long-term obligations.

Revolving Credit Facility

In December 2018, the Company entered into a second amendment (Second Amendment) to its existing amended and restated five-year, unsecured multi-currency revolving credit facility (Credit Agreement), dated as of March 1, 2017. Pursuant to the Second Amendment, the Credit Agreement was amended to, among other changes, increase its borrowing capacity from $300,000,000 to $400,000,000, increase its uncommitted unsecured incremental borrowing facility from $100,000,000 to $150,000,000 and extend its maturity date from March 1, 2022 to December 14, 2023. Interest on borrowings outstanding accrues and is payable quarterly in arrears calculated at one of the following rates selected by the Company: (i) the Base Rate, calculated as the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate as published by Citizens Bank, and (c) the thirty-day London Inter-Bank Offered Rate (LIBOR) rate, as defined, plus 0.50%; or (ii) the LIBOR rate (with a zero percent floor), as defined, plus an applicable margin of 1% to 2.25%. The applicable margin is determined based upon the ratio of the Company's total debt, net of unrestricted cash up to $30,000,000 and certain debt obligations, to earnings before interest, taxes, depreciation, and amortization (EBITDA) as defined in the Credit Agreement.

The obligations of the Company under the Credit Agreement may be accelerated upon the occurrence of an event of default, which includes customary events of defaults under such financing arrangements. In addition, as amended by the Second Amendment, the Credit Agreement contains negative covenants applicable to the Company and its subsidiaries, including financial covenants requiring the Company to maintain a maximum consolidated leverage ratio of 3.75 to 1.00, or for the quarter during which a material acquisition occurs and for the three fiscal quarters thereafter, 4.00 to 1.00, and limitations on making certain restricted payments (including dividends and stock repurchases).

Loans under the Credit Agreement are guaranteed by certain domestic subsidiaries of the Company. In addition, one of the Company’s foreign subsidiaries entered into a separate guarantee agreement limited to certain obligations of two foreign subsidiary borrowers.

At year-end 2018, the outstanding balance under the Credit Agreement was $141,106,000, and included $41,612,000 of Canadian dollar-denominated borrowings and $19,494,000 of euro-denominated borrowings. The Company had $258,864,000 of borrowing capacity available under the Credit Agreement at year-end 2018, which was calculated by translating its foreign-denominated borrowings using borrowing date foreign exchange rates. The weighted average interest rate for the outstanding balance under the Credit Agreement was 3.47% as of year-end 2018. See Note 15, Subsequent Events, for the additional borrowings under the Credit Agreement related to the Company's acquisition that occurred on January 2, 2019.

During 2018, the Company incurred $741,000 of debt issuance costs related to the Second Amendment of the Credit Agreement. Unamortized debt issuance costs related to the Credit Agreement, included in other assets in the accompanying consolidated balance sheet, were $1,735,000 at year-end 2018 and $1,285,000 at year-end 2017 and are being amortized to interest expense using the straight-line method.

Commercial Real Estate Loan

In July 2018, the Company and certain domestic subsidiaries borrowed $21,000,000 under a promissory note (Real Estate Loan) which is repayable in quarterly principal installments of $262,500 over a ten-year period with the remaining principal balance of $10,500,000 due upon maturity. Interest accrues and is payable quarterly in arrears at a fixed rate of 4.45%

6. Long-Term Obligations (continued)

per annum. The Company is not permitted to prepay any amount in the first twelve months of the term of the Real Estate Loan. Any voluntary prepayments are subject to a 2% prepayment fee if paid in the second twelve months of the term of the Real Estate Loan and are subject to a 1% prepayment fee if paid in the third twelve months of the term of the Real Estate Loan. Thereafter, no prepayment fee will be applied to voluntary prepayment by the Company.

The Real Estate Loan is secured by real estate and related personal property of the Company and certain of its domestic subsidiaries, pursuant to the mortgage and security agreements dated July 6, 2018 (Mortgage and Security Agreements). The obligations of the Company under the Real Estate Loan may be accelerated upon the occurrence of an event of default under the Real Estate Loan and the Mortgage and Security Agreements, which includes customary events of default for financings of this type. In addition, a default under the Credit Agreement or any successor credit facility would be an event of default under the Real Estate Loan. The Company used the proceeds from the Real Estate Loan to repay a portion of its U.S. dollar-denominated debt under the Credit Agreement.

The Company incurred $158,000 of debt issuance costs related to the Real Estate Loan. The effective interest rate for the Real Estate Loan, including amortization of debt issuance costs, was 4.60% as of December 29, 2018.

Senior Promissory Notes

In December 2018, the Company entered into an uncommitted, unsecured Multi-Currency Note Purchase and Private Shelf Agreement (Note Purchase Agreement). Simultaneous with the execution of the Note Purchase Agreement, the Company issued senior promissory notes (Initial Notes) in an aggregate principal amount of $10,000,000, with a per annum interest rate of 4.90% payable semiannually, and a maturity date of December 14, 2028. The Company is required to prepay a portion of the principal of the Initial Notes beginning on December 14, 2023 and each year thereafter, and may optionally prepay the principal on the Initial Notes, together with any prepayment premium, at any time (in a minimum amount of $1,000,000, or the foreign currency equivalent thereof, if applicable) in accordance with the Note Purchase Agreement. The obligations of Initial Notes may be accelerated upon an event of default as defined in the Note Purchase Agreement, which includes customary events of defaults under such financing arrangements.

In accordance with the Note Purchase Agreement, the Company may also issue additional senior promissory notes (together with the Initial Notes, the Senior Promissory Notes) up to an additional $115,000,000 until the earlier of December 14, 2021 or the thirtieth day after written notice to terminate the issuance and sale of additional notes pursuant to the Note Purchase Agreement. The Senior Promissory Notes will be *pari passu* with the Company's indebtedness under the Credit Agreement, and any other senior debt of the Company, subject to certain specified exceptions, and will participate in a sharing agreement with respect to the obligations of the Company and its subsidiaries under the Credit Agreement. The Senior Promissory Notes are guaranteed by certain of the Company's domestic subsidiaries.

The Company incurred $193,000 of debt issuance costs related to the Note Purchase Agreement.

The following schedule presents the annual repayment requirements for the Company's Credit Agreement, Real Estate Loan and Initial Notes as of year-end 2018.

(In thousands)	
2019	$ 1,050
2020	1,050
2021	1,050
2022	1,050
2023	143,823
2024 and Thereafter	23,558
	$ 171,581

Debt Compliance

At year-end 2018, the Company was in compliance with the covenants related to its debt obligations.

Obligations Under Capital Lease

The Company's obligations under capital leases include a sale-leaseback financing arrangement for a manufacturing facility in Germany. Under this arrangement, the quarterly lease payment includes principal, interest, and a payment to the landlord toward a loan receivable. The interest rate on the outstanding obligation is 1.79%. The secured loan receivable, which is included in other assets in the accompanying consolidated balance sheet, was $692,000 at year-end 2018. The lease arrangement provides for a fixed price purchase option, net of the projected loan receivable, of $1,524,000 at the end of the

6. Long-Term Obligations (continued)

lease term in 2022. If the Company does not exercise the purchase option for the facility, the Company will receive cash from the landlord to settle the loan receivable. As of year-end 2018, $4,082,000 was outstanding under this capital lease obligation and $62,000 was outstanding under other capital lease obligations.

The following schedule presents future minimum lease payments under the Company's capital lease obligations and the present value of the minimum lease payments as of year-end 2018.

(In thousands)	
2019	$ 571
2020	578
2021	542
2022	1,099
Total Minimum Lease Payments	$ 2,790
Less: Imputed Interest	(170)
Present Value of Minimum Lease Payments	$ 2,620

7. Commitments and Contingencies

Operating Leases

The Company occupies office and operating facilities under various operating leases. The accompanying consolidated statement of income includes expenses from operating leases of $5,575,000 in 2018, $4,955,000 in 2017, and $4,298,000 in 2016. The future minimum payments due under noncancelable operating leases at year-end 2018 are $4,507,000 in 2019; $3,275,000 in 2020; $2,230,000 in 2021; $1,579,000 in 2022; $987,000 in 2023 and $1,713,000 thereafter. Total future minimum lease payments are $14,291,000.

Letters of Credit and Bank Guarantees

Outstanding letters of credit and bank guarantees issued on behalf of the Company, principally relating to performance obligations and customer deposit guarantees, totaled $18,320,000 at year-end 2018. Certain of the Company's contracts, particularly for stock-preparation and systems orders, require the Company to provide a standby letter of credit or bank guarantee to a customer as beneficiary, limited in amount to a negotiated percentage of the total contract value, in order to guarantee warranty and performance obligations of the Company under the contract. Typically, these standby letters of credit and bank guarantees expire without being drawn by the beneficiary.

Right of Recourse

In the ordinary course of business, the Company's subsidiaries in China may receive banker's acceptance drafts from customers as payment for their trade accounts receivable. The drafts are noninterest-bearing obligations of the issuing bank and mature within six months of the origination date. The Company's subsidiaries in China may use these banker's acceptance drafts prior to the scheduled maturity date to settle outstanding accounts payable with vendors. Banker's acceptance drafts transferred to vendors are subject to customary right of recourse provisions prior to their scheduled maturity dates. The Company had $12,406,000 at year-end 2018 and $10,035,000 at year-end 2017 of banker's acceptance drafts subject to recourse, which were transferred to vendors and had not reached their scheduled maturity dates. Historically, the banker's acceptance drafts have settled upon maturity without any claim of recourse against the Company.

Contingencies

In the ordinary course of business, the Company is, at times, required to issue limited performance guarantees, some of which do not require the issuance of letters of credit to customers in support of these guarantees, relating to its equipment and systems. The Company generally limits its liability under these guarantees to amounts typically capped at 10% or less of the value of the contract. The Company believes that it has adequate reserves for any potential liability in connection with such guarantees.

Litigation

From time to time, the Company is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of business. Such litigation may include, but is not limited to, claims and counterclaims by and against the Company for breach of contract or warranty, canceled contracts, product liability, or bankruptcy-related claims. For

7. Commitments and Contingencies (continued)

legal proceedings in which a loss is probable and estimable, the Company accrues a loss based on the low end of the range of estimated loss when there is no better estimate within the range. If the Company were found to be liable for any of the claims or counterclaims against it, the Company would incur a charge against earnings for amounts in excess of legal accruals.

8. Restructuring Costs and Other Income

Restructuring Costs

In 2017, the Company constructed a 160,000 square foot manufacturing facility in the United States that integrated its U.S. and Swedish papermaking stock-preparation product lines into a single manufacturing facility to achieve economies of scale and greater efficiencies. As a result of the consolidation and integration of these facilities, the Company developed a restructuring plan totaling $1,920,000, primarily related to costs for the relocation of machinery and equipment and administrative offices, severance, and abandonment of leased facilities in the Papermaking Systems segment. As a result of this plan, the Company recorded restructuring charges of $203,000 in 2017 associated with severance costs for the reduction of four employees in the United States and six employees in Sweden. In 2018, the Company recorded additional restructuring costs of $1,717,000 related to this plan, including $1,318,000 primarily for the relocation of machinery and equipment and administrative offices, $454,000 associated with employee retention costs and abandonment of excess facility and other closure costs, and a reversal of $55,000 of severance costs no longer required. The Company does not expect to incur additional charges related to this restructuring plan.

A summary of the changes in accrued restructuring costs included in other accrued expenses in the accompanying consolidated balance sheet are as follows:

(In thousands)	Severance	Relocation	Other (a)	Total
2017 Restructuring Plan				
Provision	$ 203	$ —	$ —	$ 203
Balance at December 30, 2017	203	—	—	203
(Reversal) Provision	(55)	1,318	454	1,717
Usage	(77)	(1,315)	(448)	(1,840)
Currency translation	(8)	(3)	(6)	(17)
Balance at December 29, 2018	$ 63	$ —	$ —	$ 63

(a) Includes employee retention costs that are accrued ratably over the period through which employees must work to qualify for a payment and facility closure and clean-up costs.

Other Income

In 2016, other income consisted of a pre-tax gain of $317,000 from the sale of real estate in Sweden for cash proceeds of $368,000.

9. Derivatives

Interest Rate Swap Agreements

In May 2018, the Company entered into an interest rate swap agreement (2018 Swap Agreement) which has a $15,000,000 notional value and expires on June 30, 2023. In 2015, the Company also entered into an interest rate swap agreement (2015 Swap Agreement) which has a $10,000,000 notional value and expires on March 27, 2020. The swap agreements hedge the Company's exposure to movements in the three-month LIBOR rate on U.S. dollar-denominated debt. On a quarterly basis, the Company receives a three-month LIBOR rate and pays a fixed rate of interest of 3.15% plus an applicable margin as defined in the Credit Agreement on the 2018 Swap Agreement and 1.50% plus an applicable margin as defined in the Credit Agreement on the 2015 Swap Agreement. The 2018 Swap Agreement is subject to a zero percent floor on the three-month LIBOR rate. The interest rate swap agreements are designated as cash flow hedges and, accordingly, unrecognized gains and losses are recorded to AOCI, net of tax.

The Company has structured the interest rate swap agreements to be 100% effective and, as a result, there is no current impact to earnings resulting from hedge ineffectiveness. Management believes that any credit risk associated with the interest

9. Derivatives (continued)

rate swap agreements is remote based on the Company's financial position and the creditworthiness of the financial institution that issued those agreements.

The counterparty to the interest rate swap agreements could demand an early termination of those agreements if the Company were to be in default under the Credit Agreement, or any agreement that amends or replaces the Credit Agreement in which the counterparty is a member, and if the Company were to be unable to cure the default (see Note 6). The fair values of the interest rate swap agreements represent the estimated amounts that the Company would receive from or pay to the counterparty in the event of an early termination.

Forward Currency-Exchange Contracts

The Company uses forward currency-exchange contracts primarily to hedge exposures resulting from fluctuations in currency exchange rates. Such exposures result primarily from portions of the Company's operations and assets and liabilities that are denominated in currencies other than the functional currencies of the businesses conducting the operations or holding the assets and liabilities. The Company typically manages its level of exposure to the risk of currency-exchange fluctuations by hedging a portion of its anticipated currency exposures over the ensuing 12-month period, using forward currency-exchange contracts that have maturities of twelve months or less.

Forward currency-exchange contracts that hedge forecasted accounts receivable or accounts payable are designated as cash flow hedges and unrecognized gains and losses are recorded to AOCI, net of tax. For forward currency-exchange contracts that are designated as fair value hedges, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item are recognized currently in earnings. The fair values of forward currency-exchange contracts that are not designated as hedges are recorded currently in earnings. The Company recognized within SG&A expenses in the accompanying consolidated statement of income losses of $27,000 in 2018, $1,367,000 in 2017 and $797,000 in 2016, associated with forward currency-exchange contracts that were not designated as hedges. Management believes that any credit risk associated with forward currency-exchange contracts is remote based on the Company's financial position and the creditworthiness of the financial institutions issuing the contracts.

The following table summarizes the fair value of the Company's derivative instruments in the accompanying consolidated balance sheet:

		December 29, 2018		December 30, 2017	
(In thousands)	Balance Sheet Location	Asset (Liability) (a)	Notional Amount (b)	Asset (Liability) (a)	Notional Amount
Derivatives Designated as Hedging Instruments:					
Derivatives in an Asset Position:					
2015 Swap Agreement	Other Long-Term Assets	$ 148	$ 10,000	$ 126	$ 10,000
Forward currency-exchange contract	Other Long Term Assets	$ 11	$ 842	$ —	$ —
Derivatives in a Liability Position:					
Forward currency-exchange contract	Other Current Liabilities	$ (50)	$ 2,946	$ —	$ —
2018 Swap Agreement	Other Long-Term Liabilities	$ (352)	$ 15,000	$ —	$ —
Derivatives Not Designated as Hedging Instruments:					
Derivatives in an Asset Position:					
Forward currency-exchange contracts	Other Current Assets	$ 9	$ 1,192	$ 17	$ 1,244
Derivatives in a Liability Position:					
Forward currency-exchange contracts	Other Current Liabilities	$ (31)	$ 1,384	$ (16)	$ 2,049

(a) See Note 10 for the fair value measurements relating to these financial instruments.
(b) The total 2018 notional amounts are indicative of the level of the Company's recurring derivative activity.

9. Derivatives (continued)

The following table summarizes the activity in AOCI associated with the Company's derivative instruments designated as cash flow hedges as of and for the year ended December 29, 2018:

(In thousands)	Interest Rate Swap Agreements	Forward Currency-Exchange Contracts	Total
Unrealized Gain, Net of Tax, at December 30, 2017	$ 79	$ —	$ 79
Loss (gain) reclassified to earnings (a)	8	(16)	(8)
Loss recognized in AOCI	(257)	(11)	(268)
Unrealized Loss, Net of Tax, at December 29, 2018	$ (170)	$ (27)	$ (197)

(a) See Note 13 for the income statement classification.

At year-end 2018, the Company expects to reclassify $8,000 from AOCI to earnings over the next twelve months based on the estimated cash flows of the interest rate swap agreements and the maturity dates of the forward currency- exchange contracts.

10. Fair Value Measurements and Fair Value of Financial Instruments

Fair value measurement is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is established, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
- Level 3—Unobservable inputs based on the Company's own assumptions.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

	Fair Value as of December 29, 2018			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds and time deposits	$ 6,902	$ —	$ —	$ 6,902
Banker's acceptance drafts (a)	$ —	$ 7,976	$ —	$ 7,976
2015 Swap Agreement	$ —	$ 148	$ —	$ 148
Forward currency-exchange contracts	$ —	$ 20	$ —	$ 20
Liabilities:				
2018 Swap Agreement	$ —	$ 352	$ —	$ 352
Forward currency-exchange contracts	$ —	$ 81	$ —	$ 81

	Fair Value as of December 30, 2017			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds and time deposits	$ 17,728	$ —	$ —	$ 17,728
Banker's acceptance drafts (a)	$ —	$ 15,960	$ —	$ 15,960
2015 Swap Agreement	$ —	$ 126	$ —	$ 126
Forward currency-exchange contracts	$ —	$ 17	$ —	$ 17
Liabilities:				
Forward currency-exchange contracts	$ —	$ 16	$ —	$ 16

(a) Included in accounts receivable in the accompanying consolidated balance sheet.

10. Fair Value Measurements and Fair Value of Financial Instruments (continued)

The Company uses the market approach technique to value its financial assets and liabilities, and there were no changes in valuation techniques during 2018. The Company's financial assets and liabilities carried at fair value are cash equivalents, banker's acceptance drafts, derivative instruments used to hedge the Company's foreign currency and interest rate risks, variable rate debt, and capital lease obligations. The Company's cash equivalents are comprised of money market funds and bank deposits which are highly liquid and readily tradable. These cash equivalents are valued using inputs observable in active markets for identical securities. The carrying value of banker's acceptance drafts approximates their fair value due to the short-term nature of the negotiable instrument. The fair values of the Company's forward currency-exchange contracts are based on quoted forward foreign exchange rates at the reporting date. The fair values of the Company's interest rate swap agreements is based on LIBOR yield curves at the reporting date. The forward currency-exchange contracts and interest rate swap agreements are hedges of either recorded assets or liabilities or anticipated transactions. Changes in values of the underlying hedged assets and liabilities or anticipated transactions are not reflected in the table above.

The carrying value and fair value of the Company's debt obligations are as follows:

	December 29, 2018		December 30, 2017	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt Obligations:				
Revolving credit facility	$ 141,106	$ 141,106	$ 237,011	$ 237,011
Commercial real estate loan	20,475	20,575	—	—
Senior promissory notes	10,000	10,120	—	—
Capital lease obligations	4,144	4,144	4,633	4,633
Other borrowings	244	244	436	436
	$ 175,969	$ 176,189	$ 242,080	$ 242,080

The carrying value of the Company's revolving credit facility approximates the fair value as the obligation bears variable rates of interest, which adjust quarterly based on prevailing market rates. The fair values of the commercial real estate loan and senior promissory notes were calculated based on quoted market rates, plus an applicable margin available to the Company at the end of the quarter, which represents a Level 2 measurement. The carrying values of the Company's capital lease obligations and other borrowings approximate fair value as the stipulated interest rates are comparable to prevailing market rates for those obligations.

11. Business Segment and Geographical Information

The Company has combined its operating entities into two reportable operating segments, Papermaking Systems and Wood Processing Systems, and a separate product line, Fiber-based Products. In classifying operational entities into a particular segment, the Company has aggregated businesses with similar economic characteristics, products and services, production processes, customers, and methods of distribution.

The Papermaking Systems segment develops, manufactures, and markets a range of equipment and products for the global papermaking, paper recycling, recycling and waste management, and other process industries. The Company's principal products include custom-engineered stock-preparation systems and equipment for the preparation of wastepaper for conversion into recycled paper and balers and related equipment used in the processing of recyclable and waste materials; fluid-handling systems and equipment used in industrial piping systems to compensate for movement and to efficiently transfer fluid, power, and data; doctoring systems and equipment and related consumables important to the efficient operation of paper machines and other industrial processes; and filtration and cleaning systems essential for draining, purifying, and recycling process water and cleaning fabrics, belts, and rolls in various process industries.

The Wood Processing Systems segment develops, manufactures, and markets stranders, debarkers, chippers, and logging machinery used in the harvesting and production of lumber and OSB. Through this segment, the Company also provides refurbishment and repair of pulping equipment for the pulp and paper industry.

The Fiber-based Products business manufactures and sells biodegradable, absorbent granules derived from papermaking by-products for use primarily as carriers for agricultural, home lawn and garden, and professional lawn, turf and ornamental applications, as well as for oil and grease absorption.

11. Business Segment and Geographical Information (continued)

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Business Segment Information			
Revenues by Product Line:			
Papermaking Systems:			
Stock-Preparation	$ 221,933	$ 193,838	$ 171,378
Fluid-Handling	131,830	104,136	89,145
Doctoring, Cleaning, & Filtration	116,136	109,631	105,938
Papermaking Systems	$ 469,899	$ 407,605	$ 366,461
Wood Processing Systems	151,366	95,053	36,850
Fiber-based Products	12,521	12,375	10,815
	$ 633,786	$ 515,033	$ 414,126
Income from Continuing Operations Before Provision for Income Taxes:			
Papermaking Systems (a)	$ 83,454	$ 73,069	$ 58,025
Wood Processing Systems (b)	31,237	10,005	8,327
Corporate and Fiber-based Products (c)	(26,093)	(21,449)	(19,710)
Total operating income	88,598	61,625	46,642
Interest expense, net (d)	(6,653)	(3,100)	(1,024)
Other expense, net (d, e)	(2,417)	(872)	(1,069)
	$ 79,528	$ 57,653	$ 44,549
Total Assets:			
Papermaking Systems	$ 462,297	$ 494,919	$ 407,538
Wood Processing Systems	247,553	257,467	52,407
Other (f)	15,899	8,708	10,746
	$ 725,749	$ 761,094	$ 470,691
Depreciation and Amortization:			
Papermaking Systems	$ 12,561	$ 11,239	$ 11,513
Wood Processing Systems	10,317	7,515	2,188
Other	690	621	625
	$ 23,568	$ 19,375	$ 14,326
Capital Expenditures:			
Papermaking Systems	$ 12,717	$ 14,359	$ 5,504
Wood Processing Systems	3,272	2,333	29
Other	570	589	271
	$ 16,559	$ 17,281	$ 5,804
Geographical Information			
Revenues (g):			
United States	$ 234,487	$ 182,788	$ 165,335
China	89,645	63,910	43,299
Canada	61,096	47,611	28,888
Germany	26,577	32,026	18,095
Finland	10,934	8,607	3,885
Other	211,047	180,091	154,624
	$ 633,786	$ 515,033	$ 414,126
Long-lived Assets (h):			
United States	$ 35,446	$ 32,852	$ 18,482
China	11,069	11,685	10,714
Canada	8,193	9,449	1,125
Finland	6,998	5,841	—
Germany	6,223	6,452	5,792
Other	12,228	13,444	11,591
	$ 80,157	$ 79,723	$ 47,704

11. Business Segment and Geographical Information (continued)

(a) Includes $787,000 in 2017 and $3,491,000 in 2016 of acquisition-related expenses. Acquisition-related expenses include acquisition transaction costs and amortization of acquired profit in inventory and backlog. Includes restructuring costs of $1,717,000 in 2018 and $203,000 in 2017, and other income of $317,000 in 2016 (see Note 8).
(b) Includes $252,000 in 2018 and $11,163,000 in 2017 of acquisition-related expenses.
(c) Corporate primarily includes general and administrative expenses, including $1,321,000 in 2018 of acquisition-related expenses.
(d) The Company does not allocate interest and other expense, net to its segments.
(e) Includes a curtailment loss of $1,425,000 in 2018 (see Note 3, Employee Benefit Plans, under Pension and Other Post-Retirement Benefits Plans).
(f) Primarily includes Corporate and Fiber-based Products' cash and cash equivalents, tax assets, and property, plant, and equipment.
(g) Revenues are attributed to countries based on customer location.
(h) Represents property, plant, and equipment, net.

12. Earnings per Share

Basic and diluted EPS were calculated as follows:

(In thousands, except per share amounts)	December 29, 2018	December 30, 2017	December 31, 2016
Amounts Attributable to Kadant			
Income from Continuing Operations	$ 60,413	$ 31,092	$ 32,074
Income from Discontinued Operation	—	—	3
Net Income Attributable to Kadant	$ 60,413	$ 31,092	$ 32,077
Basic Weighted Average Shares	11,086	10,991	10,869
Effect of Stock Options, Restricted Stock Units and Employee Stock Purchase Plan Shares	314	321	280
Diluted Weighted Average Shares	11,400	11,312	11,149
Basic EPS			
Continuing Operations	$ 5.45	$ 2.83	$ 2.95
Discontinued Operation	$ —	$ —	$ —
Earnings per Basic Share	$ 5.45	$ 2.83	$ 2.95
Diluted EPS			
Continuing Operations	$ 5.30	$ 2.75	$ 2.88
Discontinued Operation	$ —	$ —	$ —
Earnings per Diluted Share	$ 5.30	$ 2.75	$ 2.88

The dilutive effect of the outstanding and unvested RSUs totaling 18,700 shares in 2018, 15,600 shares in 2017, and 36,700 shares in 2016 of the Company's common stock was not included in the computation of diluted EPS, as the effect would have been antidilutive or, for unvested performance-based RSUs, the performance conditions had not been met as of the end of the reporting periods during the year.

13. Accumulated Other Comprehensive Items

Comprehensive income combines net income and other comprehensive items, which represent certain amounts that are reported as components of stockholders' equity in the accompanying consolidated balance sheet.

Changes in each component of AOCI, net of tax, are as follows:

(In thousands)	Foreign Currency Translation Adjustment	Unrecognized Prior Service (Cost) Income on Retirement Benefit Plans	Net Actuarial Loss on Retirement Benefit Plans	Deferred Gain (Loss) on Cash Flow Hedges	Total
Balance at December 30, 2017	$ (17,501)	$ (319)	$ (8,974)	$ 79	$ (26,715)
Other comprehensive (loss) income before reclassifications	(17,303)	(810)	4,020	(268)	(14,361)
Reclassifications from AOCI	—	1,149	559	(8)	1,700
Net current period other comprehensive (loss) income	(17,303)	339	4,579	(276)	(12,661)
Balance at December 29, 2018	$ (34,804)	$ 20	$ (4,395)	$ (197)	$ (39,376)

Amounts reclassified out of AOCI are as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016	Statement of Income Line Item
Retirement Benefit Plans (a)				
Recognized net actuarial loss	$ (740)	$ (563)	$ (701)	Other expense, net
Amortization of prior service cost	(92)	(147)	(147)	Other expense, net
Curtailment loss	(1,425)	—	—	Other expense, net
Total expense before income taxes	(2,257)	(710)	(848)	
Income tax benefit	549	246	295	Provision for income taxes
	(1,708)	(464)	(553)	
Cash Flow Hedges (b)				
Interest rate swap agreements	(11)	(30)	(174)	Interest expense
Forward currency-exchange contracts	—	—	(14)	Revenues
Forward currency-exchange contracts	22	(97)	(186)	Cost of revenues
Total income (expense) before income taxes	11	(127)	(374)	
Income tax (provision) benefit	(3)	43	(37)	Provision for income taxes
	8	(84)	(411)	
Total Reclassifications	$ (1,700)	$ (548)	$ (964)	

(a) Included in the computation of net periodic benefit cost. See Note 3 for additional information.

(b) See Note 9 for additional information.

14. Unaudited Quarterly Information

2018 (In thousands, except per share amounts)	First	Second	Third	Fourth
Revenues	$ 149,193	$ 154,913	$ 165,745	$ 163,935
Gross Profit	$ 66,079	$ 68,164	$ 73,093	$ 70,945
Net Income Attributable to Kadant	$ 10,858	$ 12,349	$ 18,784	$ 18,422
Basic Earnings per Share:				
Net Income Attributable to Kadant	$ 0.98	$ 1.11	$ 1.69	$ 1.66
Diluted Earnings per Share:				
Net Income Attributable to Kadant	$ 0.96	$ 1.08	$ 1.64	$ 1.61
Cash Dividends Declared per Common Share	$ 0.22	$ 0.22	$ 0.22	$ 0.22

2017 (In thousands, except per share amounts)	First	Second	Third	Fourth
Revenues	$ 102,857	$ 110,242	$ 152,794	$ 149,140
Gross Profit	49,017	52,852	64,655	64,623
Net Income Attributable to Kadant	$ 8,951	$ 8,096	$ 13,285	$ 760
Basic Earnings per Share:				
Net Income Attributable to Kadant	$ 0.82	$ 0.74	$ 1.21	$ 0.07
Diluted Earnings per Share:				
Net Income Attributable to Kadant	$ 0.80	$ 0.72	$ 1.17	$ 0.07
Cash Dividends Declared per Common Share	$ 0.21	$ 0.21	$ 0.21	$ 0.21

15. Subsequent Events

Acquisition

On January 2, 2019, the Company acquired Syntron Material Handling Group, LLC and certain of its affiliates (SMH) pursuant to an equity purchase agreement, dated December 9, 2018, for approximately $179,000,000, subject to certain customary adjustments. The Company funded the acquisition through borrowings under its Credit Agreement and recognized acquisition costs of $1,321,000 within SG&A expenses in the accompanying consolidated statement of income in 2018.

SMH is a leading provider of material handling equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper and manufactures conveying equipment, with revenue of $89,365,000 for the twelve months ended October 31, 2018 and approximately 250 employees worldwide. This acquisition extends the Company's breadth of premier offerings to process industries, and also gives the Company access to new industries that offer potential avenues for growth. The Company expects several synergies in connection with this acquisition, including expansion of product sales into new markets by leveraging SMH's existing presence, strengthening of SMH's relationships in the pulp and paper industry, and sourcing efficiencies. The excess of the purchase price for the acquisition of SMH over the net assets acquired will be recorded as goodwill. The Company is currently evaluating its segment classification of the SMH business.

The Company has not yet completed its preliminary assessment of the fair value of the assets acquired and liabilities assumed in the SMH acquisition, including the valuation of intangible assets and goodwill, due to the proximity of the acquisition to the issuance of these consolidated financial statements. Accordingly and as permitted by ASC 805, *Business Combinations*, we are unable to provide further disclosures, including the allocation of the purchase price and pro forma financial information, for this acquisition at this time.

In connection with the acquisition of SMH, the Company assumed multiple leased properties and is currently evaluating the effect these leases will have on its consolidated financial statements upon the adoption of ASU No. 2016-02, *Leases (Topic 842)* as described in Note 1, under Recent Accounting Pronouncements Not Yet Adopted.

Borrowings Under the Credit Agreement

On December 31, 2018, the Company borrowed an aggregate amount of $180,000,000, primarily used to finance the acquisition of SMH, under its existing revolving credit facility pursuant to the terms of the Credit Agreement. See Note 6, Long-Term Obligations, for further details.

Exhibit 2.2

EXECUTION VERSION

EQUITY PURCHASE AGREEMENT

by and among

KADANT INC.,

LLCP PCS ALTERNATIVE SYNTRON, LLC,

SYNTRON MATERIAL HANDLING GROUP, LLC,

THE SELLERS NAMED HEREIN

and

LEVINE LEICHTMAN CAPITAL PARTNERS PRIVATE CAPITAL SOLUTIONS, L.P.,
solely in its capacity as the Seller Representative

December 9, 2018

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EQUITY PURCHASE AGREEMENT

THIS EQUITY PURCHASE AGREEMENT (this "Agreement"), dated as of December 9, 2018, is made by and among (i) LLCP PCS Alternative Syntron, LLC, a Delaware limited liability company ("Syntron Corp"), (ii) Syntron Material Handling Group, LLC, a Delaware limited liability company ("Holdco"), (iii) PCS Alternative Corp Seller 1, LLC, a Delaware limited liability company, and PCS Alternative Corp Seller 2, LLC, a Delaware limited liability company (collectively, the "Corp Sellers"), (iv) SMH Equity, LLC, a Delaware limited liability company (the "Holdco Seller" and, together with the Corp Sellers, collectively, the "Sellers"), (v) Kadant Inc., a Delaware corporation (the "Purchaser"), and (vi) Levine Leichtman Capital Partners Private Capital Solutions, L.P., a Delaware limited partnership, solely in its capacity as the representative of the Sellers as set forth in this Agreement (the "Seller Representative"). Capitalized terms used and not otherwise defined herein have the meanings set forth in Article 12 below.

WHEREAS, as of the date hereof, the Corp Sellers collectively own 100% of the outstanding equity interests of Syntron Corp (the "Syntron Corp Interests");

WHEREAS, as of the date hereof, the Holdco Seller owns 100% of the outstanding limited liability company interests of Holdco (the "Holdco Interests");

WHEREAS, not less than one (1) calendar day prior to the consummation of the transactions contemplated by this Agreement, but not prior to January 1, 2019, the Sellers shall cause the Restructuring Transactions (as defined in Article 12) to be consummated;

WHEREAS, following the consummation of the Restructuring Transactions, the Corp Sellers will, collectively, still own all of the Syntron Corp Interests;

WHEREAS, following the consummation of the Restructuring Transactions, the Holdco Seller and Syntron Corp will, collectively, own all of the Holdco Interests;

WHEREAS, following the consummation of the Restructuring Transactions, Syntron Corp's only asset will be equity interests in Holdco;

WHEREAS, subject to the terms and conditions of this Agreement, (i) the Purchaser desires to acquire from the Corp Sellers, and the Corp Sellers desire to sell to the Purchaser, all of the Syntron Corp Interests (the "Purchased Syntron Corp Interests") and (ii) the Purchaser desires to acquire from the Holdco Seller, and the Holdco Seller desires to sell to the Purchaser, all of the Holdco Interests held by the Holdco Seller (the "Purchased Holdco Interests" and, together with Purchased Syntron Corp Interests, collectively, the "Purchased Interests"), with the Holdco Interests held by Syntron Corp being retained by Syntron Corp;

WHEREAS, the respective boards of managers and board of directors, as applicable, of the Purchaser, Syntron Corp and Holdco have approved this Agreement and the transactions contemplated hereby, upon the terms and subject to the conditions set forth herein; and

WHEREAS, pursuant to those certain agreements, executed on or prior to the date hereof (each, an "Option Surrender Agreement" and, collectively, the "Option Surrender Agreements"), by and between each Optionholder and Holdco, each Optionholder has agreed to surrender, for cancellation on the Closing Date, all Options owned by such Optionholder in exchange for the applicable Option Surrender Payment to be paid for the Options surrendered by such Optionholder, net of any applicable withholding Tax.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
PURCHASE AND SALE OF PURCHASED INTERESTS

1.01 Purchase and Sale of Purchased Interests. On the terms and subject to the conditions hereof, on the Closing Date, (a) the Holdco Seller shall sell, assign, transfer and convey to the Purchaser (or one of the Purchaser's Subsidiaries designated by the Purchaser), and the Purchaser shall purchase and acquire from the Holdco Seller, all of the Purchased Holdco Interests, free and clear of any Liens and restrictions on transfer (other than any restrictions on transfer under the Securities Act and any applicable state securities Laws) and together with all accrued rights and benefits attached thereto, (b) the Corp Sellers shall sell, assign, transfer and convey to the Purchaser (or one of the Purchaser's Subsidiaries designated by the Purchaser), and the Purchaser shall purchase and acquire from the Corp Sellers, all of the Purchased Syntron Corp Interests, free and clear of any Liens and restrictions on transfer (other than any restrictions on transfer under the Securities Act and any applicable state securities Laws) and together with all accrued rights and benefits attached thereto, and (c) in consideration of the sale of the Purchased Interests and the covenants and agreements contained herein, the Purchaser shall deliver to the Sellers the consideration specified in Section 1.02.

1.02 Purchase Price.

(a) For purposes of this Agreement, the aggregate purchase price (the "Purchase Price") to be paid for the Purchased Interests shall be an amount equal to (i) $179,000,000 (the "Base Consideration"), minus (ii) the Final Indebtedness, plus (iii) the amount, if any, by which the Final Net Working Capital exceeds the Target Net Working Capital, minus (iv) the amount, if any, by which the Final Net Working Capital is less than the Target Net Working Capital, minus (v) the Escrow Amount, plus (vi) the Final Cash, minus (vii) the Final Transaction Expenses, and minus (viii) the Representative Expense Amount.

(b) For purposes of this Agreement, the "Preliminary Purchase Price" shall be an amount equal to (i) the Base Consideration, minus (ii) the Estimated Indebtedness, plus (iii) the amount, if any, by which the Estimated Net Working Capital exceeds the Target Net Working Capital, minus (iv) the amount, if any, by which the Estimated Net Working Capital is less than the Target Net Working Capital, minus (v) the Escrow Amount, plus (vi) the Estimated Cash, minus (vii) the Estimated Transaction Expenses, and minus (viii) the Representative Expense Amount.

1.03 Estimated Cash, Estimated Indebtedness and Estimated Net Working Capital.

Not less than four (4) Business Days prior to the anticipated Closing Date, Syntron Corp and Holdco shall deliver to the Purchaser (i) Syntron Corp's and Holdco's calculation of their good-faith estimate of (a) the amount of Cash as of the Calculation Time (the "Estimated Cash"), (b) Net Working Capital as of the Calculation Time (the "Estimated Net Working Capital"), and (c) the amount of Indebtedness which will be outstanding immediately prior to the Closing (the "Estimated Indebtedness"), in each case together with reasonably detailed backup materials and supporting calculations, (ii) a schedule showing the amount of Transaction Expenses unpaid as of the Closing (including the Option Surrender Payments) (the "Estimated Transaction Expenses"), which schedule shall include itemized calculations of each Transaction Expense and the wire instructions for payment of each such expense (the "Transaction Expenses Schedule"), and (iii) a statement showing the calculation of the Preliminary Purchase Price. If, within two (2) Business Days following receipt of the items set forth in clauses (i), (ii) and (iii) above, the Purchaser has not given Syntron Corp and Holdco notice of its objection to any of such items, the Preliminary Purchase Price shall be as estimated by Syntron Corp and Holdco pursuant to clause (iii) above. If the Purchaser gives such notice of objection, Syntron Corp and Holdco, on the one hand, and the Purchaser, on the other hand, will work together in good faith to resolve the issues in dispute. If all disputed issues are resolved, the amounts as agreed upon by the Purchaser, Syntron Corp and Holdco shall be used to calculate the Preliminary Purchase Price. If the Purchaser, Syntron Corp and Holdco are unable to resolve all such disputed issues within three (3) Business Days following the Purchaser's receipt of the items set forth in clauses (i), (ii) and (iii) above, the Adjustment Escrow Amount shall be increased by the amount (up to $1,000,000) that Syntron Corp's and Holdco's calculation of the Preliminary Purchase Price exceeds the Purchaser's calculation of the Preliminary Purchase Price; provided that such $1,000,000 cap shall not limit the Purchaser's right to recover the full amount of any Excess Amount.

1.04 The Closing Transactions.

Subject to the terms and conditions set forth in this Agreement, the parties shall consummate the following transactions at the Closing:

(a) the Purchaser shall make the following payments:

(i) the Purchaser shall deliver to the Seller Representative (on behalf of and for delivery to the Sellers) the Preliminary Purchase Price by wire transfer of immediately available funds to one or more accounts designated by the Seller Representative to the Purchaser at least three (3) Business Days prior to the anticipated Closing Date;

(ii) the Purchaser shall repay, on behalf of the Acquired Companies, all amounts required to be paid under the payoff letters delivered pursuant to Section 1.04(c) in order to fully discharge the Indebtedness owed to the Persons thereunder, by wire transfer of immediately available funds to the accounts designated in such payoff letters, which the parties hereto agree shall be treated for Tax purposes (A) in the case of amounts paid with respect to the Holdco Seller's pro rata share of any Indebtedness of Holdco or any of its Subsidiaries, as if the Purchaser paid such amounts to the Holdco Seller as part of the Purchase Price paid for the Purchased Holdco Interests and the Holdco Seller contributed such amounts to Holdco to fund the repayment by Holdco of such Indebtedness, (B) in the case of Syntron Corp's pro rata share of any Indebtedness of Holdco or any of its Subsidiaries, as if the Purchaser paid such amounts to the Corp Sellers as part of the Purchase Price paid for the Purchased Syntron Corp Interests and each Corp Seller contributed its pro rata share of such amounts

to Syntron Corp for subsequent contribution by Syntron Corp to Holdco to fund the repayment by Holdco of such Indebtedness, and (C) in the case of amounts paid with respect to Indebtedness of Syntron Corp, as if the Purchaser paid such amounts to the Corp Sellers as part of the Purchase Price paid for the Purchased Syntron Corp Interests and each of the Corp Sellers contributed its pro rata share of such amounts to Syntron Corp to fund the repayment by Syntron Corp of such Indebtedness;

(iii) the Purchaser shall deposit the Adjustment Escrow Amount into the Adjustment Escrow Account, the Indemnity Escrow Amount into the Indemnity Escrow Account and, if applicable, the Interim Breach Escrow Amount into the Interim Breach Escrow Account, each such account established pursuant to the terms and conditions of an escrow agreement, substantially in the form of Exhibit A attached hereto (the "Escrow Agreement"), by and among the Purchaser, the Seller Representative and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), to be held for the purpose of securing the obligations of the Seller Representative and the Securityholders in Section 1.05(d) and Article 11;

(iv) the Purchaser shall pay, on behalf of the Acquired Companies, the Estimated Transaction Expenses, by wire transfer of immediately available funds to the accounts designated on the Transaction Expenses Schedule; provided that any amounts treated as wages for income or employment Tax purposes (including, without limitation, the Option Surrender Payments) shall be paid to the applicable Acquired Company, which shall pay such amounts, less applicable withholding Taxes, to the applicable recipient through its payroll system no later than five (5) Business Days after the Closing Date; and

(v) the Purchaser shall deliver to the Seller Representative, by wire transfer of immediately available funds, an amount equal to $1,000,000 (the "Representative Expense Amount"), for the Seller Representative to hold in the Representative Expense Account and disburse in accordance with the terms of this Agreement;

(b) in accordance with the terms and subject to the conditions of the Option Surrender Agreements and this Agreement but without duplication of amounts payable pursuant to Section 1.04(a)(iv), at the Closing, in consideration for the payments specified in the Option Surrender Agreements, paid by or on behalf of Holdco through its payroll system to each Optionholder who has complied with the terms of the applicable Option Surrender Agreement, net of any applicable withholding Tax (each, an "Option Surrender Payment"), each Optionholder shall surrender for cancellation all Options held by such Optionholder. At the Closing, each unexercised Option shall be, by virtue of the consummation of the transactions contemplated by this Agreement and without any action on the part of the parties hereto, cancelled, terminated and shall no longer be exercisable by the former holder thereof for any equity interests of Holdco. Syntron Corp's and Holdco's manager or board of managers, as applicable, shall adopt the necessary resolutions and take all other actions necessary to effect the treatment of the Options contemplated by this Section 1.04(b). Subject to compliance with the terms of the applicable Option Surrender Agreements, the Option Surrender Payments payable at the Closing shall be paid as provided in Section 1.04(a)(iv);

(c) the Seller Representative shall deliver to the Purchaser payoff letters, in form and substance reasonably satisfactory to the Purchaser, from each holder of Indebtedness listed on Schedule 1.04(c) (the "Repaid Indebtedness"), which shall include a complete release of all Liens, liabilities and other obligations with respect to such Indebtedness and authorization to file UCC-3 termination statements (or other comparable documents) for all UCC-1 financing statements (or other comparable documents) filed in connection with any Lien, in each case, effective upon the discharge of such Indebtedness at the Closing;

(d) the Seller Representative shall also deliver, or cause to be delivered, to the Purchaser each of the following:

(i) equity interest assignments, in form and substance reasonably satisfactory to the Purchaser, duly executed by the Sellers effecting the transfer of the Purchased Interests to the Purchaser (or one of the Purchaser's Subsidiaries designated by the Purchaser);

(ii) a certificate executed by an authorized officer or an authorized director of each of Syntron Corp and Holdco, in form and substance reasonably acceptable to the Purchaser, dated as of the Closing Date, stating that the preconditions specified in Sections 2.01(a), 2.01(b), 2.01(c) and 2.01(e) have been satisfied;

(iii) a certificate of the Secretary (or officer with equivalent responsibilities) of each of Syntron Corp and Holdco, in form and substance reasonably satisfactory to the Purchaser, dated as of the Closing Date and attaching: (A) a copy of the certificate of formation of each of Syntron Corp and Holdco, as applicable, certified by the Secretary of State of the State of Delaware not more than ten (10) Business Days prior to the Closing Date; (B) a certificate of good standing of Syntron Corp and Holdco, as applicable, certified by the Secretary of State of the State of Delaware and issued not more than ten (10) Business Days prior to the Closing Date; (C) a copy of the limited liability company agreement of each of Syntron Corp and Holdco, as applicable; (D) a copy of the resolutions duly adopted by each of Syntron Corp's and Holdco's manager or board of managers, as applicable, authorizing the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby; and (E) in the case of Holdco, a copy of the resolutions duly adopted by Holdco's board of managers providing for the termination and cancellation of all outstanding Options in accordance with the terms of this Agreement and the Option Surrender Agreements, effective immediately prior to the Closing;

(iv) evidence that Holdco has terminated Holdco's 401(k) Plan, if and to the extent required under Section 6.06, prospectively effective no later than the day prior to the Closing Date;

(v) evidence that all contracts and other arrangements listed on Schedule 1.04(d)(v) have been terminated on terms reasonably satisfactory to the Purchaser;

(vi) copies of resignations or removals, effective as of the Closing and in form and substance reasonably satisfactory to the Purchaser, of each director, officer and manager of each Acquired Company (other than any such resignations which the Purchaser designates, by written notice to the Seller Representative, as unnecessary);

(vii) instruments in a form reasonably satisfactory to the Purchaser evidencing (A) the consummation of the Restructuring Transactions not less than one (1) calendar day prior to the Closing Date, but not prior to January 1, 2019, and (B) the distribution to the Holdco Seller of the capital stock of Technisys, Inc. prior to the Restructuring Transactions (the "Distribution"); and

(viii) a copy of a CD or DVD-ROM containing a true, correct and complete copy of the Acquired Companies' electronic data room for "Project Surf" hosted by Intralinks as of the date hereof and as of the Closing.

(e) the Purchaser shall deliver to the Seller Representative each of the following:

(i) a certificate executed by an officer of the Purchaser, in form and substance reasonably acceptable to the Seller Representative, dated as of the Closing Date, stating that the preconditions specified in Sections 2.02(a), 2.02(b) and 2.02(d) have been satisfied; and

(ii) a copy of the resolutions duly adopted by the Purchaser's board of directors (or equivalent governing body) authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

1.05 Final Cash, Final Indebtedness and Final Net Working Capital Calculations.

(a) Within seventy-five (75) days after the Closing Date, the Purchaser will deliver to the Seller Representative (i) an unaudited balance sheet of the Acquired Companies (the "Closing Balance Sheet") as of the Calculation Time and (ii) a statement showing the calculation of (A) the amount of Cash derived from the Closing Balance Sheet as of the Calculation Time, (B) the amount of Indebtedness as of immediately prior to the Closing, (C) the Net Working Capital derived from the Closing Balance Sheet as of the Calculation Time and (D) the amount of Transaction Expenses unpaid as of the Closing (together with the Closing Balance Sheet, the "Preliminary Statement"). If a Preliminary Statement is not delivered to the Seller Representative by the seventy-fifth (75^{th}) day following the Closing Date, the Seller Representative shall deliver a written notice informing the Purchaser of its failure to timely deliver such Preliminary Statement, and (x) if a Preliminary Statement is not delivered within ten (10) days following the date such written notice is delivered by the Seller Representative and (y) the amount, if any, by which the Estimated Net Working Capital exceeds the Target Net Working Capital is less than $500,000, then, in the Seller Representative's sole discretion, the Estimated Cash, the Estimated Indebtedness, the Estimated Net Working Capital and the Estimated Transaction Expenses shall become final and binding on the parties hereto. The Closing Balance Sheet shall be prepared, and the amount of Cash, the amount of Indebtedness, the Net Working Capital and the Transaction Expenses shall be determined, on a consolidated basis in accordance with GAAP, using, to the extent consistent with GAAP, the same accounting methods, policies, principles, practices and procedures, with consistent classifications, judgments and estimation methodology (including without limitation as to the establishment of reserves), as were used in preparation of the unaudited consolidated balance sheet of the Acquired Companies as of September 30, 2018 (the "Latest Balance Sheet") and in accordance with the Accounting Principles, and shall not include any changes in assets or liabilities as a result of purchase accounting adjustments or other changes arising from or resulting as a consequence of the transactions contemplated hereby. After delivery of the Preliminary Statement, the Seller Representative and its accountants shall be permitted reasonable access during normal business hours and upon reasonable notice to review the Acquired Companies' books and records and work papers related to the preparation of the Preliminary Statement; provided that such access does not unreasonably interfere with the normal operations of the Purchaser or any Acquired Company and nothing herein shall require the Purchaser or any Acquired Company to provide access to, or to disclose any information to, the Seller Representative or any of its Representatives if such access or disclosure would waive any legal privilege or violate any applicable Law or regulation of any Governmental Authority or the provisions of any agreement to which the Purchaser or any Acquired Company is a party. Subject to the foregoing sentence, the Seller Representative and its accountants may make reasonable inquiries of the Purchaser, the Acquired Companies and their respective accountants regarding questions concerning, or disagreements with, the Preliminary Statement arising in the course of their review thereof, and the Purchaser shall, and shall cause the Acquired Companies to, direct any such accountants to reasonably cooperate with and respond to such reasonable inquiries.

(b) If the Seller Representative has any objections to the Preliminary Statement, the Seller Representative shall deliver to the Purchaser a statement setting forth in reasonable detail its objections

thereto (an "Objections Statement"). If an Objections Statement is not delivered to the Purchaser within thirty (30) days after delivery of the Preliminary Statement, the Preliminary Statement shall be final, binding and non-appealable by the parties hereto. The Seller Representative and the Purchaser shall negotiate in good faith to resolve any such objections, but if they do not reach a final resolution within thirty (30) days after the delivery of the Objections Statement, the Seller Representative and the Purchaser shall submit such dispute to RSM US LLP ("RSM"); provided that, if RSM is unable or unwilling to serve in such capacity, the Seller Representative and the Purchaser shall jointly select an alternative arbiter from a nationally recognized independent public accounting firm that is not the independent auditor of the Purchaser, the Seller Representative, any Seller or any Acquired Company (RSM or the Person so selected, as applicable, the "Dispute Resolution Auditor"). Each of the Seller Representative and the Purchaser may furnish to the Dispute Resolution Auditor such information and documents as it deems relevant, with copies of such submission and all such documents and information being concurrently given to the other party. The Dispute Resolution Auditor shall act as an expert and not as an arbitrator and shall consider only those items and amounts which are identified in the Objections Statement as being items which the Seller Representative and the Purchaser are unable to resolve. The Dispute Resolution Auditor's determination will be based solely on the definitions of Cash, Indebtedness, Net Working Capital and Transaction Expenses contained herein, as determined in accordance with GAAP and the Accounting Principles. The Seller Representative and the Purchaser shall use their commercially reasonable efforts to cause the Dispute Resolution Auditor to resolve all disagreements within thirty (30) days. Further, the Dispute Resolution Auditor's determination shall be based solely on the supporting material provided by the Purchaser and the Seller Representative in accordance with the terms and procedures set forth in this Agreement (i.e., not on the basis of an independent review) and may not assign a value to any particular item greater than the greatest value for such item claimed by either party or less than the lowest value for such item claimed by either party, in each case as presented to the Dispute Resolution Auditor. The resolution of the dispute by the Dispute Resolution Auditor shall be final, binding and non-appealable on the parties hereto absent fraud or manifest error. The costs and expenses of the Dispute Resolution Auditor shall be allocated between the Purchaser, on the one hand, and the Securityholders, on the other hand, based upon the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party. For example, if the Seller Representative claims the Net Working Capital is $1,000 greater than the amount determined by the Purchaser's accountants, the Purchaser contests only $500 of the amount claimed by the Seller Representative, and the Dispute Resolution Auditor ultimately resolves the dispute by awarding the Securityholders $300 of the $500 contested, then the costs and expenses of the Dispute Resolution Auditor will be allocated 60% (i.e., 300 ÷ 500) to the Purchaser and 40% (i.e., 200 ÷ 500) to the Securityholders. The amount of Cash, the amount of Indebtedness, the Net Working Capital and the amount of Transaction Expenses unpaid as of the Closing, in each case as finally determined pursuant to this Section 1.05(b), shall be referred to herein as the "Final Cash," the "Final Indebtedness," the "Final Net Working Capital" and the "Final Transaction Expenses".

(c) If, after final determination of the Final Cash, the Final Indebtedness, the Final Net Working Capital and the Final Transaction Expenses pursuant to this Section 1.05, the Preliminary Purchase Price is less than the Purchase Price (such shortfall, the "Shortfall Amount"), then the Purchaser, within five (5) Business Days after both (i) the Final Cash, the Final Indebtedness, the Final Net Working Capital and the Final Transaction Expenses become final and binding on the parties pursuant to this Section 1.05, and (ii) the Purchaser receives payment instructions from the Seller Representative, shall make payment of the Shortfall Amount by wire transfer of immediately available funds to the Securityholders (as directed by the Seller Representative and to be paid in accordance with Section 10.02(c)), and the Purchaser and the Seller Representative shall deliver joint written instructions to the Escrow Agent to cause the Escrow Agent to make payment, within two (2) Business Days after delivery of such joint written instructions, to the Seller

Representative (on behalf of the Securityholders), by wire transfer of immediately available funds, of the entire Adjustment Escrow Amount from the Adjustment Escrow Account.

(d) If, after final determination of the Final Cash, the Final Indebtedness, the Final Net Working Capital and the Final Transaction Expenses pursuant to this Section 1.05, the Preliminary Purchase Price is greater than the Purchase Price (such excess, the "Excess Amount"), then the Purchaser and the Seller Representative shall deliver joint written instructions to the Escrow Agent to cause the Escrow Agent to make payment, within five (5) Business Days after the Final Cash, the Final Indebtedness, the Final Net Working Capital and the Final Transaction Expenses become final and binding on the parties pursuant to this Section 1.05, to the Purchaser, by wire transfer of immediately available funds, of the lesser of (i) the Excess Amount and (ii) the remaining funds in the Adjustment Escrow Account, in each case from the Adjustment Escrow Account. In the event that the remaining funds in the Adjustment Escrow Account are less than the Excess Amount, then any remaining portion of the Excess Amount shall be recovered (A) first, from the funds then remaining in the Indemnity Escrow Account, and (B) if the funds then remaining in the Indemnity Escrow Account are less than the remaining portion of the Excess Amount, then the Securityholders (in accordance with each Securityholder's Post-Closing Percentage Interest) shall promptly pay the amount of such deficiency in cash to the Purchaser. In the event that the remaining funds in the Adjustment Escrow Account are greater than the Excess Amount, then the Purchaser and the Seller Representative shall deliver joint written instructions to the Escrow Agent to cause the Escrow Agent to make payment, within five (5) Business Days after the Final Cash, the Final Indebtedness, the Final Net Working Capital and the Final Transaction Expenses become final and binding on the parties pursuant to this Section 1.05, to the Seller Representative (on behalf of the Securityholders), by wire transfer of immediately available funds, of the remainder of the Adjustment Escrow Amount in the Adjustment Escrow Account (if any) after the payment to the Purchaser described above in this Section 1.05(d).

(e) The parties hereto agree that the dispute resolution procedures provided for in this Section 1.05, shall be the exclusive method for resolving any disputes with respect to the determination of the Final Cash, the Final Indebtedness, the Final Net Working Capital, the Final Transaction Expenses and any Shortfall Amount or Excess Amount; provided that this provision shall not prohibit the Purchaser or the Seller Representative from instituting litigation to enforce the determination of the Dispute Resolution Auditor and shall not limit any remedy of any party hereto under Article 11.

1.06 Withholding. Each of the Purchaser, each Acquired Company and the Escrow Agent will be entitled to deduct and withhold from the amounts otherwise payable by it pursuant to this Agreement to any Person, including payments made under the Escrow Agreement, such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign Tax Law, and to collect IRS Forms W-8 or W-9 or any successors thereto to the extent required by Tax Law from the Securityholders and any other recipients of payments hereunder; provided that, except for amounts treated as wages for income or employment Tax purposes, the Purchaser shall provide the Seller Representative five (5) days' advance written notice of the intention to make any deduction or withholding pursuant to this Section 1.06 and the Purchaser shall cooperate with any reasonable request of the Seller Representative to obtain reduction or relief from such deduction or withholding. In the event that any amount is so deducted and withheld, and properly remitted to the applicable Governmental Authority, such amount will be treated for all purposes of this Agreement as having been paid to the Person to whom the payment from which such amount was withheld was made.

1.07 The Closing. The parties shall cause the closing of the transactions contemplated by this Agreement (the "Closing") to take place at the offices of Honigman Miller Schwartz and Cohn LLP located at 660 Woodward Avenue, Detroit, Michigan at 10:00 a.m. Central time on the third (3rd) Business

Day following full satisfaction or due waiver of all of the closing conditions set forth in Article 2 hereof (other than those to be satisfied at the Closing) or, if the Purchaser and the Seller Representative mutually agree, on such other date, or at such other time, as the Purchaser and the Seller Representative agree; provided that in no event shall the Closing occur prior to January 2, 2019. The date of the Closing is referred to herein as the "Closing Date" and the Closing shall be deemed effective as of 12:01 a.m. Central Time on the Closing Date.

ARTICLE 2
CONDITIONS TO CLOSING

2.01 Conditions to the Purchaser's Obligations. The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or waiver by the Purchaser in writing) of the following conditions at or prior to the Closing:

(a) (i) the representations and warranties set forth in Sections 3.02(a) and 3.02(b) (Capitalization), Section 3.05(a) (Absence of Material Adverse Effect) and Section 5.03 (Ownership of Purchased Interests) shall be true and correct in all respects as of the date of this Agreement and the Closing Date (other than those representations and warranties that address matters as of a particular date, which shall be true and correct as of such date) as though then made, (ii) the representations and warranties set forth in Section 3.01(a) (Organization and Power), Sections 3.02(c) and 3.02(d) (Capitalization; Subsidiaries), Section 3.03 (Authorization; No Breach; Valid and Binding Agreement) (excluding clauses (B) and (C) of Section 3.03(b)), Section 3.21 (Brokerage), Section 5.01(a) (Organization), Section 5.02 (Authorization; No Breach; Valid and Binding Agreement) (excluding clauses (ii) and (iii) of Section 5.02(b)) and Section 5.04 (Brokerage) shall be true and correct in all material respects (without giving effect to any materiality qualification or exception contained therein) as of the date of this Agreement and the Closing Date (other than those representations and warranties that address matters as of a particular date, which shall be true and correct as of such date) as though then made, and (iii) all other representations and warranties set forth in Article 3 and Article 5 shall be true and correct (without giving effect to any materiality or Material Adverse Effect qualification or exception contained therein) as of the date of this Agreement and the Closing Date (other than those representations and warranties that address matters as of a particular date, which shall be true and correct as of such date) as though then made, except where the failure of such representations and warranties referenced in this clause (iii) to be so true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect;

(b) Syntron Corp, Holdco and the Sellers shall have performed or complied with in all material respects all the covenants and agreements required to be performed or complied with by them under this Agreement at or prior to the Closing;

(c) Since the date of this Agreement, there shall not have been any Material Adverse Effect;

(d) the applicable waiting periods, if any, under the HSR Act shall have expired or been terminated;

(e) no judgment, decree or order shall have been entered and not withdrawn, no Law shall have been enacted (and not subsequently repealed) and no Legal Proceeding shall be pending, which would reasonably be expected to prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded;

(f) the Seller Representative and the Escrow Agent shall have executed and delivered to the Purchaser the Escrow Agreement; and

(g) the Purchaser shall have received those items identified in Section 1.03, Section 1.04(c) and Section 1.04(d) as being delivered by the Seller Representative to the Purchaser.

2.02 Conditions to the Sellers' Obligations. The obligation of the Sellers to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or waiver by the Seller Representative in writing) of the following conditions at or prior to the Closing

(a) (i) the representations and warranties set forth in Article 4 (other than those representations and warranties that address matters as of particular dates) shall be true and correct (without giving effect to any materiality qualification or exception contained therein) in all material respects as of the date of this Agreement and the Closing Date (other than those representations and warranties that address matters as of a particular date, which shall be true and correct in all material respects as of such date) as though then made;

(b) the Purchaser shall have performed or complied with in all material respects all the covenants and agreements required to be performed or complied with by the Purchaser under this Agreement at or prior to the Closing;

(c) the applicable waiting periods, if any, under the HSR Act shall have expired or been terminated;

(d) no judgment, decree or order shall have been entered and not withdrawn, and no Law shall have been enacted (and not subsequently repealed), which would reasonably be expected to prevent the performance of this Agreement or the consummation of any of the transactions contemplated hereby, declare unlawful the transactions contemplated by this Agreement or cause such transactions to be rescinded;

(e) the Purchaser and the Escrow Agent shall have executed and delivered to the Seller Representative the Escrow Agreement; and

(f) the Seller Representative shall have received those items identified in Section 1.04(e) as being delivered by the Purchaser to the Seller Representative.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE ACQUIRED COMPANIES

Each of Holdco and Syntron Corp represents and warrants to the Purchaser that the statements in this Article 3 are correct and complete as of the date of this Agreement and as of the Closing, except as set forth in the schedules accompanying this Agreement (the "Disclosure Schedules"). The Disclosure Schedules have been arranged in separately titled sections corresponding to, and qualifying, the corresponding sections of this Agreement; however, each section of the Disclosure Schedules shall be deemed to also qualify any other section of this Agreement to the extent the applicability of the information set forth in such other Schedule is reasonably apparent on its face. Capitalized terms used in the Disclosure Schedules and not otherwise defined therein have the meanings given to them in this Agreement.

3.01 Organization and Power.

(a) Each Acquired Company is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation or incorporation, as applicable. Each Acquired Company has all requisite power and authority and all material authorizations, licenses and permits necessary to own and operate its properties and to carry on its businesses as now conducted.

(b) Each Acquired Company is qualified to do business and is in good standing in every jurisdiction in which its ownership of property or the conduct of its businesses as now conducted requires it to qualify, except where the failure to be so qualified would not, individually or in the aggregate, have a Material Adverse Effect. The Acquired Companies have made available to the Purchaser, prior to the date hereof, a true and complete copy of the Organizational Documents for each Acquired Company. None of the Acquired Companies is in violation of any of the provisions of its Organizational Documents.

3.02 Capitalization; Subsidiaries.

(a) The authorized equity capitalization of each of Syntron Corp and Holdco consists solely of uncertificated limited liability company interests as reflected in the applicable Operating Agreement. Except as set forth in this Agreement, no limited liability company interests or other equity interests or securities of any Acquired Company are reserved for issuance. On the date hereof, the Corp Sellers collectively own 100% of the Syntron Corp Interests. On the date hereof, the Holdco Seller owns 100% of the Holdco Interests.

(b) Immediately prior to the Closing, all of the issued and outstanding Purchased Interests will be owned by the Sellers and Syntron Corp and evidenced solely by the Operating Agreements. Schedule 3.02(b) sets forth, as of the date of this Agreement and the Closing Date, the outstanding equity securities of each Acquired Company, the name of each holder thereof and the number of equity securities held by each such holder. As of the date hereof, there are currently outstanding Options to purchase 15,965 Class B Units of Holdco, all of which, unless previously exercised, shall terminate as of the Closing.

(c) All of the issued and outstanding equity securities of each Acquired Company and Options of Holdco have been duly authorized, are validly issued, are fully paid and nonassessable, were issued in compliance with all applicable federal and state securities Laws and are not subject to any preemptive rights, rights of first refusal or similar rights. Except for this Agreement and the currently outstanding Options to purchase 15,965 Class B Units of Holdco described in the last sentence of Section 3.02(b), which, unless previously exercised, shall terminate as of the Closing, there are no outstanding options, warrants, contracts or rights (including any preemptive rights) to which any Acquired Company is a party or otherwise bound requiring the issuance, disposition or acquisition of the equity securities of any Acquired Company or any rights or interests exercisable therefor. There are no outstanding or authorized equity appreciation, phantom stock or other equity compensation (excluding the Options) with respect to any Acquired Company. No Acquired Company has any obligation (contingent or otherwise) to (i) issue any option, warrant, call, subscription or other right (including any preemptive right), agreement or commitment, (ii) issue or distribute to holders of any limited liability company interests or other equity interests or securities in any Acquired Company any evidence of Indebtedness or asset of any Acquired Company or (iii) pay any dividend or make any other distribution in respect of any limited liability company interests or other equity interests or securities in any Acquired Company. There are no voting trusts or other agreements or understandings to which any Acquired Company is a party with respect to the voting of any limited liability company interests or equivalent equity interests or securities of the any Acquired Company. No Acquired Company has any outstanding bonds, debentures or other obligations the holders of which have the right to vote (or are convertible or exchangeable for securities having the right to vote) with any equityholders of any Acquired Company on any matter.

(d) As of the date of this Agreement, (i) except for Syntron Corp's ownership of a portion of the equity interests of LLCP PCS Alternative Partnership Syntron, L.P. and Holdco's ownership of the equity interests of Syntron Material Handling Holdings, LLC, neither Syntron Corp nor Holdco owns, directly or indirectly, any stock, partnership interest, joint venture interest or other equity ownership interest in any other Person, and (ii) none of the Acquired Companies other than Syntron Corp and Holdco own, directly or indirectly, any stock, partnership interest, joint venture interest or other equity ownership interest in any other Person other than another Acquired Company. Following the consummation of the Restructuring Transactions, except for Syntron Corp's ownership of a portion of the Holdco Interests and Holdco's ownership of the equity interests of Syntron Material Handling Holdings, LLC, neither Syntron Corp nor Holdco will own, directly or indirectly, any stock, partnership interest, joint venture interest or other equity ownership interest in any other Person.

(e) No equityholder or former equityholder of any Acquired Company, or any other Person, has asserted or has any rights with respect to: (i) the ownership or rights to ownership of any shares of stock of any Acquired Company (other than the rights of the Sellers in the Purchased Interests that will be transferred to the Purchaser or a designated Subsidiary thereof at the Closing); (ii) any rights of an equityholder (other than the right of the Securityholders to receive consideration pursuant to Article 1), including any option, preemptive rights or rights to notice or to vote; (iii) any rights under the Organizational Documents of any Acquired Company (other than the right of the Securityholders to receive consideration pursuant to Article 1) that could be asserted after the Closing; or (iv) any claim that his, her or its shares were wrongfully repurchased by any Acquired Company. Notwithstanding anything to the contrary set forth in this Agreement, this Section 3.02(e) shall not be modified or deemed modified by the Disclosure Schedules.

(f) As of the date of this Agreement, (i) neither Syntron Corp nor Holdco holds the right to acquire, directly or indirectly, any stock, partnership interest, joint venture interest or other equity ownership interest in any other Person, and (ii) none of the Acquired Companies other than Syntron Corp and Holdco hold the right to acquire, directly or indirectly, any stock, partnership interest, joint venture interest or other equity ownership interest in any other Person other than another Acquired Company. Following the consummation of the Restructuring Transactions, neither Syntron Corp nor Holdco will hold the right to acquire, directly or indirectly, any stock, partnership interest, joint venture interest or other equity ownership interest in any other Person.

3.03 Authorization; No Breach; Valid and Binding Agreement

(a) The execution, delivery and performance of this Agreement and the Related Documents by each of Holdco and Syntron Corp and the consummation by each of Holdco and Syntron Corp of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite limited liability company action and no other limited liability company proceedings on either Holdco's or Syntron Corp's part are necessary to authorize the execution, delivery or performance of this Agreement or any Related Document.

(b) Except (i) as set forth on Schedule 3.03(b) or (ii) in the case of clause (B) and (C), where the failure of any of the following to be true would not be material to the Acquired Companies, taken as a whole, or their ability to consummate the transactions contemplated hereby, the execution, delivery and performance of this Agreement and the Related Documents by each of Holdco and Syntron Corp and the consummation by Holdco and Syntron Corp of the transactions contemplated hereby and thereby do not conflict with, constitute a default under, result in a breach or violation of, or result in the creation of any Lien (other than Permitted Liens) upon any assets of Holdco, Syntron Corp or any other Acquired Company under,

(A) the provisions of Holdco's and Syntron Corp's Organizational Documents, (B) subject to expiration or termination of the applicable waiting periods, if any, under the HSR Act, any applicable Law, judgment, decree or order or (C) any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement, mortgage, instrument of Indebtedness or other arrangement.

(c) This Agreement has been duly executed and delivered by each of Holdco and Syntron Corp and, assuming that this Agreement is a valid and binding obligation of the Purchaser, constitutes a valid and binding obligation of each of Holdco and Syntron Corp, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights generally and general principles of equity affecting the availability of specific performance and other equitable remedies.

(d) The Restructuring Transactions shall be effected in accordance with the Restructuring Step Chart attached as Exhibit B hereto, which Restructuring Transactions shall be consummated not less than one (1) calendar day prior to the Closing, but not prior to January 1, 2019. The Distribution shall be consummated prior to the consummation of the Restructuring Transactions. The Restructuring Transactions, the Distribution and each component thereof (i) have been duly authorized by all required action on the part of each Person involved in the Restructuring Transactions or the Distribution, as applicable, and (ii) will have been consummated in accordance with, and do not and will not conflict with, the organizational documents of the Sellers, Syntron Corp, Holdco or any other Person involved in the Restructuring Transactions or the Distribution, as applicable. Any and all consents, approvals or authorizations required to be obtained from any Person in connection with the Restructuring Transactions or the Distribution, as applicable, will have been obtained prior to the consummation of the Restructuring Transactions or the Distribution, as applicable.

3.04 Financial Statements.

(a) Schedule 3.04(a) consists of the following consolidated financial statements (the "Financial Statements"): (a) the Latest Balance Sheet and the related statements of income and cash flows for the nine (9)-month period then ended; and (b) the audited consolidated balance sheet of Syntron Material Handling Holdings, LLC and its Subsidiaries as of each of December 31, 2017 and December 31, 2016 and the related consolidated statements of income and cash flows for the fiscal years then ended. The Financial Statements have been based upon the information contained in the Acquired Companies' books and records, have been prepared in accordance with GAAP, consistently applied throughout the periods indicated (subject in the case of the unaudited financial statements to (i) the absence of footnote disclosures and (ii) changes resulting from normal year-end adjustments, the effects of which would not be material), and present fairly in all material respects the financial condition, results of operations and cash flows of Syntron Material Handling Holdings, LLC and its Subsidiaries as of the times and for the periods referred to therein.

(b) Neither Holdco nor Syntron Corp (i) has any assets (including leases, licenses or other contractual interests), liabilities or operations other than its direct or indirect ownership of the equity interests set forth in, or disclosed under, Section 3.02(d) and any activities in connection with or relating thereto or (ii) except as set forth on Schedule 3.04(b), employs (or has ever employed) any employees, or maintains (or has ever maintained), contributes to (or has ever contributed to) or sponsors (or has ever sponsored) any bonus, incentive, equity-based compensation, deferred compensation and fringe benefit plan that constitutes a Company Plan.

(c) The Acquired Companies do not have any liability (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated and whether due or to become due), except

for liabilities (i) set forth on the face of the Latest Balance Sheet, (ii) incurred in the ordinary course of business since the date of the Latest Balance Sheet or included in the calculation of the Estimated Net Working Capital or the Estimated Transaction Expenses, or (iii) that constitute performance obligations under existing executory contracts (other than on account of a breach or default thereunder) that are not required by GAAP to be reflected on a balance sheet and that are not in the aggregate material.

(d) The Acquired Companies maintain accurate books and records reflecting their assets and liabilities and maintain proper and adequate internal accounting controls which provide assurance, in all material respects, that (i) transactions are executed with management's authorization, (ii) transactions are recorded as necessary to permit preparation of the financial statements of the Acquired Companies and to maintain accountability for the Acquired Companies' assets, and (iii) accounts, notes and other receivables and inventory were recorded accurately, and proper and adequate procedures are implemented to effect the collection thereof on a current and timely basis.

(e) Since January 1, 2016, Technisys, Inc. (i) has not had any assets (including leases, licenses or other contractual interests), employees, liabilities (other than Tax liabilities) or any activities in connection with or relating thereto and (ii) has not had any employees or maintained, contributed to or sponsored any bonus, incentive, equity-based compensation, deferred compensation or fringe benefit plan that constitutes a Company Plan.

3.05 Absence of Certain Developments.

(a) Since the date of the Latest Balance Sheet, there has not been any Material Adverse Effect.

(b) Except as set forth on Schedule 3.05(b) and except as expressly contemplated by this Agreement, since the date of the Latest Balance Sheet, the Acquired Companies have conducted their business in the ordinary course of business, and no Acquired Company has:

(i) mortgaged, pledged or subjected to any Lien any assets, except Permitted Liens;

(ii) acquired, sold, assigned, leased, licensed or transferred any material assets (including any equity interest in any Person), other than sales of product inventory to customers in the ordinary course of business;

(iii) sold, assigned, transferred, licensed or sublicensed any Company Intellectual Property other than non-exclusive licenses granted to distributors in the ordinary course of business;

(iv) allowed to lapse or abandoned any Company Intellectual Property;

(v) issued, sold or transferred any of its equity or other securities or warrants, options or other rights to acquire its equity or other securities, or amended any of the terms of (including the vesting of) any such rights, or repurchased or redeemed any equity or other securities;

(vi) other than interest incurred in the ordinary course of business in connection with the Repaid Indebtedness, (A) created, incurred or assumed any Indebtedness; or (B) assumed, guaranteed, endorsed or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person;

(vii) made any loans, advances or capital investment in, or any loan to, any other Person;

(viii) split, combined, reclassified or recapitalized any shares of its capital stock or comparable equity securities;

(ix) declared, set aside or paid any dividend or declared or made any distribution (whether in cash, stock or property or any combination thereof) with respect to its equity securities or redeemed, purchased or otherwise acquired any of its equity securities, except for repurchases of membership interests from current or former employees, consultants, directors or managers of any Acquired Company for nominal amounts in the ordinary course of business;

(x) amended its Organizational Documents;

(xi) changed the nature or scope of its business, commenced any new business or taken any action to alter its organizational or management structure;

(xii) changed its accounting methods, principles or practices (other than as required by applicable Law or GAAP);

(xiii) made any capital expenditures or commitments therefor in excess of $50,000 per item or $200,000 in the aggregate;

(xiv) made any loan to, or entered into any other transaction with, any of the members of its board of managers or its officers (other than employment arrangements in the ordinary course of business);

(xv) hired any officer or entered into any new employment arrangement providing for total compensation in excess of $100,000 per year;

(xvi) except for ordinary course hiring and firing of at-will employees with base compensation of less than $100,000 under agreements that do not provide for severance, retention payments, or change in control or other deal-related bonuses, and except as required to comply with applicable Law or pursuant to agreements, plans or arrangements existing on the date hereof and disclosed in Schedule 3.05(b)(xvi), (A) adopted, entered into, terminated or amended any agreement that provides for severance, retention compensation or transaction-related payments, or any other plan, agreement or arrangement that provides for severance, retention compensation or transaction-related payments, any Company Plan or any collective bargaining agreement, (B) increased the compensation or fringe benefits of, or paid any bonus to, any director, officer, employee or consultant (1) by more than $10,000 per person or $50,000 in the aggregate, or (2) outside the ordinary course of business, (C) amended or accelerated the payment, right to payment or vesting of any compensation or benefits, including any outstanding Options, (D) paid any benefit not provided for under any Company Plan, other than insured or funded benefits in the ordinary course of business, granted any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan, including the grant of equity or equity-based compensation, or the removal of existing restrictions in any benefit plans or agreements or awards made thereunder, other than in the ordinary course of business (provided that the foregoing ordinary course of business exception does not apply in the case of Section 6.01(b)), or (E) taken any action to fund or in any other way secure the payment of

compensation or benefits under any employee plan, agreement, contract or arrangement or benefit plan, other than payment of premiums due or contributions owed in the ordinary course of business;

(xvii) made or changed any material Tax election, changed an annual Tax accounting period, filed any amended Tax Return, entered into any closing agreement, waived or extended any statute of limitations with respect to Taxes, settled or compromised any Tax liability (other than any Tax liability paid in the ordinary course of business that was not the subject of a dispute with any taxing authority), claim or assessment, or surrendered any right to claim a refund of Taxes;

(xviii) instituted or settled any Legal Proceeding involving amounts in controversy in excess of $10,000 per Legal Proceeding or $50,000 in the aggregate;

(xix) entered into, amended, terminated, taken or omitted to take any action that would constitute a violation of or default under, or waive any rights under, applicable Law or any Material Contract; or

(xx) agreed in writing or otherwise to take any of the foregoing actions.

3.06 Properties.

(a) Except as set forth on Schedule 3.06(a), each Acquired Company owns good and marketable title to, or holds pursuant to valid and enforceable leases, all of the material assets purported to be owned or leased by such company, free and clear of all Liens, except for Permitted Liens. All of the tangible assets currently used in the operation of the business are maintained in a reasonably prudent manner and are in good working order (ordinary wear and tear and scheduled maintenance excepted). Schedule 3.06(a) lists individually all fixed assets (within the meaning of GAAP) of the Acquired Companies, indicating the cost, accumulated book depreciation (if any) and the net book value of each such fixed asset as of the date of the Latest Balance Sheet.

(b) The leased real property at the addresses listed on Schedule 3.06(b) (the "Leased Real Property") constitutes all of the real property leased, licensed or otherwise used by any Acquired Company. The leases under which any Acquired Company leases the Leased Real Property are listed on Schedule 3.06(b) (the "Real Property Leases") and are in full force and effect, and the applicable Acquired Company holds a valid leasehold interest in the Leased Real Property to which each Real Property Lease relates and, following the Closing Date, will continue to hold such valid leasehold interest, in each case, subject to proper authorization and execution of such Real Property Lease by any other party thereto and the application of any bankruptcy Laws, other similar Laws affecting creditors' rights generally and general principles of equity affecting the availability of specific performance and other equitable remedies. With respect to each such Real Property Lease, except as set forth on Schedule 3.06(b):

(i) such Real Property Lease is a valid and binding agreement of the applicable Acquired Company and, to the Acquired Companies' knowledge, each of the other parties thereto, enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights generally and general principles of equity affecting the availability of specific performance and other equitable remedies; no Acquired Company is in breach or violation of, or default under, any such Real Property Lease, and no event has occurred, is pending or, to the Acquired Companies' knowledge, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute any such breach or default by any Acquired Company or, to the Acquired

Companies' knowledge, any other party under such Real Property Lease; and no event has occurred that would give rise to a termination right under such Real Property Lease to the extent any of the foregoing would, individually or in the aggregate, be material to the Acquired Companies taken as a whole;

(ii) there are no disputes, oral agreements or forbearance programs in effect as to such Real Property Lease;

(iii) no Acquired Company has assigned, transferred, conveyed, mortgaged, subleased, licensed, deeded in trust or encumbered any interest in the leasehold or subleasehold;

(iv) to the Acquired Companies' knowledge, there are no Liens, easements, covenants or other restrictions applicable to the real property subject to such Real Property Lease which would reasonably be expected to impair the current uses or the occupancy by any Acquired Company of the property subject thereto;

(v) no construction, alteration or other leasehold improvement work with respect to the Real Property Lease remains to be paid for or performed by any Acquired Company; and

(vi) no Acquired Company is obligated to pay any leasing or brokerage commission relating to such Real Property Lease and will not have any obligation to pay any leasing or brokerage commission upon the renewal or expansion of the Real Property Lease.

(c) No Acquired Company owns or, except as set forth on Schedule 3.06(c), has ever owned any real property.

3.07 Tax Matters. Except as set forth on Schedule 3.07:

(a) Each Acquired Company has filed on a timely basis all income and other material Tax Returns required to have been filed by it (taking into account any extensions of time to file), and all such Tax Returns are true, correct and complete in all materials respects. Each Acquired Company has paid on a timely basis all Taxes, whether or not shown on a Tax Return, that were due and payable. All income and other material Taxes that any Acquired Company is or was obligated to withhold from amounts owing to any employee, creditor or third party have been duly withheld and fully paid to the appropriate Governmental Authority, and each Acquired Company has complied with all information reporting and backup withholding requirements, including the maintenance of required records with respect thereto.

(b) The unpaid Taxes of each Acquired Company (i) as of the date of the Latest Balance Sheet do not exceed the accruals and reserves for Taxes (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the Latest Balance Sheet and (ii) do not exceed the reserve as adjusted for the passage of time through the Closing Date in accordance with GAAP. Since the date of the Latest Balance Sheet, no Acquired Company has incurred any liability for Taxes outside the ordinary course of business.

(c) No Tax audits or administrative or judicial Tax proceedings are presently being conducted with respect to any Acquired Company. No Acquired Company has received from any taxing authority any written notice of deficiency or proposed adjustment for any amount of Tax that has not been

fully paid or settled. No Acquired Company has (i) waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, which waiver or extension is still outstanding, (ii) requested any extension of time within which to file any Tax Return, which Tax Return has not yet been filed, or (iii) executed or filed any power of attorney with any taxing authority, which is still in effect. In the last four (4) years, no Acquired Company has been informed in writing by any jurisdiction in which such Acquired Company does not file a Tax Return that the jurisdiction believes that such Acquired Company was required to file any Tax Return that was not filed or is subject to Tax in such jurisdiction.

(d) No Acquired Company (i) has been a member of an Affiliated Group filing a consolidated, combined, unitary or similar Tax Return (other than a group the common parent of which is an Acquired Company), (ii) has any liability for the Taxes of any Person under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or non-U.S. Law), as a transferee or successor, or by contract (other than ordinary course agreements, such as leases or loans, the primary focus of which is not Taxes), or (iii) is a party to or bound by any Tax indemnity, Tax sharing, Tax allocation or similar agreement (other than ordinary course agreements, such as leases or loans, the primary focus of which is not Taxes).

(e) No Acquired Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or 361 of the Code (i) within the two (2)-year period ending on the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) that includes the transactions contemplated by this Agreement.

(f) There are no Liens for Taxes (other than Permitted Liens) upon any of the assets of any Acquired Company.

(g) Schedule 3.07(g) sets forth each jurisdiction (other than United States federal) in which each Acquired Company files a Tax Return.

(h) For U.S. federal income Tax purposes, (i) Syntron Corp is, and has been since its date of formation, classified as a C corporation, and (ii) from its date of formation until consummation of the Restructuring Transactions, Holdco was classified as disregarded as an entity separate from the Holdco Seller under and within the meaning of Section 301.7701-3 of the Treasury Regulations. Since the consummation of the Restructuring Transactions and as of the date hereof, Holdco is classified as a partnership under Treasury Regulation Section 301.7701-3(b)(1)(i) for U.S. federal income Tax purposes. Holdco has not been, at any time, classified as a corporation for U.S. federal income Tax purposes. None of the Acquired Companies has made an entity classification ("check-the-box") election under Section 7701 of the Code, other than Syntron Corp's election to be classified as a corporation as of its date of formation.

(i) The Acquired Companies have made available to the Purchaser (i) complete and correct copies of all material Tax Returns of the Acquired Companies for all taxable periods for which the applicable statute of limitations has not yet expired, (ii) complete and correct copies of all private letter rulings, revenue agent reports, information document requests, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending ruling requests and any similar documents submitted by, received by, or agreed to by or on behalf of any Acquired Company relating to Taxes for all taxable periods for which the statute of limitations has not yet expired, and (iii) complete and correct copies of all material agreements, rulings, settlements or other Tax documents with or from any Governmental Authority relating to Tax incentives of any Acquired Company.

(j) No Acquired Company has made any payment, is obligated to make any payment or is a party to any agreement, contract, arrangement or plan that could obligate it to make any payment that may be treated as an "excess parachute payment" under Section 280G of the Code (without regard to Sections 280G(b)(4) and 280G(b)(5) of the Code), in each case, in connection with the consummation of the transactions contemplated by this Agreement.

(k) No Acquired Company will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) any change in method of accounting for a taxable period ending on or prior to the Closing Date made on or prior to the Closing Date, (ii) deferred intercompany gain or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding provision of state, local or foreign Tax Law), (iii) closing agreement as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax Law) executed on or prior to the Closing Date, (iv) installment sale or open transaction disposition made on or prior to the Closing Date, (v) prepaid amount received on or prior to the Closing Date, or (vi) any election made pursuant to Section 108(i) of the Code on or prior to the Closing Date.

(l) Syntron Corp has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code.

(m) No Acquired Company is a party to any joint venture, partnership, or other arrangement that is treated as a partnership for U.S. federal income Tax purposes (other than another Acquired Company).

(n) No Acquired Company is subject to Tax in any country other than its country of incorporation, organization or formation by virtue of having employees, a permanent establishment (within the meaning of an applicable Tax treaty) or other place of business in that country.

(o) Each Acquired Company other than Syntron Corp, Technisys, Inc., and Holdco is, and has been at all times since its formation, classified as disregarded as an entity separate from its owner under and within the meaning of Section 301.7701-3 of the Treasury Regulations.

(p) No Acquired Company has engaged in a "reportable transaction" as set forth in Treasury Regulation Section 1.6011-4(b) or a "listed transaction" as set forth in Treasury Regulation Section 301.6111-2(b)(2) or any analogous provision of state or local Law. Each of the Acquired Companies has disclosed on its U.S. federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code.

(q) None of the Acquired Companies is a party to a gain recognition agreement under Section 367 of the Code.

(r) In the last three (3) years, no Acquired Company has been a party to a merger, liquidation or other transaction that involved a corporation, or a Person classified as an association taxable as a corporation, in which an Acquired Company assumed any liabilities for Tax.

(s) All related party transactions involving an Acquired Company have been conducted at arm's length in compliance with Section 482 of the Code and the Treasury Regulations promulgated thereunder and any comparable provisions of any other Tax Law. Each Acquired Company has maintained documentation (including any applicable transfer pricing studies) in connection with such related party

transactions in accordance with Sections 482 and 6662 of the Code and the Treasury Regulations promulgated thereunder and any comparable provisions of any other Tax Law.

3.08 Contracts and Commitments.

(a) Except as set forth on Schedule 3.08(a) (such contracts disclosed or required to be disclosed thereon, the "Material Contracts"), no Acquired Company is a party to or bound by any:

(i) bonus, pension, profit sharing, retirement or other form of deferred compensation plan, other than as described in Schedule 3.12(a);

(ii) contract for the employment of any officer, individual employee or other person on a full-time or consulting basis other than offer letters for at-will employees without severance or notice periods of more than thirty (30) days and that are materially similar to an Acquired Company's existing form, a copy of which has been made available to the Purchaser;

(iii) agreement, plan, or arrangement providing for severance, retention, change in control payments, or transaction-based bonuses or incentives;

(iv) agreement involving any current or former officer, director or stockholder of any Acquired Company or any Affiliate thereof;

(v) agreement or indenture under which any Acquired Company has created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee) Indebtedness (including capitalized lease obligations) or under which it has imposed (or may impose) a Lien (other than a Permitted Lien) on any of its assets, tangible or intangible;

(vi) lease or agreement under which it is lessee of, or holds or operates any personal property owned by any other party;

(vii) lease or agreement under which it is lessor of or permits any third party to hold or operate any of its personal property;

(viii) contract or group of related contracts with the same party for the purchase by any Acquired Company of products or services which provides for annual payments in excess of $250,000 during any twelve (12)-month period or in which any Acquired Company has agreed to purchase a minimum quantity of goods or services or has agreed to purchase goods or services exclusively from a certain party;

(ix) contract or group of related contracts for the sale by any Acquired Company of products or services that provides for revenues during any twelve (12)-month period in excess of $500,000, or in which an Acquired Company has granted manufacturing rights, "most favored nation" pricing provisions or marketing or distribution rights relating to any services, products or territory;

(x) agreement for the disposition of any significant portion of the assets or business of any Acquired Company (other than sales of product inventory in the ordinary course of business) or any agreement for the acquisition of the assets or business of any other Person (other than purchases of supplies or components in the ordinary course of business);

(xi) agreement concerning non-solicitation, noncompetition or that otherwise could reasonably be expected to have the effect of prohibiting or impairing any Acquired Company from freely engaging in business anywhere in the world;

(xii) agreement providing for any royalty, milestone or similar payments by any Acquired Company;

(xiii) agreement concerning the establishment or operation of a partnership, joint venture or limited liability company;

(xiv) settlement agreement or settlement-related agreement (including any agreement in connection with which any employment-related claim is settled);

(xv) agreement which contains any provisions requiring any Acquired Company to indemnify any other party (excluding indemnities contained in agreements for the purchase, sale or license of products or services entered into in the ordinary course of business);

(xvi) license, agreement or other instrument required to be listed in Schedule 3.09(d) or Schedule 3.09(e);

(xvii) Real Property Lease;

(xviii) Government Contract;

(xix) agreement that would entitle any third party to receive a license or any other right to Intellectual Property of the Purchaser or any of its Affiliates (excluding the Acquired Companies) following the Closing, or that would otherwise bind or purport to bind the Purchaser or any of its Affiliates (excluding the Acquired Companies) following the Closing; or

(xx) agreement under which the consequences of a default or termination would reasonably be expected to have a Material Adverse Effect.

(b) With respect to each Material Contract: (i) such contract is a valid and binding agreement of the applicable Acquired Company and, to the Acquired Companies' knowledge, each of the other parties thereto, enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights generally and general principles of equity affecting the availability of specific performance and other equitable remedies; (ii) no Acquired Company is in breach or default in any material respect, nor has any Acquired Company taken or failed to take any action which, with notice or lapse of time, would constitute a breach or default in any material respect, or permit termination, material modification or acceleration, as applicable, under such contract; and (iii) to the Acquired Companies' knowledge, no other party is in breach or default in any material respect under such contract. There are no audits being conducted by third parties relating an Acquired Company's performance under any Material Contract. The Company has made available to Purchaser a complete and accurate copy of each Material Contract (as amended to date).

3.09 Intellectual Property.

(a) Schedule 3.09(a) sets forth all of the following owned by any Acquired Company: (i) patents and patent applications; (ii) trademarks registrations and applications; (iii) internet domain names; and (iv) registered copyrights (collectively, the "Company Intellectual Property"). All assignments of such Company Intellectual Property have been properly executed and recorded and all issuance, renewal, maintenance and other payments that are or have become due with respect thereto have been timely paid by or on behalf of the applicable Acquired Company. All such Company Intellectual Property is in effect and subsisting and the registrations and applications therefor were filed and prosecuted in accordance with applicable Law. There are no inventorship challenges, opposition or nullity proceedings or interferences before the United States Patent and Trademark Office pending, or to the Acquired Companies' knowledge, threatened with respect to any patents or patent applications included in the Company Intellectual Property. The Acquired Companies have no knowledge of any information that would preclude the Acquired Companies from having clear title to the Company Intellectual Property.

(b) Except as set forth on Schedule 3.09(b): (i) the Acquired Companies own all of the Company Intellectual Property, free and clear of all Liens except Permitted Liens; (ii) no Acquired Company is currently infringing on, misappropriating or violating the Intellectual Property of any other Person; (iii) the Company Intellectual Property is valid and enforceable; (iv) to the Acquired Companies' knowledge, the Company Intellectual Property is not currently being infringed or misappropriated by any Person in a manner that is reasonably likely to be material to the any Acquired Company's business; and (v) each Acquired Company owns or has the right to use all Intellectual Property necessary for the operation of its business.

(c) Except as set forth on Schedule 3.09(c), since January 1, 2015, no Acquired Company has received any written notice of alleged material infringement, misappropriation or violation from any Person with respect to such Person's Intellectual Property and no such claim is pending against any of the Acquired Companies.

(d) Schedule 3.09(d) identifies each material license, covenant or other agreement pursuant to which any of the Acquired Companies have assigned, transferred, licensed, distributed or otherwise granted any right or access to any person, or covenanted not to assert any right, with respect to any past, existing or future Company Intellectual Property. None of the Acquired Companies has agreed to indemnify any person against any infringement, violation or misappropriation of any Intellectual Property rights with respect to any products or services, except in commercial contracts with end-user customers entered in the ordinary course of business.

(e) Schedule 3.09(e) identifies each license or other agreement pursuant to which any of the Acquired Companies' receives rights to third party Intellectual Property (excluding currently-available, off-the-shelf software programs that are licensed by an Acquired Company pursuant to "shrink wrap" licenses, the total fees associated with which are less than $25,000 per annum).

(f) Except as set forth on Schedule 3.09(f), no third-party Intellectual Property is included in, or required for the exploitation of, the Acquired Companies' products and services.

(g) Each current and former employee and independent contractor of the Acquired Companies who is or was involved in development of any material Intellectual Property or products or services has executed a valid and binding written agreement expressly assigning to an Acquired Company all right, title and interest in any inventions and works of authorship, whether or not patentable, invented, created, developed, conceived and/or reduced to practice during the term of such employee's employment or such independent contractor's work for the Acquired Companies, and all Intellectual Property rights therein, and has waived all moral rights therein.

3.10 Litigation. Except as set forth on Schedule 3.10, there is no material Legal Proceeding pending or, to the Acquired Companies' knowledge, threatened against any Acquired Company, and no Acquired Company is subject to any outstanding judgment, order or decree of any court or other Governmental Authority. To the Acquired Companies' knowledge, there are no audits or investigations by a Governmental Authority pending or threatened against any Acquired Company. There is no Legal Proceeding by any Acquired Company pending, or which any Acquired Company has commenced preparations to initiate, against any other Person.

3.11 Governmental Consents. Except for the applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and except as set forth on Schedule 3.11, no material permit, consent, approval or authorization of, or declaration to or filing with, any Governmental Authority is required to be obtained by any Acquired Company in connection with the execution, delivery or performance of this Agreement or any Related Document by any Acquired Company, or the consummation of the transactions contemplated hereby or thereby.

3.12 Employee Benefit Plans.

(a) Schedule 3.12(a) lists all Employee Benefit Plans that any Acquired Company maintains, contributes to, or to which it has any actual liability or would reasonably be expected to have any contingent liability (each, a "Company Plan"). Each of the Company Plans that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service or is a prototype plan that is entitled to rely on an opinion letter issued by the Internal Revenue Service to the prototype plan sponsor regarding qualification of the form of the prototype plan. The Company Plans have complied in form and in operation in all material respects with their terms and in all material respects with the requirements of the Code and ERISA and other applicable Laws. There is no plan or commitment, whether legally binding or not, to create any additional Company Plan or to materially modify any existing Company Plan.

(b) With respect to the Company Plans, all material required contributions have been made or properly accrued. Within the past six (6) years, no Acquired Company or ERISA Affiliate has maintained or contributed to or had any actual liability or would reasonably be expected to have any potential liability with respect to an Employee Benefit Plan that was subject to Section 412 of the Code or Title IV of ERISA. At no time within the past six (6) years has any Acquired Company or any ERISA Affiliate been obligated to contribute or had any actual liability or would reasonably be expected to have any potential liability with respect to any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA).

(c) Since January 1, 2015, there have been no Legal Proceedings (except claims for benefits payable in the normal operation of the Company Plans and proceedings with respect to qualified domestic relations orders) against or involving any Company Plan or asserting any rights or claims to benefits under any Company Plan that could give rise to any liability. No Company Plan is, or since January 1, 2015 has been, the subject of, or has received or provided notice that it is the subject of, examination by a Governmental Authority or a participant in a government sponsored amnesty, voluntary compliance or similar program.

(d) The Acquired Companies have made available to the Purchaser true, correct and complete copies of (i) all Company Plans that have been reduced to writing, together with all amendments thereto, (ii) written summaries of all unwritten Company Plans, (iii) the most recent determination, advisory, or opinion letter with respect to any Company Plans intended to be qualified under Section 401(a) of the

Code, (iv) the most recent related summary plan descriptions and any summaries of material modifications since such summary plan description, if applicable, (v) all annual reports filed on IRS Forms 1094C, 1095 or 5500, all plan financial statements and all actuarial valuation reports for the three most recent plan years, as applicable, and (vi) any material written or electronic communications within the last five years from or to the Internal Revenue Service, the Department of Labor or any other Governmental Authority with respect to a Company Plan (including any voluntary correction submissions).

(e) All group health plans of the Acquired Companies and any ERISA Affiliate have complied in all material respects with the requirements of COBRA, Code Section 5000, the Health Insurance Portability and Accountability Act, the Patient Protection and Affordable Care Act, and any other comparable domestic or foreign Laws. No employee, officer, director or manager, or former employee, officer, director, or manager (or beneficiary of any of the foregoing) of any Acquired Company is entitled to receive any welfare benefits, including death or medical benefits (whether or not insured) beyond retirement or other termination of employment, other than as required by applicable Law or as cash severance, and there have been no written or oral commitments inconsistent with the foregoing.

(f) Except as set forth on Schedule 3.12(f), each Company Plan (other than bilateral agreements covering individuals) is amendable and terminable unilaterally by the Acquired Company that is a party thereto or covered thereby at any time without liability or expense to the Acquired Companies or such Company Plan as a result thereof (other than for benefits accrued through the date of termination or amendment and reasonable administrative expenses related thereto), and no Company Plan documentation or other written communication distributed generally to employees by its terms prohibits the Acquired Companies from amending or terminating any such Company Plan, or in any way limits such action.

(g) Except as set forth on Schedule 3.12(g), no Company Plan or other contract, agreement, plan or arrangement covering any one or more individuals contains any provision or is subject to any applicable Law that, in connection with any of the transactions contemplated by this Agreement or upon related, concurrent or subsequent employment termination, or in combination with any other event, would (i) increase, accelerate or vest any compensation or benefit, except as required by Law with respect to the termination of any Company Plan pursuant to Section 6.06, (ii) require severance, termination or retention payments, (iii) provide any term of employment or compensation guaranty, (iv) forgive any indebtedness, (v) require or provide any payment or compensation subject to Section 280G of the Code (and no such payment or compensation has previously been made), or (vi) promise or provide any Tax gross ups or indemnification, whether under Sections 409A or 4999 of the Code or otherwise. Except as set forth on Schedule 3.12(g), no equityholder, employee or officer of any Acquired Company has been promised or paid any bonus or incentive compensation related to the transactions contemplated hereby.

(h) There are no loans or extensions of credit from any Acquired Company to any current Company Employee or any independent contractor or other service provider to the Acquired Companies. There is no corporate-owned life insurance (COLI), split-dollar life insurance policy or any other life insurance policy on the life of any current Company Employee.

(i) Each Company Plan that is a “nonqualified deferred compensation plan” (as defined in Code Section 409A(d)(1)) has been, at all required times, in material compliance with Code Section 409A in operation and in documentation. No Option has an exercise that has been less than the fair market value of the underlying equity units as of the date such Option was granted or has any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of such Option.

(j) With respect to each material Company Plan that is subject to the Laws of any jurisdiction outside of the United States (a "Foreign Plan"), except as set forth on Schedule 3.12(j), the Foreign Plan (i) since January 1, 2015 has been maintained and administered in all material respects in accordance with its terms and with all applicable Laws, (ii) if intended to qualify for special Tax treatment, materially meets all requirements for such treatment, (iii) is fully funded, and (iv) if required to be registered, has been registered with the appropriate Governmental Authorities and in all material respects has been maintained in good standing with the appropriate Governmental Authorities.

3.13 Labor and Employment.

(a) No Acquired Company is a party to any collective bargaining agreement, collective agreement, works council agreement, or understanding with any labor union, trade union, labor organization or works council or any industry agreement or national labor agreement and, to the Acquired Companies' knowledge, no union organizing efforts or collective negotiations are or have been underway with respect to employees of any Acquired Company. Except as set forth on Schedule 3.13(a), since January 1, 2015: (i) there have been no material unfair labor practice charges, material unfair labor practice complaints, material labor arbitrations or material labor grievances pending, or, to the Acquired Companies' knowledge, threatened, against any Acquired Company; and (ii) there has been no strike, slowdown, work stoppage or lockout, or, to the Acquired Companies' knowledge, threat thereof, by or with respect to any employees of any Acquired Company. No consent of, consultation with, or the rendering of formal advice by, any labor or trade union, works council or other employee representative body is required for the Acquired Companies to enter into this Agreement or to consummate any of the transactions contemplated by this Agreement.

(b) Schedule 3.13(b)(i) contains a list of all current Company Employees, along with the position, date of hire, full- or part-time status, annual rate of compensation (or with respect to Company Employees compensated on an hourly or per diem basis, the hourly or per diem rate of compensation), estimated or target annual incentive compensation of each such person (which may be estimated based on the prior year allocation if such incentive compensation consists of a discretionary allocation of a bonus pool), status as exempt or non-exempt from overtime, and current employment status of each such person (including whether the person is on leave of absence and the dates of such leave). Schedule 3.13(b)(ii) sets forth all bonuses earned by any Company Employee that is expected to be accrued but unpaid as of the Closing Date. Except as set forth on Schedule 3.13(b)(iii), each such Company Employee is retained at-will and none of such Company Employees is a party to an employment agreement or contract with any Acquired Company.

(c) Each Company Employee has entered into the applicable Acquired Company's standard form of confidentiality, non-competition and assignment of inventions agreement, a copy of which has previously been made available to the Purchaser. All agreements referenced in the preceding sentence will continue to be legal, valid, binding and enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing. To the Acquired Companies' knowledge, no current key Company Employee or group of Company Employees has any plans to terminate employment with the Acquired Companies.

(d) Since January 1, 2015, no Acquired Company has breached or violated in any material respect any (i) applicable Law respecting employment and employment practices, terms and conditions of employment and wages and hours, including any such Law respecting employment discrimination, unlawful harassment, retaliation, whistleblowing, employee classification (for overtime purposes or as employee versus independent contractor), workers' compensation, family and medical and other leave requirements, the Immigration Reform and Control Act and occupational safety and health requirements, or (ii) employment

or other individual service provider agreement. No claims, controversies, investigations, audits or other Legal Proceedings are pending or, to the Acquired Companies' knowledge, threatened, with respect to such Laws or agreements, either by private Persons or by Governmental Authorities. The Acquired Companies do not engage, and have not since January 1, 2015 engaged, any leased employees, temporary employees, contract labor employees, or other service providers through any staffing, leasing, contract labor supplier or professional employer organization.

(e) Schedule 3.13(e)(i) contains a list of all consultants and independent contractors currently engaged by the Acquired Companies, along with the position, date of retention and rate of remuneration for each such Person. Except as set forth on Schedule 3.13(e)(ii), each such consultant or independent contractor is a party to a written agreement or contract with the applicable Acquired Company. Except as set forth on Schedule 3.13(e)(iii), each such consultant and independent contractor has entered into the Acquired Company's standard form of confidentiality, non-competition and assignment of inventions agreement with the Acquired Company, a copy of which has previously been made available to the Purchaser. Except as set forth on Schedule 3.13(e)(iv), no independent contractor has provided services to the Acquired Companies for a period of six (6) consecutive months or longer. Except as set forth on Schedule 3.13(e)(v), no Acquired Company has engaged, since January 1, 2015, any temporary or leased employees. No Acquired Company has incurred, and no circumstances exist under which any Acquired Company could incur, any liability arising from the misclassification of employees as consultants, independent contractors, or temporary employees.

(f) The Acquired Companies have made available to the Purchaser a true, correct and complete list of all current Company Employees working in the United States who are not citizens or permanent residents of the United States, which list indicates visa, work authorization, and green card status and the date their work authorization is scheduled to expire. All other current Company Employees employed in the United States are citizens or permanent residents. Schedule 3.13(f) sets forth a true, correct and complete list and description of all expatriate contracts that any Acquired Company has in effect with any current Company Employee and all employment contracts and independent contractor arrangements covering any individuals providing services outside the country in which they are nationals. Each current Company Employee working in a country other than one of which such Company Employee is a national has a valid work permit, certificate of sponsorship, visa, or other right under applicable Law that permits him or her to be employed lawfully by the applicable Acquired Company.

(g) The Acquired Companies have withheld and paid to the appropriate Governmental Authority or are holding for payment not yet due to such Governmental Authority all amounts required to be withheld from Company Employees and are not liable for any arrears of wages, Taxes, penalties or other sums for failure to comply with any of the foregoing.

(h) Except as set forth on Schedule 3.13(h), no charges or complaints are open and pending (or since January 1, 2015 have been settled or otherwise closed) against the Company or any Subsidiary with the Equal Employment Opportunity Commission, the Office of Federal Contract Compliance Programs, or any other Governmental Authority regulating the employment or compensation of individuals (or, with respect to discrimination, retaliation, sexual harassment, or similar wrongdoing, pursuant to internal complaint procedures), and, no current or former employee of any Acquired Company has made, during the last 12 months (and to an Acquired Company's knowledge), an oral or, during the last three (3) years, a written complaint of discrimination, retaliation, sexual harassment or other similar wrongdoing. True, correct and complete information regarding any closed charges or complaints filed since January 1, 2015 with any Governmental Authority for reasons set forth in the preceding sentence (or, with respect to discrimination,

retaliation, or similar wrongdoing, pursuant to internal complaint procedures) has been made available to the Purchaser.

(i) Except as set forth on Schedule 3.13(i), no Acquired Company has caused (i) a plant closing as defined in the Worker Adjustment and Retraining Notification Act of 1988, as amended (the "WARN Act"), affecting any site of employment or one or more operating units within any site of employment of the Acquired Company or (ii) a mass layoff as defined in the WARN Act, nor has any Acquired Company been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar foreign, state or local Law. No Company Employee in the United States has suffered an employment loss, as defined in the WARN Act, within the 90 day period ending on the Closing Date.

(j) There is no term of employment for any employee of the Acquired Companies working outside the United States that provides that the transactions contemplated by this Agreement shall entitle such individual to treat such transactions as a breach of any agreement or as good reason under any such agreement for such individual to end the employment relationship. Since January 1, 2015, no Acquired Company has breached or violated any applicable Law concerning employer contributions to any trade union, housing, unemployment, retirement, bonus and welfare funds and all other funds to which an employer is required by non-U.S. Law to contribute that would reasonably be expected to result in any material liability.

3.14 Insurance. Schedule 3.14 lists each material insurance policy maintained by any Acquired Company and the claims history of the Acquired Companies since January 1, 2015. Such insurance policies are of the type and in amounts customarily carried by organizations conducting businesses or owning assets similar to those of the Acquired Companies. Each such insurance policy is in full force and effect, all premiums due thereon have been paid, and no Acquired Company (a) is in material breach or default with respect to its obligations under any such insurance policy or (b) has received notice of such a breach or default under, or threatened termination of or premium increase under, any such insurance policy. There is no claim pending under any such policy as to which coverage has been questioned, denied or disputed by the underwriter of such policy. Except as set forth on Schedule 3.14, no Acquired Company maintains any self-insurance or co-insurance programs.

3.15 Compliance with Laws. Except as set forth on Schedule 3.15, each Acquired Company is and, since January 1, 2015, has been, in compliance in all material respects with all applicable Laws. Since January 1, 2015, no Acquired Company has received any notice or other communication from any Governmental Authority or other Person alleging any such noncompliance with any applicable Law. No Acquired Company has any liability for failure to comply with any Law and, to the Acquired Companies' knowledge, there is no act, omission, event or circumstance that would reasonably be expected to give rise to any such liability. No Acquired Company has conducted any internal investigation with respect to any actual, potential or alleged violation of any Law by any manager, member or other equity holder, officer or employee or concerning any actual or alleged fraud.

3.16 Permits. Schedule 3.16 sets forth a list of all material Permits issued to or held by any Acquired Company. Such listed Permits are the only Permits that are required for the Acquired Companies to conduct their businesses in all material respects as presently conducted or as proposed to be conducted. Each such Permit is in full force and effect; the applicable Acquired Company is in compliance in all material respects with the terms of each such Permit; and, to the Acquired Companies' knowledge, no suspension or cancellation of such Permit is threatened and there is no basis for believing that such Permit will not be renewable upon expiration. Each such Permit will continue in full force and effect immediately following the Closing.

3.17 Unlawful Payments. Each of the Acquired Companies are and have been in compliance with the Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1, et seq., the Organization for Economic Cooperation and Development Convention Against Bribery of Foreign Public Officials in International Business Transactions and legislation implementing such convention, all other international anti-bribery conventions and all applicable anti-corruption or bribery Laws in any jurisdiction in which any Acquired Company has conducted its business (collectively, "Anti-Bribery Laws"). None of the Acquired Companies has received since January 1, 2015 any written communication from any Governmental Authority that alleges that any Acquired Company, or any current or former Representatives thereof, is or may be in violation of, or has, or may have, any liability under, any Anti-Bribery Laws, and no such potential violation of Anti-Bribery Laws has been discovered by or brought to the attention of any Acquired Company. None of the Acquired Companies has made or anticipates making any disclosures to any Governmental Authority for potential violations of Anti-Bribery Laws. None of the Acquired Companies' current or, to the Acquired Companies' knowledge, former Representatives is currently an officer, agent or employee of a Governmental Authority. None of the Acquired Companies, and none of their respective current or former Representatives, have directly or indirectly offered, given, reimbursed, paid or promised to pay, or authorized the payment of, any money or other thing of value (including any fee, gift, sample, travel expense or entertainment), any facilitating or expediting payment, or any commission payment that is payable to (a) any Person who is an official, officer, agent, employee or representative of any Governmental Authority or of any existing or prospective customer (whether or not owned by a Governmental Authority), (b) any political party or official thereof, (c) any candidate for political or political party office or (d) any other Person affiliated with any such customer, political party or official or political office, in each case while knowing or having reason to believe that all or any portion of such money or thing of value would be offered, given, reimbursed, paid or promised, directly or indirectly, for purposes not allowable under the Anti-Bribery Laws, to any such official, officer, agent, employee, representative, political party, political party official, candidate, individual, or other Person affiliated with any such customer, political party or official or political office.

3.18 Export Control and Sanctions.

(a) Each of the Acquired Companies is and has been in compliance with all applicable Export Control Rules, including all applicable regulations pertaining to the disclosure of technical information to foreign Persons wherever located and/or the provision of access to such technical information by such foreign Persons, and has maintained a written internal program to facilitate such compliance, including training, technology assessment and classification, transaction screening, license compliance tracking, export clearance and recordkeeping measures. None of the Acquired Companies has received, since January 1, 2015, any notice alleging that any Acquired Company is not in compliance with, or has liability under, such Export Control Rules, or has engaged in any brokering activity as defined in 22 C.F.R. 129.2(b). Each of the Acquired Companies has obtained and complied with all licenses, agreements, authorizations and license exceptions or exemptions required for such Acquired Company's exports of articles or technology or provision of services.

(b) Schedule 3.18(b) sets forth a true, correct and complete list of all licenses, agreements and other authorizations maintained or relied upon by each of the Acquired Companies under the Export Control Rules.

(c) None of the Acquired Companies has conducted or initiated any internal investigation, made any mandatory or voluntary disclosure or declined to make a voluntary disclosure with respect to any known violation of Export Control Rules, or failed to make any mandatory report or disclosure to any Governmental Authority pursuant to Export Control Rules.

(d) None of the Acquired Companies and no current or former Representative or Affiliate thereof are, or have been, controlled by, acting on behalf of, or majority owned individually or by aggregating ownership interests of (i) a national of, Governmental Authority of, or entity operating in or organized under the Laws of Cuba, Iran, North Korea, Russia, Syria, Sudan, or the Crimea region of Ukraine; (ii) a Specially Designated National or Blocked Person, or other Person designated on the Consolidated Sanctions List maintained by the U.S. Department of the Treasury Office of Foreign Assets Control; (iii) a Person designated on the Denied Persons List, Entity List, or Unverified List maintained by the U.S. Department of Commerce Bureau of Industry and Security; (iv) a Person designated on the Debarred List maintained by the U.S. Department of State Directorate of Defense Trade Controls; (v) a Person designated by the U.S. Department of the Treasury as a financial institution of primary money laundering concern, or (vi) a Person otherwise prohibited from engaging in financial transactions with U.S. Persons (collectively, "Restricted Persons").

(e) Without limiting the foregoing, none of the Acquired Companies has conducted any transaction directly or indirectly with, or exported, re-exported, or transferred any commodity, material, equipment, software, technology or service to, any Restricted Person, except in accordance with a license or other authorization issued pursuant to applicable Export Control Rules.

3.19 Environmental Matters. Except as set forth on Schedule 3.19:

(a) Each Acquired Company is and has been in compliance in all material respects with all applicable Environmental Requirements.

(b) No Acquired Company has, since January 1, 2015, received any written notice of any material violation of or material liability arising under Environmental Requirements, including with respect to any investigatory, remedial or corrective obligation, relating to any Acquired Company or its facilities.

(c) There is no Legal Proceeding pending or, to the Acquired Companies' knowledge, threatened against any Acquired Company, pursuant to Environmental Requirements.

(d) No Acquired Company is subject (i) to any judgment, order or decree of any court or other Governmental Authority that is outstanding and was issued pursuant to Environmental Requirements or (ii) any agreement between any Acquired Company and any entity, including any Governmental Authority, entered into in connection with any legal obligation or liability arising under any Environmental Requirements.

(e) No Acquired Company has any material liabilities or material obligations arising from or related to the release or threatened release of any Materials of Environmental Concern into the environment, the workplace or other areas.

(f) Set forth on Schedule 3.19(f) is a list of all documents (whether in hard copy or electronic form) that contain any environmental reports, investigations or audits relating to premises currently or previously owned, leased, or operated by any Acquired Company (whether conducted by or on behalf of any Acquired Company or a third party, and whether done at the initiative of any Acquired Company or directed by a Governmental Authority or other third party) which any Acquired Company has possession of, control of or access to. A complete and accurate copy of each such document which any Acquired Company has possession of, control of or access to has been made available to the Purchaser.

(g) No underground storage tank and no amount of any Materials of Environmental Concern are present in, on or under any real property, including the land and the improvements, ground water and surface water thereon, that any Acquired Company has at any time owned, operated, occupied or leased.

(h) Schedule 3.19(h)(i) sets forth a true, correct and complete description of any asbestos contained in or forming part of any building, structure or asset currently or previously owned, occupied, operated or leased by any Acquired Company or any of their respective predecessors (or by any Person whose liability any Acquired Company or any of their respective predecessors has retained or assumed, whether by contract, operation of Law or otherwise). Schedule 3.19(h)(ii) sets forth a true, correct and complete description of any asbestos now or ever contained in or forming part of any products currently or previously manufactured, distributed or sold by any Acquired Company or any of their respective predecessors (or by any Person whose liability any Acquired Company or any of their respective predecessors has retained or assumed, whether by contract, operation of Law or otherwise). Schedule 3.19(h)(iii) sets forth a true, correct and complete list of all Legal Proceedings pending or brought since January 1, 2015, or to the Acquired Companies' knowledge threatened, with respect to, against or affecting the Company or any Subsidiary and relating to the actual or alleged exposure of any Person to asbestos.

3.20 Affiliated Transactions. Except for agreements expressly contemplated by this Agreement or except as set forth on Schedule 3.20 and except for employment arrangements entered into in the ordinary course of business or employment compensation and benefits payable in the ordinary course, no Seller or officer, director or Affiliate of any Acquired Company or, to the Acquired Companies' knowledge, any individual in such Seller's, officer's, director's or Affiliate's immediate family (a) is a party to any agreement, contract, commitment or transaction with any Acquired Company, (b) has any interest in any property or right, tangible or intangible, used in the business of any Acquired Company, (c) has any claim or cause of action against any Acquired Company or (d) owes any money to, or is owed any money by, any Acquired Company. Schedule 3.20 describes any transactions or relationships between the Sellers or any Affiliate of the Sellers (other than an Acquired Company), on the one hand, and any Acquired Company, on the other hand, that occurred or have existed since the beginning of the time period covered by the Financial Statements.

3.21 Brokerage. Except as set forth on Schedule 3.21, no Acquired Company has any liability for or obligation to pay any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement.

3.22 Inventory. All inventory of the Acquired Companies, whether or not reflected on the Latest Balance Sheet, (a) consists of a quality and quantity usable and salable in the ordinary course of business, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value on the Latest Balance Sheet or for which adequate reserves have been established on the Latest Balance Sheet, and (b) conforms to the specifications established therefor, and has been manufactured in accordance with all applicable Laws. All such inventory is owned by the applicable Acquired Company free and clear of all Liens (other than Permitted Liens), and no inventory is held on a consignment basis.

3.23 Accounts Receivable. The accounts receivable reflected on the Latest Balance Sheet and the accounts receivable arising after the date thereof (a) have arisen from bona fide transactions entered into by the Acquired Companies involving the sale of goods or the rendering of services in the ordinary course of business; (b) constitute valid claims of the Acquired Companies not subject to claims of set-off or other defenses or counterclaims, other than security deposits or prepayment amounts as set forth on the Latest Balance Sheet; and (c) are collectible (within twelve (12) months after the date on which they first became

due and payable), net of a reserve for bad debts related to such accounts receivable shown on the Latest Balance Sheet or, in the case of accounts receivable arising after the date of the Latest Balance Sheet, in an amount proportionate to the reserve shown on the Most Recent Balance Sheet. A complete and accurate list of the accounts receivable reflected on the Latest Balance Sheet, showing the aging thereof, is included in Schedule 3.23.

3.24 Customers and Suppliers. Schedule 3.24 sets forth (a) a list of the Acquired Companies' top twenty (20) customers by volume of sales to such customers, and (b) a list of the Acquired Companies' top twenty (20) suppliers by volume of purchases from such suppliers or that is the sole supplier of any significant product or service to any Acquired Company, in each case for the fiscal year ended December 31, 2017 and the nine (9)-month period ended September 30, 2018. Except for ordinary course fluctuations in customer purchasing frequency based on the project nature of customer purchases, no such customer or supplier of the Acquired Companies has indicated within the past year that it will stop, or decrease the rate of, buying materials, products or services or supplying materials, products or services, as applicable.

3.25 Warranties; Products.

(a) No service or product provided, manufactured, sold, leased, licensed or delivered by any Acquired Company since January 1, 2015 is subject to any guaranty, warranty, right of return, right of credit, service level agreement obligation or other indemnity other than (i) the applicable standard terms and conditions of sale or lease of the Acquired Companies, which are set forth on Schedule 3.25(a), and (ii) manufacturers' warranties for which none of the Acquired Companies has any liability. Schedule 3.25(a) sets forth the aggregate expenses incurred by the Acquired Companies in fulfilling their obligations under their guaranty, warranty, right of return, service level agreement credit and indemnity provisions during each of the fiscal years and the interim period covered by the Financial Statements; and to the Acquired Companies' knowledge, there is no reason why such expenses should significantly increase as a percentage of sales in the future.

(b) The reserve for warranty claims set forth on the Latest Balance Sheet and any reserves for warranty claims created by the Acquired Companies in the ordinary course of business subsequent to the date of the Latest Balance Sheet are adequate and were calculated in accordance with GAAP applied on a basis consistent with the application thereof to the most recent audited financial statements included in the Financial Statements (to the extent consistent with GAAP).

(c) None of the Acquired Companies has any liability to any customer in connection with any service provided or product manufactured, sold, leased or delivered by any Acquired Company to provide the customer with any other services or products of the Acquired Companies on pre-negotiated terms, including for upgrades to other services or products at prices below the Acquired Companies' published price for such services or products. None of the Acquired Companies has any liability to any customer in connection with any service provided or product manufactured, sold, leased or delivered by any Acquired Company other than those arising in the ordinary course of business.

(d) No product liability claims are pending or have been received since January 1, 2015 by any Acquired Company and, to the Acquired Companies' knowledge, no such claims have been made against any other Person with respect to any Customer Offering or threatened against any Acquired Company relating to any Customer Offering. There is no judgment, order or decree outstanding against any Acquired Company relating to product liability claims.

(e) Each Customer Offering meets, and at all times since January 1, 2015 has met, in all material respects, all standards for quality and workmanship prescribed by Law, industry standards (including UL, CE, RoHS or comparable standards), contractual agreements and the product literature provided by any of the Acquired Companies.

3.26 Powers of Attorney. Except as set forth on Schedule 3.26, there are no outstanding powers of attorney executed on behalf of any Acquired Company.

3.27 Government Contracts.

(a) None of the Acquired Companies has been suspended or debarred from bidding on any Government Contracts, and no such suspension or debarment has been initiated or, to the Acquired Companies' knowledge, threatened. The consummation of the transactions contemplated by this Agreement will not result in any such suspension or debarment of the any Acquired Company or the Purchaser (assuming that no such suspension or debarment will result solely from the identity of the Purchaser).

(b) None of the Acquired Companies has been since January 1, 2015 or is now being audited or investigated by the United States Government Accounting Office, the United States Department of Defense or any of its agencies, the Defense Contract Audit Agency, the contracting or auditing function of any Governmental Authority with which it is contracting, the United States Department of Justice, the Inspector General of the United States Governmental Authority, or any prime contractor with a Governmental Authority; nor, to the Acquired Companies' knowledge, has any such audit or investigation been threatened.

(c) To the Acquired Companies' knowledge, there is no valid basis for (i) the suspension or debarment of any Acquired Company from bidding on any Government Contracts or (ii) any claim (including any claim for return of funds to a Governmental Authority) pursuant to an audit or investigation by any of the entities named in the foregoing sentence. None of the Acquired Companies has any agreements, contracts or commitments which require it to obtain or maintain a security clearance with any Governmental Authority.

(d) To Acquired Companies' knowledge, no basis exists for any of the following with respect to any of its Government Contracts: (i) a Termination for Default (as provided in 48 C.F.R. Ch.1 §52.249-8, 52.249-9 or similar sections), (ii) a Termination for Convenience (as provided in 48 C.F.R. Ch.1 §52.241-1, 52.249-2 or similar sections), or (iii) a Stop Work Order (as provided in 48 C.F.R. Ch.1 §52.212-13 or similar sections); and the Acquired Companies have no reason to believe that funding may not be provided under any Government Contract in the upcoming federal fiscal year.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Sellers, Holdco and Syntron Corp that the statements in this Article 4 are correct and complete as of the date of this Agreement and as of the Closing:

4.01 Organization and Power. The Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, with full corporate power and authority to enter into this Agreement and perform its obligations hereunder.

4.02 Authorization; No Breach; Valid and Binding Agreement.

(a) The execution, delivery and performance of this Agreement the Related Documents by the Purchaser and the consummation by the Purchaser of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate action, and no other proceedings on the part of the Purchaser are necessary to authorize the execution, delivery or performance of this Agreement or any Related Document.

(b) The execution, delivery and performance of this Agreement and the Related Documents by the Purchaser and the consummation by the Purchaser of the transactions contemplated hereby do not conflict with, constitute a default under, result in a breach or violation of, result in the creation of any Lien (other than Permitted Liens) upon any assets of the Purchaser under (i) the provisions of the Purchaser's Organizational Documents, (ii) subject to expiration or termination of the applicable waiting periods, if any, under the HSR Act and any other applicable antitrust Laws, any applicable Law, judgment, decree or order, or (iii) any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement, mortgage, instrument of Indebtedness or other arrangement to which the Purchaser is party, except as would not have a material adverse effect on the Purchaser or its ability to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Purchaser and, assuming that this Agreement is a valid and binding obligation of the other parties hereto, constitutes a valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights generally and general principles of equity affecting the availability of specific performance and other equitable remedies.

4.03 Governmental Consents. Except for the applicable requirements of the HSR Act and any other applicable antitrust Laws, no material permit, consent, approval or authorization of, or declaration to or filing with, any Governmental Authority is required to be obtained by the Purchaser in connection with the execution, delivery or performance of this Agreement or any Related Document by the Purchaser or the consummation of the transactions contemplated hereby or thereby.

4.04 Litigation. There is no Legal Proceeding pending or, to the Purchaser's knowledge, threatened against the Purchaser, which would materially and adversely affect the Purchaser's performance under this Agreement or the consummation of the transactions contemplated hereby. The Purchaser is not subject to any outstanding judgment, order or decree of any court or other Governmental Authority, except as would not materially and adversely affect the Purchaser's performance under this Agreement or the consummation of the transactions contemplated hereby.

4.05 Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of the Purchaser.

4.06 Solvency. Assuming the representations and warranties set forth in Article 3 are true and correct, immediately after giving effect to the transactions contemplated by this Agreement, each Acquired Company shall be able to pay its debts as they become due and shall own property which has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities). Assuming the representations and warranties set forth in Article 3 are true and correct, immediately after giving effect to the transactions contemplated by this Agreement, the Acquired Companies, taken as a whole, shall have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated by this Agreement with the intent to hinder, delay or defraud either present or future creditors of any Acquired Company.

4.07 Acknowledgment of the Purchaser. The Purchaser acknowledges that the representations and warranties of Holdco, Syntron Corp and the Sellers set forth in this Agreement and any other instrument or agreement expressly contemplated hereby constitute the sole and exclusive representations and warranties of or regarding the Acquired Companies to the Purchaser in connection with the transactions contemplated hereby, and the Purchaser understands, acknowledges and agrees that all other representations and warranties of any kind or nature expressed or implied are specifically disclaimed by the Sellers, Holdco and Syntron Corp. None of the Sellers, Holdco, Syntron Corp or any other member of the Seller Group makes or provides, and the Purchaser hereby waives, any warranty or representation, express or implied, as to the quality, merchantability, as for a particular purpose, or condition of any Acquired Company's assets or any part thereto, except as expressly set forth in this Agreement. In connection with the Purchaser's investigation of the Acquired Companies, the Purchaser has received certain projections, including projected statements of operating revenues and income from operations of the Acquired Companies and certain business plan information. The Purchaser acknowledges that there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, that the Purchaser is familiar with such uncertainties and that the Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections and other forecasts and plans so furnished to it, including, without limitation, the reasonableness of the assumptions underlying such estimates, projections and forecasts. Accordingly, the Purchaser hereby acknowledges that none of the Sellers (or any of their members), Holdco, Syntron Corp or any of their respective direct or indirect Affiliates or representatives (or any of their directors, managers, officers, employees, members, shareholders, managers, partners or agents) (collectively, the "Seller Group") is making any representation or warranty with respect to such estimates, projections and other forecasts and plans, including, without limitation, the reasonableness of the assumptions underlying such estimates, projections and forecasts. The Purchaser further agrees that, except as expressly set forth in this Agreement, no member of the Seller Group will have or be subject to any liability to the Purchaser or any other Person resulting from the distribution to the Purchaser, or the Purchaser's use of, any such information, or any information, document or material made available to the Purchaser or its Affiliates or their respective, counsel, accountants, consultants, advisors, agents or other representatives in any management presentation used in connection with meetings between the Purchaser and any Acquired Company, in the Confidential Information Presentation dated July 2018, in certain "data rooms" and online "data sites," in management interviews, or in any other form in expectation or anticipation of the transactions contemplated by this Agreement. Notwithstanding the foregoing, nothing in this Section 4.07 or elsewhere in this Agreement shall, or shall be deemed or construed to, preclude or impair any claim in respect of, relieve any Person of any liability or obligation for, or limit any recourse available in respect of, Actual Fraud.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller represents and warrants to the Purchaser solely with respect to itself that the statements in this Article 5 are correct and complete as of the date of this Agreement and as of the Closing:

5.01 Organization.

(a) If such Seller is an entity, such Seller is duly formed, validly existing and in good standing under the Laws of its state of formation or incorporation, with full power and authority to enter into this Agreement and perform its obligations hereunder. Such Seller has all requisite power and authority and all material authorizations, licenses and permits necessary to own and operate its properties and to carry on its businesses as now conducted.

(b) Such Seller is qualified to do business and is in good standing in every jurisdiction in which its ownership of property or the conduct of its businesses as now conducted requires it to qualify, except where the failure to be so qualified, individually or in the aggregate, has not adversely affected and would not reasonably be expected to adversely affect the ability of the Seller to consummate the transactions contemplated by this Agreement or timely perform its obligations hereunder.

5.02 Authorization; No Breach; Valid and Binding Agreement. The execution, delivery and performance of this Agreement and the Related Documents by such Seller and the consummation by such Seller of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate, limited liability company, limited partnership or similar action, and no other proceedings on the part of such Seller are necessary to authorize the execution, delivery or performance of this Agreement or any Related Document by such Seller. Such Seller has the legal capacity to execute, deliver and perform its obligations under this Agreement and the Related Documents.

(b) The execution, delivery and performance of this Agreement and the Related Documents by such Seller and the consummation by such Seller of the transactions contemplated hereby and thereby do not conflict with, constitute a default under, result in a breach or violation of, result in the creation of any Lien (other than Permitted Liens) upon any assets of such Seller under (i) the provisions of such Seller's Organizational Documents, (ii) subject to expiration or termination of the applicable waiting periods, if any, under the HSR Act, any applicable Law, judgment, decree or order or (iii) any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement, mortgage, instrument of Indebtedness or other arrangement to which such Seller is party, except as would not have a material adverse effect on such Seller's ability to consummate the transactions contemplated hereby.

(c) This Agreement has been duly executed and delivered by such Seller and, assuming that this Agreement is a valid and binding obligation of the other parties hereto, constitutes a valid and binding obligation of such Seller, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy Laws, other similar Laws affecting creditors' rights generally and general principles of equity affecting the availability of specific performance and other equitable remedies.

(d) The Restructuring Transactions shall be effected in accordance with the Restructuring Step Chart attached as Exhibit B hereto, which Restructuring Transactions shall be consummated not less than one (1) calendar day prior to the Closing, but not prior to January 1, 2019. The Distribution shall be consummated prior to the Restructuring Transactions. The Restructuring Transactions, the Distribution and each component thereof (i) have been duly authorized by all required action on the part of each Person involved in the Restructuring Transactions or the Distribution, as applicable, and (ii) will have been consummated in accordance with, and do not and will not conflict with, the organizational documents of the Sellers, Syntron Corp, Holdco or any other Person involved in the Restructuring Transactions or the Distribution, as applicable. Any and all consents, approvals or authorizations required to be obtained from any Person in connection with the Restructuring Transactions or the Distribution, as applicable, will have been obtained prior to the consummation of the Restructuring Transactions or the Distribution, as applicable.

5.03 Ownership of Purchased Interests.As of immediately prior to the Closing and following the consummation of the Restructuring Transactions, such Seller will own the Purchased Interests set forth opposite its name on Schedule 5.03. On the Closing Date, such Seller shall transfer to the Purchaser good and marketable title to the Purchased Interests set forth opposite its name on Schedule 5.03 free and clear of all Liens and restrictions on transfer (other than any restrictions on transfer under the Securities Act and any applicable state securities Laws). Notwithstanding anything to the contrary set forth in this

Agreement, this Section 5.03 shall not be modified or deemed modified by the Disclosure Schedules (other than the information in Schedule 5.03 expressly required by this Section 5.03).

5.04 Brokerage. Except as set forth on Schedule 3.21, there are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based on any arrangement or agreement made by or on behalf of such Seller.

5.05 Litigation. There are no Legal Proceedings pending or, to such Seller's knowledge, threatened against such Seller, which would materially adversely affect such Seller's performance under this Agreement.

ARTICLE 6

CERTAIN PRE-CLOSING COVENANTS

6.01 Conduct of the Business.

(a) During the period from the date of this Agreement to the earlier of the Closing and the termination of this Agreement in accordance with its terms, except for the consummation of the Restructuring Transactions and the Distribution, Holdco shall cause each Acquired Company to conduct its business in the ordinary course of business in all material respects and use its commercially reasonable efforts to (i) preserve intact such Acquired Company's respective business organization, (ii) keep its physical assets in good working condition, (iii) keep available the services of its executive officers and other material employees, and (iv) maintain in all material respects satisfactory relationships with its suppliers, customers and others having material business relationships with it.

(b) During the period from the date of this Agreement to the earlier of the Closing and the termination of this Agreement in accordance with its terms, except for (i) the consummation of the Restructuring Transactions and the Distribution, (ii) the actions set forth on Schedule 6.01(b) and/or (iii) actions consented to in writing by the Purchaser (which consent, in the case of clause (xvi) or clause (xix) of Section 3.05(b) (or clause (xx) of Section 3.05(b) as it pertains to clause (xvi) or clause (xix)), will not be unreasonably withheld or delayed), Holdco shall not permit any of the Acquired Companies to take any action which, if such action had been taken during the time period covered by Section 3.05, would require disclosure pursuant to Section 3.05.

6.02 Access to Books and Records. During the period from the date of this Agreement to the earlier of the Closing and the termination of this Agreement in accordance with its terms, Holdco shall cause each Acquired Company to provide the Purchaser and its authorized representatives with access during normal business hours and upon reasonable notice to the properties, officers, employees, Representatives, books and records of the Acquired Companies as may be reasonably requested by the Purchaser to familiarize itself with the business, properties, personnel and affairs of the Acquired Companies and to perform its obligations and exercise its rights under this Agreement; provided that (a) such access does not unreasonably interfere with the normal operations of any Acquired Company, (b) all requests for such access shall be directed to the chief executive officer or chief financial officer of Syntron Material Handling, LLC or such other Person(s) as the chief executive officer or chief financial officer may designate in writing from time to time (collectively, the "Designated Contacts"), and (c) nothing herein shall require any Acquired Company to provide access to, or to disclose any information to, the Purchaser or any of its representatives if such access or disclosure would (i) waive any legal privilege or (ii) be in violation of applicable Laws or regulations of any Governmental Authority (including the HSR Act and all other applicable antitrust Laws) or the

provisions of any agreement to which any Acquired Company is a party; provided, further, that the Acquired Companies shall use commercially reasonable efforts to provide such information in a manner that does not forfeit such privilege or violate any such Law or term. Other than the Designated Contacts or as expressly provided in the preceding sentence, the Purchaser is not authorized to and shall not (and shall cause its employees, agents, advisors, counsel, representatives and Affiliates not to) contact any non-executive employee, customer, supplier, distributor, lessee, lessor, lender or other material business relation of any Acquired Company prior to the Closing regarding this Agreement or the transactions contemplated hereby without the prior written consent of the Acquired Companies (which shall not be unreasonably withheld, delayed or conditioned).

6.03 Regulatory Filings.

(a) Each party shall use its reasonable best efforts to obtain, at its expense, all waivers, permits, consents, approvals or other authorizations from Governmental Authorities, and to effect all registrations, filings and notices with or to Governmental Authorities, as may be required for such party to consummate the transactions contemplated by this Agreement and to otherwise comply with all applicable Laws in connection with the consummation of the transactions contemplated by this Agreement.

(b) Holdco shall cause each Acquired Company to, and each of the Sellers and the Purchaser shall, (i) within five (5) Business Days after the date hereof, make or cause to be made all filings and submissions required under the HSR Act (the filing fees to be paid by the Purchaser) and seek "early termination" of the waiting period under the HSR Act, and (ii) make any further filings or information submissions pursuant thereto that may be necessary, proper or advisable; provided, however, that notwithstanding anything to the contrary in this Agreement, the Purchaser shall not be obligated (A) to commence or defend any Legal Proceeding required to obtain any such waiver, permit, consent, approval or other authorization, or (B) to sell or dispose of or hold separately (through a trust or otherwise) any assets or businesses. The Seller Representative shall coordinate and cooperate with the Purchaser in exchanging such information and providing such assistance as the Purchaser may reasonably request in connection with all of the foregoing.

(c) In furtherance of Section 6.03(b), Holdco shall cause each Acquired Company to, and each of the Sellers and the Purchaser shall, (i) respond as promptly as practicable to any inquiries or requests received from any Governmental Authority for additional information or documentation, and (ii) use reasonable best efforts to cause the waiting periods or other requirements under the HSR Act and all other applicable antitrust and competition Laws to terminate or expire at the earliest possible date (including, with respect to filings under the HSR Act, seeking "early termination" of the waiting period under the HSR Act). Holdco shall cause each Acquired Company to, and each of the Sellers and the Purchaser shall, (A) promptly notify each other of any written communication from any Governmental Authority and, subject to applicable Law, permit the other party to review in advance any proposed written communication to any of the foregoing (and consider in good faith the views of the other party in connection therewith); (B) not agree to participate, or to permit its Affiliates to participate, in any substantive meeting or discussion with any Governmental Authority in respect of any filings, investigation or inquiry concerning this Agreement unless such party consults with the other party in advance and, to the extent permitted by such Governmental Authority, give the other party the opportunity to attend and participate thereat; and (C) furnish the other party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between the such party and its Affiliates and their respective Representatives, on the one hand, and any Governmental Authority or members of its staff, on the other hand, with respect to this Agreement. Holdco shall cause each Acquired Company to, and each of the Sellers and the Purchaser shall, fully coordinate their efforts and cooperate with regard to any inquiries, requests, suits or actions by a Governmental Authority;

provided that if there is a difference of opinion with respect to such matters, the Purchaser shall make the final decision.

6.04 Notification. During the period from the date of this Agreement until the earlier of the Closing and the termination of this Agreement in accordance with its terms, Holdco and Syntron Corp shall disclose to the Purchaser in writing promptly upon discovery thereof any breaches of or inaccuracies in the representations and warranties set forth in Article 3 and Article 5, and any fact or event that constitutes a breach of the covenants in this Agreement made by the Sellers, Holdco or Syntron Corp, as applicable, in each case that could give rise to a failure of any condition set forth in Article 2. Such disclosures shall not be deemed to avoid or cure any misrepresentation or breach of warranty or covenant or constitute an amendment of any representation, warranty, covenant or condition in this Agreement or the Disclosure Schedules. Notwithstanding the foregoing, if (a) any breach of or inaccuracy in the representations and warranties set forth in Section 3.02 as of the date of this Agreement that could give rise to a failure of the condition set forth in Section 2.01(a) is disclosed to the Purchaser pursuant to this Section 6.04, and (b) such breach or inaccuracy is cured in all respects prior to the Closing without any liability or obligation to the Purchaser or any of the Acquired Companies, then such disclosure shall be deemed to cure such breach or inaccuracy as of the date of this Agreement for purposes of Section 2.01(a) only.

6.05 Foreign Ownership.

(a) Prior to the Closing, either (i) Syntron Corp shall deliver to the Purchaser an affidavit dated as of the Closing Date, duly executed under penalties of perjury and otherwise in form and substance as required under Treasury Regulation Sections 1.897-2(h) and 1.1445-2(c), certifying that the Syntron Corp Interests are not United States real property interests, together with a notice to the Internal Revenue Service, or (ii) each Corp Seller shall deliver to the Purchaser a non-foreign affidavit dated as of the Closing Date in form and substance as required by the Treasury Regulations issued pursuant to Code Section 1445 stating that such Corp Seller is not a “foreign person” as defined in Code Section 1445.

(b) Prior to the Closing, the Holdco Seller shall deliver to the Purchaser a non-foreign affidavit of the Holdco Seller dated as of the Closing Date in form and substance as required by the Treasury Regulations issued pursuant to Code Section 1445 and by Code Section 1446(f) stating that the Holdco Seller is not a “foreign person” as defined in Code Section 1445.

(c) The Purchaser’s only remedy for the failure to provide any certificate or affidavit specified in Section 6.05(a) or Section 6.05(b) will be to withhold from the payments to be made pursuant to this Agreement any required withholding Tax under Section 1445 or Section 1446 of the Code, and the failure to provide such certificate or affidavit shall not be deemed to be a failure of the condition set forth in Section 2.01(b) to have been met.

6.06 Termination of 401(k) Plan. Holdco shall cause the applicable Acquired Company to terminate, prospectively effective no later than the day immediately preceding the Closing Date, each Company Plan intended to comply with Section 401(k) of the Code (a “401(k) Plan”), unless the Purchaser, in its sole and absolute discretion, agrees to maintain any such 401(k) Plan by providing Holdco and Syntron Corp with written notice of such election (an “Election Notice”) at least five (5) Business Days prior to the Closing Date. Holdco shall cause the applicable Acquired Company to deliver to the Purchaser, prior to the Closing Date, evidence that the applicable entity’s board of directors has validly adopted resolutions to terminate each 401(k) Plan, unless the Purchaser provides an Election Notice to the Acquired Companies (the form and substance of which resolutions shall be subject to prior review and approval of the Purchaser

at least three (3) Business Days before action is taken), effective no later than the date immediately preceding the Closing Date.

6.07 Resignations; Acquired Company Financials. From and after the date of this Agreement through the Closing Date, the Acquired Companies shall (a) deliver copies of resignations, effective as of the Closing and in form and substance reasonably satisfactory to the Purchaser, of each director, officer and manager of each Acquired Company (other than any such resignations which the Purchaser designates, by written notice to the Seller Representative, as unnecessary), and (b) use commercially reasonable efforts to assist and to cause the Representatives of the Acquired Companies to assist the Purchaser and its Representatives in the preparation of the Acquired Company Financials, including by engaging Grant Thornton LLP (at the Purchaser's sole cost and expense) to provide any services necessary or desirable for the preparation of the Acquired Company Financials.

ARTICLE 7

COVENANTS OF THE PURCHASER

7.01 Access to Books and Records. From and after the Closing, the Purchaser shall, and shall cause the Acquired Companies to, provide the Seller Representative and its representatives with reasonable access, during normal business hours, to the books and records of the Acquired Companies with respect to periods or occurrences prior to or on the Closing Date to the extent reasonably required in connection with any Tax or financial reporting matter relating to or arising out of this Agreement or the transactions contemplated hereby (other than in any matter relating to a potential or actual dispute arising out of this Agreement); provided that (a) such access does not unreasonably interfere with the normal operations of the Purchaser or any Acquired Company and (b) nothing herein shall require the Purchaser or any Acquired Company to provide access to, or to disclose any information to, the Seller Representative or any of its representatives if such access or disclosure would (i) waive any legal privilege or (ii) be in violation of applicable Laws or the provisions of any agreement to which the Purchaser or any Acquired Company is a party; provided, further, that the Purchaser shall use commercially reasonable efforts to provide such information in a manner that does not forfeit such privilege or violate any such Law or term. Unless otherwise consented to in writing by the Seller Representative, until the seventh (7th) anniversary of the Closing Date, the Purchaser shall not, and shall not permit any Acquired Company to, destroy, alter or otherwise dispose of any of the books and records of any Acquired Company for any period prior to the Closing Date without first giving reasonable prior notice to the Seller Representative and offering to surrender to the Seller Representative such books and records or any portion thereof which the Purchaser or any Acquired Company may intend to destroy, alter or dispose of; provided that the foregoing requirement shall cease to apply to the Purchaser in the event of a sale or disposition of the Acquired Companies by the Purchaser.

7.02 Director and Officer Liability and Indemnification.

(a) For a period of six (6) years after the Closing, the Purchaser shall not, and shall not permit any Acquired Company to, amend, repeal or otherwise modify any provision in any Acquired Company's certificate or articles of incorporation, by-laws, certificate of formation or limited liability company agreement (or equivalent governing document) relating to the exculpation or indemnification of any current or former managers, directors and/or officers of each Acquired Company at or prior to the Closing (each such individual, a "D&O Indemnitee") from the form of such provisions as of immediately prior to the Closing (unless required by Law), it being the intent of the parties that the D&O Indemnitees shall continue to be entitled to such exculpation and indemnification from the Acquired Companies to the fullest extent permitted by Law.

(b) At or prior to the Closing, the Acquired Companies shall obtain, maintain and fully pay for irrevocable "tail" insurance policies (for the avoidance of doubt, the cost of which shall be borne by the Sellers) naming the D&O Indemnitees as direct beneficiaries with a claims period of at least six (6) years from the Closing Date from an insurance carrier with the same or better credit rating as the Acquired Companies' current insurance carrier with respect to directors' and officers' liability insurance in an amount and scope at least as favorable as the Acquired Companies' existing policies with respect to matters existing or occurring at or prior to the Closing. The Purchaser shall not, and shall cause the Acquired Companies not to, cancel or change such insurance policies in any respect.

(c) In the event that the Purchaser, any Acquired Company 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 entity in such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to any Person, then in either such case proper provision shall be made so that the successors and assigns of the Purchaser or such entity, as the case may be, shall assume the obligations set forth in this Section 7.02.

(d) The Purchaser hereby acknowledges (on behalf of itself and its Subsidiaries) that the D&O Indemnitees may have certain rights to indemnification, advancement of expenses and/or insurance provided by current shareholders, members, or other Affiliates of the Seller Group ("Indemnitee Affiliates") separate from the indemnification obligations of the Acquired Companies hereunder. The parties hereto hereby agree (i) that the Acquired Companies are the indemnitor of first resort (i.e., their obligations to the D&O Indemnitees are primary and any obligation of any Indemnitee Affiliate to advance expenses or to provide indemnification for the same expenses or liabilities incurred by the D&O Indemnitees are secondary), (ii) that the Acquired Companies shall be required to advance expenses incurred by the D&O Indemnitees and shall be liable for expenses, judgments, penalties, fines and amounts paid in settlement, in each case to the extent required by their certificate or articles of incorporation, by-laws, certificate of formation or limited liability company agreement and, in each case, to the extent legally permitted, without regard to any rights the D&O Indemnitees may have against any Indemnitee Affiliate, and (iii) that the parties hereto (on behalf of themselves and their respective Subsidiaries) irrevocably waive, relinquish and release the Indemnitee Affiliates from any and all claims against the Indemnitee Affiliates for contribution, subrogation or any other recovery of any kind in respect thereof. The indemnification obligations provided under this Section 7.02 are primary and the D&O Indemnitees shall not be obligated to pursue claims that exist under any other agreement or document which may provide such Person with any rights of indemnification or exculpation.

(e) Notwithstanding anything to the contrary in this Section 7.02, the Organizational Documents of any Acquired Company or any provision in any indemnification or other agreement to which any of them is a party or by which any of them is bound, (i) no exculpation or other provision in the Organizational Documents of any Acquired Company or any such agreement shall be deemed to exculpate any D&O Indemnitees from such Person's obligations under this Agreement, and (ii) no Person shall be entitled to indemnification or reimbursement or advancement of expenses under any provision of the Organizational Documents of any Acquired Company or any such agreement for any matter for which any Purchaser Indemnified Party is entitled to indemnification pursuant to this Agreement.

(f) The D&O Indemnitees are express and intended third-party beneficiaries of the provisions of this Section 7.02 and shall be entitled to independently enforce the terms hereof as if they were each a party to this Agreement.

7.03 Employee Matters. The Purchaser shall indemnify the members of the Seller Group from and against any loss, liability, damage or expense that may be incurred by them with respect to any obligation to provide notice, payment or any other benefit as a result of or arising out of any termination of employment of any employee of any Acquired Company following the Closing, including but not limited to any loss, liability, damage or expense under the WARN Act or under any state, local or foreign Law with respect to any plant or office closing, layoff or relocation occurring after the Closing as a result of any action taken by the Purchaser or any Acquired Company following the Closing, but excluding any costs or expenses to be borne by the Seller Group under this Agreement.

7.04 R&W Insurance Policy. Concurrently with the execution and delivery of this Agreement, the Purchaser entered into a binder agreement with respect to the R&W Policy and has delivered a true and complete copy of the R&W Policy binder agreement to the Seller Representative. The R&W Policy shall include (and retain throughout the policy's duration) a waiver of any subrogation with respect to the Sellers in connection with any claims thereunder, other than in connection with Actual Fraud. The cost of the premiums, together with all Taxes and application, underwriting or similar fees and expenses due in connection with the R&W Policy (including those to bind the R&W Policy), shall be paid by the Purchaser to the applicable insurer. The Purchaser shall take commercially reasonable actions within its control to maintain the R&W Policy through its original term and shall not modify the policy exclusions, coverage (including coverage limits and scope) or any provisions affecting the collectability of insurance in a manner that would be materially adverse to the Sellers.

ARTICLE 8

TERMINATION

8.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Purchaser and the Seller Representative;

(b) by the Purchaser, if there has been a material violation or breach by a Seller, Holdco or Syntron Corp of any covenant, representation or warranty contained in this Agreement that would render a condition precedent to the Purchaser's obligation to close under Section 2.01 hereof unsatisfied and such violation or breach has not been waived in writing by the Purchaser and either (i) is unable to be cured by the End Date or (ii) if capable of being cured, shall not have been cured by the applicable Seller, Holdco or Syntron Corp, as applicable, prior to the earlier of (A) ten (10) Business Days after receipt by the Seller Representative of written notice thereof from the Purchaser and (B) the End Date; provided that the right to terminate this Agreement pursuant to this Section 8.01(b) shall not be available to the Purchaser at any time that the Purchaser has materially violated, or is in material breach of, any covenant, representation or warranty hereunder;

(c) by the Seller Representative, if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty contained in this Agreement that would render a condition precedent to the Sellers' obligation to close under Section 2.02 hereof unsatisfied and such violation or breach has not been waived in writing by the Seller Representative and either (i) is unable to be cured by the End Date or (ii) if capable of being cured, shall not have been cured by the Purchaser prior to the earlier of (A) ten (10) Business Days after receipt by the Purchaser of written notice thereof from the Seller Representative and (B) the End Date (provided that the failure to deliver the payments required under Section 1.04 at the Closing as required hereunder shall be deemed capable of being cured hereunder); provided that

the right to terminate this Agreement pursuant to this Section 8.01(c) shall not be available to the Seller Representative at any time that any Seller, Holdco or Syntron Corp has materially violated, or is in material breach of, any covenant, representation or warranty hereunder;

(d) by the Purchaser, if the transactions contemplated by this Agreement have not been consummated on or before February 26, 2019 (the "End Date"); provided that the Purchaser shall not be entitled to terminate this Agreement pursuant to this Section 8.01(d) during any period in which the Purchaser's breach of this Agreement has prevented the consummation of the transactions contemplated hereby;

(e) by the Seller Representative, if the transactions contemplated by this Agreement have not been consummated on or before the End Date; provided that the Seller Representative shall not be entitled to terminate this Agreement pursuant to this Section 8.01(e) during any period in which a Seller's, Holdco's or Syntron Corp's breach of this Agreement has prevented the consummation of the transactions contemplated hereby; or

(f) by the Purchaser or the Seller Representative if any Law, judgment, decree or order having the effects set forth in Section 2.01(e) or Section 2.02(d) shall be in effect and shall have become permanent, final and nonappealable.

8.02 Effect of Termination.

(a) In the event of any valid termination of this Agreement by the Purchaser or the Seller Representative as provided in Section 8.01, (i) this Agreement shall forthwith become void and of no further force or effect (except that this Section 8.02, Section 9.03(a), Section 9.06, Section 9.07, Article 12 and Article 13 shall survive the termination of this Agreement and shall be enforceable by the parties hereto), and (ii) there shall be no liability or obligation on the part of the Purchaser, the Sellers, Holdco or Syntron Corp to any other party hereto with respect to this Agreement; provided that, notwithstanding clause (ii) of this Section 8.02(a), liability may exist for breach of, or otherwise with respect to, the provisions of this Agreement specified in the parenthetical contained in clause (i) of this Section 8.02(a); provided, further, that no termination of this Agreement shall release, or be construed as releasing, any party from any liability to any other party for a willful and knowing breach which may have arisen under this Agreement prior to termination. For purposes of this Section 8.02(a), "willful and knowing breach" shall mean a material breach that is a consequence of an act or a failure to take such act by the breaching party with the knowledge that the taking of such act (or the failure to take such act) would cause a material breach of this Agreement.

(b) Notwithstanding this Section 8.02 or anything else in this Agreement to the contrary, the Purchaser affirms that it is not a condition to the Closing or to any of its obligations under this Agreement that the Purchaser obtain financing for or related to any of the transactions contemplated by this Agreement.

ARTICLE 9
ADDITIONAL COVENANTS

9.01 Tax Matters. The provisions of this Section 9.01 shall govern the allocation of responsibility as between the Purchaser and the Acquired Companies, on the one hand, and the Seller Representative and the Sellers, on the other hand, for certain Tax matters following the Closing:

(a) Transaction Tax Deductions, Tax Year-End, and Allocation. The parties hereto agree that (i) the Transaction Tax Deductions shall be reported in Holdco's Pre-Closing Tax Period and shall be

for the benefit of the Sellers to the maximum extent allowable under applicable Law and (ii) the taxable period of Syntron Corp shall end at the end of the day on the Closing Date for U.S. federal income Tax purposes (and the Purchaser shall make any election to include Syntron Corp in an Affiliated Group filing a consolidated U.S. federal income Tax Return as may be necessary to cause such taxable period to end at the end of the day on the Closing Date) and, to the extent permissible under applicable Laws, state and local income Tax purposes.

(b) Responsibility for Filing Tax Returns.

(i) The Purchaser shall prepare IRS Form 1065 (and any comparable flow through state and local Tax Returns) of Holdco for the taxable period that includes the Closing Date (the "Holdco Tax Returns"). All Holdco Tax Returns shall be prepared in a manner that is consistent with the past custom and practice of Holdco, except as otherwise required by applicable Law; provided, however, that, if so elected by the Purchaser, such Holdco Tax Returns shall include an election under Section 754 of the Code with respect to the acquisition by the Purchaser of the Purchased Holdco Interests (the "Section 754 Election") to the extent that Holdco does not already have an election under Section 754 of the Code in effect as of the Closing Date; provided, further, that the Purchaser shall be permitted to select in its sole discretion (A) the Person who shall be designated as Holdco's "partnership representative" within the meaning of Section 6223(a) of the Code on such Holdco Tax Returns and (B) if necessary, the individual who will be the "designated individual" within the meaning of Proposed Treasury Regulation Section 301.6223-1(b)(3) on such Holdco Tax Returns. Each Holdco Tax Return (and all relevant work papers and other items required to understand such Holdco Tax Return or other items as reasonably requested by the Seller Representative) shall be submitted to the Seller Representative for the Seller Representative's review at least thirty (30) days prior to the due date of such Holdco Tax Return (as extended if an extension is filed with respect to such Holdco Tax Return). The Purchaser shall consider in good faith any reasonable comment provided in writing by the Seller Representative with respect to any Holdco Tax Return. If the Purchaser and the Seller Representative cannot, through good-faith negotiation, resolve any disagreement over any such comment, then their disagreement shall be resolved by the Dispute Resolution Auditor in accordance with Section 1.05(b), *mutatis mutandis*. The resolution of any such dispute shall not delay the filing of any such Tax Return beyond its due date and, following resolution of such disagreement, such Tax Return shall be amended if and as necessary to conform to the resolution of such disagreement.

(ii) The Purchaser shall prepare and file or cause to be prepared and filed, all other federal, state, local and non-U.S. Tax Returns of the Acquired Companies for all periods ending prior to or including the Closing Date, the due date of which is on or after the Closing Date (in each case, to the extent not already filed prior thereto). All such Tax Returns shall be prepared in a manner that is consistent with the past custom and practice of the Acquired Companies, except as otherwise required by applicable Law. At least thirty (30) days prior to the date on which each such income Tax Return for a Pre-Closing Tax Period is due and at least fifteen (15) days prior to the date on which any other Tax Return for a Pre-Closing Tax Period is due, the Purchaser shall submit such Tax Return (and all relevant work papers and other items required to understand such Tax Return or other items as reasonably requested by the Seller Representative) to the Seller Representative for the Seller Representative's review and comment, and the Purchaser shall consider in good faith such changes to such Tax Returns as are requested by the Seller Representative prior to filing. If the Purchaser and the Seller Representative cannot, through good-faith negotiation, resolve any disagreement over any such comment, then their disagreement shall be resolved by the Dispute Resolution Auditor in accordance with Section 1.05(b), *mutatis mutandis*. The resolution of any such dispute shall not delay the filing of any such Tax Return beyond its due date and, following resolution of such

disagreement, such Tax Return shall be amended if and as necessary to conform to the resolution of such disagreement.

(c) Books and Records; Cooperation. The Purchaser, on the one hand, and the Seller Representative, on the other hand, shall (i) provide the other party with such assistance as may be reasonably requested in connection with the preparation, review of, filing or execution of any Tax Return (including, as necessary, executing and filing the Tax Returns described in Section 9.01(b)) or any audit or other examination by any taxing authority or judicial or administrative proceeding relating to Taxes with respect to the Acquired Companies, and including by executing any powers of attorney or similar authorizations reasonably necessary to carry out the purposes of this Article 9, and (ii) retain and provide the other party with reasonable access to all records or information that may be relevant to such Tax Return, audit, examination or proceeding and make employees available on a mutually convenient basis to provide additional information and explanation of any material provided. The Purchaser shall, and shall cause each Acquired Company to, retain all books and records with respect to Tax matters pertinent thereto relating to any Pre-Closing Tax Period until the expiration of the applicable statute of limitations (including any extensions thereof) for the respective taxable periods.

(d) Transfer Taxes. Each of the Purchaser, on the one hand, and the Sellers, on the other hand, will be liable for fifty percent (50%) of any stamp Tax, stock or other transfer Tax, or other similar Tax imposed on the Acquired Companies or the Sellers as a result of the acquisition by the Purchaser of the Purchased Interests as contemplated by this Agreement, other than any Chinese Capital Gains Tax (collectively, "Transfer Taxes"), and any penalties, interest or additions to Tax with respect to the Transfer Taxes. The parties hereto agree to cooperate in the filing of any returns with respect to the Transfer Taxes, including promptly supplying any information in their possession that is reasonably necessary to complete such returns.

(e) Intermediary Transaction Tax Shelter. The Purchaser shall not take any action with respect to any Acquired Company that would cause the transactions contemplated by this Agreement to constitute part of a transaction that is the same as, or substantially similar to, the "Intermediary Transaction Tax Shelter" described in Internal Revenue Service Notices 2001-16 and 2008-111.

(f) Amendments, Elections, and Actions with respect to Pre-Closing Tax Periods. Without the prior written consent of the Seller Representative (which consent shall not be unreasonably withheld, conditioned or delayed), the Purchaser will not amend or permit any Acquired Company to amend (i) any Holdco Tax Return or (ii) any Tax Return relating to a Pre-Closing Tax Period. After the date of this Agreement, neither the Purchaser nor any of its Subsidiaries shall, without the written consent of the Seller Representative (which consent shall not be unreasonably withheld, conditioned or delayed), (A) agree to waive or extend the statute of limitations relating to any Taxes of any Acquired Company for any Pre-Closing Tax Period, (B) make or change any election with respect to, or that has any retroactive effect on, any Pre-Closing Tax Period or (C) voluntarily approach any Tax authority with respect to any Pre-Closing Tax Period of any Acquired Company or Taxes of any Acquired Company for any Pre-Closing Tax Period. The Purchaser shall not make any election under Code Section 338 or Code Section 336 (or any similar provision under state, local or non-U.S. Law) with respect to the acquisition of Syntron Corp.

(g) Allocation of Certain Taxes.

(i) To the extent it is necessary for purposes of this Agreement to determine the allocation of Taxes attributable to a Straddle Period, the amount of any Taxes based on or measured by income, sales, payroll or receipts of the Acquired Companies for the Pre-Closing Tax Period shall

be determined based on an interim closing of the books as of the close of business on the Closing Date, and the amount of other Taxes of the Acquired Companies for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be 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 such Straddle Period; provided, however, that for purposes of such allocation, transactions occurring or actions taken on the Closing Date but after the Closing by the Purchaser or by, or with respect to, any Acquired Company that are outside the ordinary course of business and not expressly contemplated by this Agreement shall be treated as occurring after the Closing Date.

(ii) For purposes of allocating Taxes attributable to any partnerships or other pass-through entities, the taxable year of any such partnerships or other pass-through entities shall be treated as ending on the Closing Date (without regard to any contrary provision of Law).

(iii) For purposes of allocating the items of income, gain, loss, deduction or credit of Holdco for a Straddle Period, such items shall be allocated between the Pre-Closing Tax Period and the portion of such Straddle Period beginning on the day after the Closing Date based on an interim closing of the books of Holdco as of the close of business on the Closing Date.

(iv) For purposes of computing the Taxes attributable to the two portions of a taxable period pursuant to this Section 9.01(g), the amount of any item that is taken into account only once for each taxable period (e.g., the benefit of graduated tax rates, exemption amounts, etc.) shall be allocated between the two portions of the period in proportion to the number of days in each portion.

(h) Allocation of the Purchase Price.

(i) The parties hereto agree that the amount of the Purchase Price allocable to (and payable by the Purchaser for) the Purchased Syntron Corp Interests is equal to the Purchased Syntron Corp Interest Purchase Price, and the amount of the Purchase Price allocable to (and payable by the Purchaser for) the Purchased Holdco Interests is equal to the Purchased Holdco Interest Purchase Price.

(ii) Within sixty (60) days after the determination of the Final Net Working Capital as set forth in Section 1.05 herein, the Purchaser shall deliver to the Holdco Seller a statement (the "Allocation Statement") setting forth in reasonable detail the Purchaser's determination of the allocation of the Purchased Holdco Interest Purchase Price, together with all other items required to be included as purchase price under the Code, among the assets of Holdco for Tax purposes, which allocation shall be based upon a third-party valuation of the assets of Holdco to be obtained by the Purchaser following the Closing. The Holdco Seller shall have sixty (60) days after receipt of such Allocation Statement within which to review and consent to the Purchaser's determination. If the Holdco Seller does not object in writing to the Allocation Statement in such period it shall become the "Allocation Schedule". If the Holdco Seller objects in writing to the Allocation Statement in such period, then the parties shall negotiate in good faith to resolve any disagreements with respect to the asset allocation. If the Purchaser and the Holdco Seller agree to an asset allocation in accordance with the above procedures, it shall become the Allocation Schedule. If the Purchaser and the Holdco Seller are unable to agree to an Allocation Schedule within thirty (30) days of the Holdco Seller's delivery to the Purchaser of its objections to the Allocation Statement, then (A) the parties hereto shall not be bound by the Allocation Statement, (B) there shall be no Allocation Schedule for purposes

of this Agreement, and (C) each party hereto shall be permitted to determine its own asset allocation for Tax purposes. The parties hereto agree that (x) under current law and administrative reporting requirements, the IRS Schedule K-1 (and comparable forms for state and local income Tax purposes) to be delivered by Holdco to the Holdco Seller attributable to the Holdco Tax Returns need not include any amounts included in, or attributable to, the Allocation Statement, and no such amounts are required to be included in the informational statements required to be filed by the Holdco Seller under Treasury Regulation Section 1.751-1(a)(3), and (y) if the Purchaser and the Holdco Seller are unable to agree to an Allocation Schedule in accordance with the provisions of this Section 9.01(h)(ii), no such amounts shall be included on such IRS Schedule K-1 or Treasury Regulation Section 1.751-1(a)(3) statement absent a change in law or in written administrative reporting requirements.

(iii) If the Purchaser and the Holdco Seller finally agree to an Allocation Schedule in accordance with Section 9.01(h)(ii), such Allocation Schedule shall be binding upon the Purchaser, Holdco, the Holdco Seller, Syntron Corp and their respective Affiliates for all Tax purposes, including for purposes of Code Section 751 and Code Section 743, and each such Person, as applicable, (A) shall file, or cause to be filed, all applicable Tax Returns, including IRS Form 8308 and the informational statements required pursuant to Treasury Regulation Section 1.751-1(a)(3), in accordance with such Allocation Schedule, and (B) shall not take or permit its Affiliates to take any position on any Tax Return or in any proceeding relating to Taxes that is inconsistent with such Allocation Schedule, unless required by a final determination or applicable Law.

(iv) Notwithstanding anything herein to the contrary, if the Purchaser and the Holdco Seller finally agree to an Allocation Schedule in accordance with Section 9.01(h)(ii), any subsequent adjustments or amounts properly treated as adjustments to the Purchase Price shall be incorporated into the Allocation Schedule as mutually agreed to by the Holdco Seller and the Purchaser, and the Holdco Seller and the Purchaser shall use good faith efforts to resolve any dispute with respect thereto.

(i) Carrybacks. No Acquired Company will waive any carryback of any net operating loss, capital loss or credit on any Tax Return prepared pursuant to this Section 9.01. Neither the Purchaser nor any of the Acquired Companies shall make any ratable allocation election under Treasury Regulation 1.1502-76(b)(2)(ii) or (iii) with respect to any Pre-Closing Tax Period. The Purchaser will cause the Acquired Companies to elect to carry back any item of loss, deduction or credit from any Transaction Tax Deductions and any losses from a Pre-Closing Tax Period (which, in the case of a Pre-Closing Tax Period that is part of a Straddle Period, are not used in the balance of such Straddle Period) to prior taxable years to the fullest extent permitted by Law (using any available short-form or accelerated procedures, including the filing of IRS Form 1139 and any corresponding form for applicable state, local and foreign purposes, and filing amended Tax Returns to the extent necessary at the Securityholders' expense), and at the Securityholders' expense, the Purchaser and the Acquired Companies will prepare and file, or cause to be prepared and filed, any claim for refund resulting from such carry back as part of the preparation and filing of the Tax Returns described in Section 9.01(b).

(j) Tax Refunds. The Seller Representative (on behalf of the Securityholders) shall be entitled to (i) any federal, state, local or other Tax refunds that are received by the Purchaser or any of the Acquired Companies, and (ii) any amounts credited in lieu of a refund against any federal, state, local or other Tax to which the Purchaser or any Acquired Company becomes entitled in a Tax period ending after the Closing Date, in each case, that are attributable to Taxes of an Acquired Company for a Pre-Closing Tax Period that were paid by an Acquired Company or the Securityholders prior to the Closing Date or by the Securityholders after the Closing Date (including pursuant to this Agreement), except to the extent such Tax

refunds or credits were included in Net Working Capital (as finally determined under this Agreement) or are attributable to the carryback of a net operating loss of an Acquired Company for a taxable period (or portion thereof) beginning after the Closing Date. The Purchaser shall pay over to the Seller Representative (on behalf of the Securityholders and to be paid in accordance with Section 10.02(c)) any such refund or credit, net of any reasonable out-of-pocket expenses (including Taxes) incurred by the Purchaser or any of its Affiliates (including any Acquired Company) in obtaining such refund or credit, within five (5) days after receipt of such refund or within five (5) days of filing of the Tax Return reflecting such credit.

(k) Tax Contests.

(i) The Purchaser shall promptly forward, or shall cause to be promptly forwarded, to the Seller Representative all written notifications from any taxing authority relating to any Tax liability and/or Tax Return of any Acquired Company with respect to a Pre-Closing Tax Period.

(ii) The Seller Representative shall have the right to control, at the sole expense of the Sellers or the Seller Representative, any audit or examination by any taxing authority or any other judicial or administrative proceeding with respect to Taxes, and contest, resolve and defend against any assessment for additional Taxes, notice of Tax deficiency or other adjustment of Taxes of any Acquired Company (each, a "Tax Matter") for any Pre-Closing Tax Period (other than a Straddle Period) for which any Seller (or any direct or indirect owner of a Seller) could reasonably be expected to be liable or responsible; provided, however, that the Seller Representative shall provide to the Purchaser (at the Purchaser's expense) reasonable participation rights with respect to so much of any such Tax Matter that is reasonably likely to affect the Tax liability of the Purchaser or any Acquired Company for any taxable period beginning on or after the Closing Date. The Seller Representative, on behalf of the Securityholders, shall not enter into any settlement of, or otherwise compromise, any such Tax Matter that would adversely affect the liability of the Purchaser or any Acquired Company for any Taxes without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned.

(iii) The Purchaser shall have the right to control any other Tax Matters (including Tax Matters for a Straddle Period); provided, however, that the Purchaser shall provide the Seller Representative (at the expense of the Sellers or the Seller Representative) reasonable participation rights with respect to so much of any such Tax Matter that is reasonably likely to affect the Tax liability of the Sellers (or any direct or indirect owner of a Seller). The Purchaser shall not enter into any settlement of, or otherwise compromise, any such Tax Matter that would result in any liability or responsibility of any Seller (or any direct or indirect owner of a Seller) for any Taxes without the prior written consent of the Seller Representative, which consent shall not be unreasonably withheld, delayed or conditioned.

(iv) If, after receiving written notice of a Tax Matter, the Seller Representative declines to exercise its control rights pursuant to Section 9.01(k)(ii) with respect to such Tax Matter, the Purchaser shall control the conduct of such Tax Matter.

(l) Other Adjustments. If Taxes for which any Seller (or any direct or indirect owner of any Seller) is liable or responsible for any Pre-Closing Tax Period are increased by any audit adjustment and the particular item that produced such increase in Taxes results in a decrease in the net amount of any other Taxes of an Acquired Company, the Purchaser or any of the Purchaser's Affiliates for any prior taxable year, the current taxable year, or the next two succeeding taxable years (each, an "Audit Adjustment Tax Benefit"), then the Acquired Company (if an Acquired Company received the Audit Adjustment Tax Benefit) or the

Purchaser (if the Purchaser or any of the Purchaser's Affiliates received the Audit Adjustment Tax Benefit) shall be liable for and shall pay to the Seller Representative (for the benefit of the Securityholders and to be paid in accordance with Section 10.02(c)) the amount of such Audit Adjustment Tax Benefit. Such payment shall be made within five (5) days after the date on which the applicable Audit Adjustment Tax Benefit is realized.

9.02 Other Agreements.

(a) Subject to the terms of this Agreement (including the limitations set forth in this Section 9.02), each of the Purchaser, Holdco, Syntron Corp and the Sellers shall use its commercially reasonable efforts to cause the conditions to the other parties' obligations to consummate the Closing to be satisfied and for the Closing to occur as promptly as practicable, and no party shall take any action designed solely to prevent, impede or delay the Closing.

(b) Each Seller shall, and Holdco shall cause the Acquired Companies to, use their commercially reasonable efforts to obtain, at their expense, all such waivers, consents or approvals from third parties, and to give all such notices to third parties, as are required of such Seller or Acquired Company to be listed in the Disclosure Schedules.

9.03 Confidentiality.

(a) The Purchaser acknowledges that it remains bound by the confidentiality agreement, dated July 24, 2018, by and between Kadant Inc. and Syntron Material Handling, LLC (the "Confidentiality Agreement"). From and as of the Closing, the restrictions on the Purchaser related to non-disclosure of information of the Acquired Companies contained in the Confidentiality Agreement shall be deemed to have been terminated by the parties thereto and shall no longer be binding.

(b) From and after the date hereof, the Sellers shall (and shall cause their respective Affiliates to) not disclose or make use of any information relating to the business of the Acquired Companies that is neither generally known by, nor easily learned or determined by, persons outside the Acquired Companies (collectively referred to herein as "Proprietary Information"), including: (i) specifications, manuals, software in various stages of development, and other technical data; (ii) customer and prospect lists, details of agreements and communications with customers and prospects, and other customer information; (iii) sales plans and projections, product pricing information, protocols, acquisition, expansion, marketing, financial and other business information and existing and future products and business plans and strategies; (iv) sales proposals, demonstrations systems and sales material; (v) research and development; (vi) software systems, computer programs and source codes; (vii) sources of supply; (viii) identity of specialized consultants and contractors; (ix) purchasing, operating and other cost data; (x) special customer needs, cost and pricing data; (xi) employee information (including personnel, payroll, compensation and benefit data and plans), including all such information recorded in manuals, memoranda, projections, reports, minutes, plans, drawings, sketches, designs, data, specifications, software programs and records; and (xii) the subject matter or terms of this Agreement, in each case whether or not legended or otherwise identified as Proprietary Information, as well as such information that is the subject of meetings and discussions and not recorded. Proprietary Information shall not include information (A) that was or becomes generally available to the public (other than as a result of a disclosure by a Seller or an Affiliate thereof), (B) that becomes available to any Seller or any Affiliate thereof after the Closing on a non-confidential basis from a source other than the Acquired Companies or any of their respective Affiliates or Representatives; provided that such source is not known by such Seller, Affiliate or Representative to be bound by a confidentiality agreement with respect to such information, or otherwise prohibited from disclosing such information to

such Seller, Affiliate or Representative, or (C) that was or is independently developed by any Seller or any Affiliate thereof without use of or reference to the Proprietary Information and without violating the obligations of such Seller or Affiliate under this Section 9.03. Notwithstanding the foregoing, no Seller shall have any obligation hereunder to keep confidential any of the Proprietary Information to the extent disclosure thereof is required by Law; provided, however, that in the event disclosure is required by Law, such Seller shall use reasonable best efforts to provide the Purchaser with prompt advance notice of such requirement so that the Purchaser may seek an appropriate protective order or other appropriate remedy and/or waive compliance with the terms of this Section 9.03.

(c) The Sellers agree that the remedy at Law for any breach of this Section 9.03 would be inadequate and that the Purchaser shall be entitled to injunctive relief, without the requirement of posting any bond or other security, in addition to any other remedy it may have upon breach of any provision of this Section 9.03.

9.04 No Solicitation or Hiring of Former Employees. Each Seller agrees that, except as provided by Law, during the period commencing on the Closing Date and ending on the third (3rd) anniversary of the Closing Date, the Seller shall not (and shall cause its Affiliates not to), directly or indirectly, (a) recruit, solicit or induce any person listed on Schedule 9.04 to terminate his or her employment with, or otherwise cease his or her relationship with, the Purchaser (or the Acquired Company, as the case may be), or to become an employee of the Seller or such Affiliate, or (b) hire or employ or use in any subcontracting arrangement any person listed on Schedule 9.04. The foregoing provision shall not preclude the Sellers or their Affiliates from conducting generalized searches for employment (including through the use of general advertisements, search firms and internet postings) not targeted towards any Acquired Company or any employees thereof.

9.05 Further Assurances. From time to time, as and when requested by any party hereto and at such party's expense, any other party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such requesting party may reasonably deem necessary or desirable to evidence and effectuate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, after the Closing, the Sellers shall, at the Purchaser's request and expense, use commercially reasonable efforts to assist the Purchaser from time to time in obtaining consent from Grant Thornton to the incorporation of the reports on the Acquired Company Financials into the Purchaser's filings with the U.S. Securities and Exchange Commission. Without limitation of the foregoing, each of Andy Blanchard and Paul Downey shall execute and deliver from time to time such representation letters as Grant Thornton may reasonably request in connection therewith.

9.06 Provision Respecting Legal Representation. Each of the parties to this Agreement hereby agrees, on its own behalf and on behalf of its directors, members, partners, officers, employees and Affiliates, that Honigman Miller Schwartz and Cohn LLP ("Honigman") may serve as counsel to each of the Sellers, on the one hand, and each Acquired Company and each other member of the Seller Group, on the other hand, in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and that, following consummation of the transactions contemplated hereby, Honigman (or any successor law firm) may serve as counsel to the Sellers or any director, member, partner, officer, employee or Affiliate of any Seller, in connection with any litigation, claim or obligation that is adverse to the Acquired Companies arising out of or relating to this Agreement or the transactions contemplated by this Agreement (a "Specified Matter") notwithstanding such prior representation of any Acquired Company, and each of the parties hereto hereby consents to and waives any conflict of interest with respect to such Specified Matter, to the extent such conflict arises from Honigman's representation of one or more of the Acquired Companies prior to the Closing, and each of such parties shall

cause any Affiliate thereof to consent to and waive any such conflict of interest. Each of the parties to this Agreement hereby irrevocably acknowledges and agrees that, solely in the case of a Specified Matter, all communications prior to the Closing between any Acquired Company and the Sellers or any other member of the Seller Group, on the one hand, and Honigman, on the other hand, made in connection with and relating solely to the negotiation, preparation, execution, delivery and performance under, or any pre-Closing dispute or proceeding arising out of or relating to, this Agreement, any agreements contemplated by this Agreement or the transactions contemplated hereby or thereby, are privileged communications between the Acquired Companies and the Seller Group and such counsel (collectively, the "Privileged Communications") and thereby property of the Seller Group, and from and after the Closing none of the Purchaser, any Acquired Company or any Person purporting to act on behalf of or through the Purchaser or any Acquired Company, will seek to obtain such communications in any Specified Matter, whether by seeking a waiver of the attorney-client privilege or through any other means. As to any such Privileged Communications prior to the Closing Date, the Purchaser and the Acquired Companies, together with any of their respective Affiliates, Subsidiaries, successors or assigns, further agree that no such party may, except to the extent otherwise determined in any related Legal Proceeding, use or rely on any of the Privileged Communications in any action after the Closing in which any member of the Seller Group is an adverse party, without the Sellers Representative's prior written consent.

9.07 Press Releases and Communications. The parties hereto will, and will cause each of their Affiliates to, and will direct each of their respective representatives to, maintain the confidentiality of this Agreement and will not issue, or cause the publication of, any public release or announcement concerning the transactions contemplated by this Agreement without the prior written consent of both the Purchaser and the Seller Representative (such consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, (a) the foregoing shall not restrict or prohibit any of the parties hereto from making any release or announcement required by applicable Law or the rules or regulations of any securities exchange (in which case, the party hereto required to make the release or announcement shall use commercially reasonable efforts to allow the other party an opportunity to comment on or seek a protective order with respect to such release or announcement in advance of such issuance), (b) the foregoing shall not restrict or prohibit the Purchaser from making filings with the U.S. Securities and Exchange Commission required under applicable securities Laws, (c) following the initial press release, any party or any party's Affiliates who is an investment fund may disclose the financial terms of the transactions contemplated hereby to its Affiliates and any current or potential investor in such party's fund(s) in connection with fundraising, marketing, informational or reporting activities in the ordinary course of such party's business, and (d) the foregoing shall not restrict or prohibit the Purchaser from issuing any release or making any announcement concerning the transactions contemplated hereby following the Closing. Each party hereto shall be responsible for any breach of this Section 9.07 by one or more of its Affiliates.

9.08 No Claims. Each Seller, by its execution and delivery of this Agreement, hereby forever waives, releases and discharges (and hereby agrees to cause each of its Affiliates, representatives (in such capacity), agents, estate, heirs, successors and assigns to forever waive, release and discharge) with prejudice each Acquired Company and each of the Affiliates, equityholders, officers, directors, managers, members, agents, representatives, attorneys, advisors, predecessors, successors, and assigns of each Acquired Company from any and all claims, rights (including rights of indemnification, contribution and other similar rights, from whatever source, whether under contract, applicable Law or otherwise), causes of action, protests, suits, disputes, orders, obligations, debts, demands, proceedings, contracts, agreements, promises, liabilities, controversies, costs, expenses, fees (including attorneys' fees), or damages of any kind, arising by any means (including subrogation, assignment, reimbursement, operation of law or otherwise), whether known or unknown, suspected or unsuspected, accrued or not accrued, foreseen or unforeseen, or mature or unmature related or with respect to, in connection with, or arising out of, directly or indirectly, any event, fact, condition,

circumstance, occurrence, act or omission that was in existence (or that occurred or failed to occur) at or prior to the Closing; provided, however, that this Section 9.08 shall not be construed as releasing any party from any obligation under this Agreement or any agreement delivered pursuant hereto.

ARTICLE 10
SELLER REPRESENTATIVE

10.01 Authorization of the Seller Representative; Inability to Perform.

(a) Each Seller, by executing this Agreement, and each Optionholder, by executing an Option Surrender Agreement, makes, constitutes and appoints the Seller Representative such Person's true, lawful and exclusive attorney-in-fact for and in such Person's name, place and stead and for its use and benefit, to prepare, execute, certify, acknowledge, swear to, file, deliver or record any and all agreements, instruments or other documents, and to take any and all actions, that are within the scope and authority of the Seller Representative provided for in this Section 10.01. The grant of authority provided for in this Section 10.01 is coupled with an interest and is being granted, in part, as an inducement to the parties hereto to enter into this Agreement and shall be irrevocable and survive the death, incompetency, bankruptcy or liquidation of any Seller and shall be binding on any successor thereto.

(b) By virtue of the adoption and execution of this Agreement by the Sellers, each Seller, and by virtue of the execution of an Option Surrender Agreement by the Optionholders, each such Optionholder, shall be deemed to have agreed to appoint the Seller Representative as its agent and attorney-in-fact for and on behalf of the Securityholders in connection with, and to facilitate the consummation of the transactions contemplated by, this Agreement and the Related Documents, and in connection with the activities to be performed on behalf of the Securityholders under this Agreement and the Related Documents, for the purposes and with the powers and authority hereinafter set forth in this Article 10, which shall include the full and exclusive power and authority:

(i) to take such actions and to execute and deliver such amendments, modifications, waivers and consents in connection with this Agreement and the Related Documents and the consummation of the transactions contemplated hereby and thereby as the Seller Representative, in its reasonable discretion, may deem necessary or desirable to give effect to the intentions of this Agreement and the Related Documents;

(ii) to pay expenses of the Sellers incurred in connection with the negotiation and performance of this Agreement and the Related Documents (whether incurred before, on or after the date of this Agreement);

(iii) to receive any amounts due to the Securityholders under this Agreement or under the Related Documents, and to disburse any such funds to the Securityholders;

(iv) to retain the Representative Expense Amount until it is liquidated in accordance with Section 10.02(b), and to use the funds constituting the Representative Expense Amount to satisfy the expenses of the Seller Representative in performing its duties hereunder and under the Related Documents and to satisfy expenses and obligations of the Sellers;

(v) as the agent of the Securityholders, to enforce and protect the rights and interests of the Securityholders and to enforce and protect the rights and interests of the Seller Representative arising out of or under or in any manner relating to this Agreement and the Related

Documents and, in connection therewith, to: (A) employ such agents, consultants and professionals, to delegate authority to its agents, to take such actions and to execute such documents on behalf of the Securityholders under this Agreement as the Seller Representative, in its reasonable discretion, deems to be in the best interest of the Securityholders; (B) assert or institute any proceeding; (C) investigate, defend, contest or litigate any proceeding initiated by the Purchaser (or any of its Affiliates, and their respective officers, directors, employees or agents following the Closing), or any other Person, against the Seller Representative, and receive process on behalf of any or all of the Securityholders in any such proceeding and compromise or settle on such terms as the Seller Representative shall determine to be appropriate, give receipts, releases and discharges on behalf of all of the Securityholders with respect to any such proceeding; (D) file any proofs, debts, claims and petitions as the Seller Representative may deem advisable or necessary; (E) settle or compromise any claims asserted under this Agreement or under the Related Documents; (F) assume, on behalf of all of the Securityholders, the defense of any claim that is the basis of any claim asserted under this Agreement or under the Related Documents; (G) finally determine the Final Cash, the Final Indebtedness and the Final Net Working Capital pursuant to Section 1.05 on behalf of the Securityholders; and (H) file and prosecute appeals from any decision, judgment or award rendered in any of the foregoing claims or proceedings, it being understood that the Seller Representative shall not have any obligation to take any such actions, and shall not have liability for any failure to take any such action;

(vi) to enforce payment of any other amounts payable to the Securityholders, in each case on behalf of the Securityholders, in the name of the Seller Representative;

(vii) to waive or refrain from enforcing any right of the Securityholders or any of them and/or of the Seller Representative arising out of or under or in any manner relating to this Agreement or any Related Documents; and

(viii) to make, execute, acknowledge and deliver all such other agreements, guarantees, orders, receipts, endorsements, elections, notices, requests, instructions, certificates, stock powers, letters and other writings, and, in general, to do any and all things and to take any and all actions that the Seller Representative, in its sole and absolute direction, may consider necessary or proper or convenient in connection with or to carry out the activities described in paragraphs (i) through (vii) above and the transactions contemplated by this Agreement and the Related Documents.

(c) All decisions and actions by the Seller Representative (to the extent authorized by this Agreement) shall be binding upon all of the Securityholders and no Securityholder shall have the right to object, dissent, protest or otherwise contest the same.

(d) In the event the Seller Representative becomes unable to perform its responsibilities hereunder or resigns from such position, the Sellers (acting by the vote of a majority of the Pre-Closing Percentage Interests of all Sellers) shall select another representative to fill the vacancy of the Seller Representative, and such substituted representative shall, following receipt by the Purchaser of written notice thereof, be deemed to be a Seller Representative for all purposes under this Agreement and the Related Documents.

(e) The Purchaser (and the Acquired Companies following the Closing) shall be entitled to rely conclusively upon the communications, instructions and decisions of the Seller Representative relating to the foregoing as the communications, instructions and decisions of the Securityholders. Neither the

Purchaser nor (following the Closing) any of the Acquired Companies shall be held liable or accountable in any manner for any act or omission of the Seller Representative in such capacity.

(f) The Purchaser and (following the Closing) the Acquired Companies shall be entitled to unconditionally assume that any action taken or omitted, or any document executed by, Levine Leichtman Capital Partners Private Capital Solutions, L.P., purporting to act as the Seller Representative under or pursuant to this Agreement or the Related Documents or in connection with any of the transactions contemplated by this Agreement has been unconditionally authorized by the Securityholders to be taken, omitted to be taken, or executed on their behalf so that they will be legally bound thereby, and no Securityholder shall institute any Legal Proceeding against the Purchaser (or the Acquired Companies following the Closing) or any of their respective Affiliates alleging that Levine Leichtman Capital Partners Private Capital Solutions, L.P. did not have the authority to act as the Seller Representative on behalf of the Securityholders in connection with any such action, omission or execution. No modification or revocation of the power of attorney granted by the Securityholders herein to Levine Leichtman Capital Partners Private Capital Solutions, L.P. to serve as the Seller Representative shall be effective as against the Purchaser until the Purchaser has received a document signed by all of the Securityholders effecting said modification or revocation. The Purchaser and (following the Closing) the Acquired Companies and their respective Affiliates are hereby relieved from any liability to any Person for any acts done by the Seller Representative and any acts done by the Purchaser and (following the Closing) the Acquired Companies in accordance with any decision, act, consent or instruction of the Seller Representative.

(g) The Seller Representative (in its capacity as such) shall treat confidentially and not disclose any nonpublic information received from or on behalf of the Purchaser or any of its Affiliates (including, after the Closing, the Acquired Companies) to anyone except (i) in connection with any disputes arising out of or in connection with this Agreement and (ii) on a need-to-know basis to representatives that are advised of the confidential nature of such information and are subject to a binding obligation to keep such information confidential.

10.02 Representative Expense Amount; Post-Closing Disbursements to Securityholders.

(a) The Representative Expense Amount shall be held by the Seller Representative in the Representative Expense Account for the benefit of the Securityholders for reimbursements payable to the Seller Representative under this Article 10, or, as provided below, the payment of fees, commissions or other compensation to the Seller Representative; provided that such reimbursements payable to the Seller Representative are pursuant to fees, commissions or other compensation borne by all of the Securityholders and are not the fees, commissions or other compensation of any particular Securityholder in his, her or its individual capacity.

(b) Following the date on which the Seller Representative has determined (in its sole discretion) that it is appropriate to release such funds, the Seller Representative shall pay the then-remaining amount of the Representative Expense Amount, if any, in accordance with Section 10.02(c).

(c) To the extent that the Securityholders are entitled to any payment after the Closing Date pursuant to Section 1.05 or Section 10.02(b), such payment shall be made by the Seller Representative to the Securityholders on a pro-rata basis according to each Securityholder's Post-Closing Percentage Interest; provided that to the extent that any Optionholder is entitled to any such payment, such payment shall be paid by or on behalf of Holdco through its payroll system to each such Optionholder who has complied with the terms of the applicable Option Surrender Agreement, net of any applicable withholding Tax. The Purchaser and its Affiliates (including, after the Closing, the Acquired Companies) shall be entitled to rely conclusively

on the Post-Closing Percentage Interests set forth on Exhibit E and, as between the Securityholders, on the one hand, and the Purchaser, on the other hand, any amounts delivered by the Purchaser or any of its Affiliates to any Securityholder (or delivered by the Purchaser to the Seller Representative for delivery) in accordance with such Post-Closing Percentage Interests shall be deemed for all purposes to have been delivered to the applicable Securityholder in full satisfaction of the obligations of the Purchaser.

10.3 Compensation; Exculpation.

(a) The Seller Representative shall not be paid a fee for the performance of services hereunder.

(b) The Seller Representative shall not have by reason of this Agreement a fiduciary relationship in respect of any Securityholder. The Seller Representative shall not be liable to the Securityholders for any apportionment or distribution of payments made by the Seller Representative in good faith, and if any such apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Securityholder to whom payment was due, but not made, shall be to recover from other Securityholders any payment in excess of the amount to which they are determined to have been entitled. Neither the Seller Representative nor any agent, employee or any other representative employed by it shall incur any liability to any Securityholder by virtue of the failure or refusal of the Seller Representative for any reason to consummate the transactions contemplated by this Agreement or relating to the performance of its other duties hereunder, except for actions or omissions constituting Actual Fraud. In dealing with this Agreement and any Related Documents, and in exercising or failing to exercise all or any of the powers conferred upon the Seller Representative hereunder or thereunder, the Seller Representative shall be entitled to rely on the advice of counsel, public accountants or other independent experts experienced in the matter at issue, and any error in judgment or other act or omission of the Seller Representative pursuant to such advice shall in no event subject the Seller Representative to liability to any Securityholder unless such actions or omissions constitute Actual Fraud.

(c) Any action taken by the Seller Representative on behalf of any Securityholder pursuant to Section 10.01 (an "Authorized Action") shall be binding on such Securityholder as fully as if such Securityholder had taken such Authorized Action. Each Securityholder shall severally indemnify and hold harmless the Seller Representative against all expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by the Seller Representative in acting as the Seller Representative hereunder, including in connection with any action, suit or proceeding to which the Seller Representative is made a party by reason of the fact that it is or was acting as the Seller Representative pursuant to the terms of this Agreement.

(d) All of the immunities and powers granted to the Seller Representative under this Agreement shall terminate upon any termination of this Agreement.

(e) The adoption and execution of this Agreement shall also be deemed to constitute approval of all arrangements relating to the transactions contemplated by this Agreement and to the provisions hereof binding upon the Securityholders, including this Section 10.03.

ARTICLE 11
INDEMNIFICATION

11.01 Indemnification by the Securityholders. Each Securityholder shall indemnify and hold harmless the Purchaser, on a basis providing for shared culpability in accordance with each

Securityholder's Post-Closing Percentage Interest (except as otherwise provided in Section 11.01(a)), in respect of and against, and will compensate and reimburse the Purchaser for, any and all Damages incurred or suffered by any Purchaser Indemnified Party (regardless of whether such Damages relate to any Third Party Action) resulting from, relating to or constituting:

(a) any breach of or inaccuracy in any representation or warranty of (i) any Securityholder (with respect to which such Securityholder's indemnification obligation (other than with respect to recovery against the funds held in the Indemnity Escrow Account and, if applicable, the Interim Breach Escrow Account) shall be several and not joint) and (ii) any Acquired Company, in each case contained in this Agreement or any other agreement or instrument furnished to the Purchaser pursuant to this Agreement;

(b) any failure to perform any covenant or agreement of any Securityholder or any Acquired Company (if such covenant or agreement requires performance by such Acquired Company at or prior to the Closing) contained in this Agreement or any other agreement or instrument furnished to the Purchaser pursuant to this Agreement;

(c) any Indebtedness and any Transaction Expenses, in each case to the extent in excess of the amounts included in the final determination of the Purchase Price;

(d) (i) any and all Taxes due and payable by any Acquired Company for, or allocated in accordance with Section 9.01(g) to, any Pre-Closing Tax Period; (ii) any Taxes for which any Acquired Company has any liability under Treasury Regulations Section 1.1502-6 or under any comparable or similar provision of state, local or foreign Laws as a result of being a member of an affiliated, consolidated, combined, unitary or similar group on or prior to the Closing Date (other than any group which includes the Purchaser or any of its Affiliates); (iii) any Taxes of any Person imposed on any Acquired Company as a transferee or successor, pursuant to any contractual obligation, or otherwise, which Tax is related to the operations of any Acquired Company on or prior to the Closing Date or an event or transaction occurring before the Closing; (iv) any Transfer Taxes allocated to the Sellers pursuant to Section 9.01(d); and (v) any Chinese Capital Gains Tax; provided that the Securityholders' obligations under this Section 11.01(d) shall not include any Taxes (A) that result from the manner in which the Purchaser finances its obligations under this Agreement, (B) that are attributable to any transactions outside the ordinary course of business occurring on the Closing Date but after the Closing, (C) to the extent such Taxes are included in the Net Working Capital and/or the Transaction Expenses, as finally determined under this Agreement, or (D) that are attributable to a breach of Section 9.01(f);

(e) the Restructuring Transactions and the Distribution; or

(f) any Actual Fraud or Knowing Misrepresentation on the part of any Acquired Company or any Securityholder in connection with the transactions contemplated by this Agreement.

11.02 Indemnification by the Purchaser. The Purchaser shall indemnify and hold harmless the Securityholders in respect of and against, and will compensate and reimburse the Securityholders for, any and all Damages incurred or suffered by any Securityholders (regardless of whether such Damages relate to any Third Party Action) resulting from, relating to or constituting:

(a) any breach of or inaccuracy in any representation or warranty of the Purchaser contained in this Agreement or any other agreement or instrument furnished to the Seller Representative by the Purchaser pursuant to this Agreement; or

(b) any failure to perform any covenant or agreement of the Purchaser contained in this Agreement or any other agreement or instrument furnished to the Seller Representative by the Purchaser pursuant to this Agreement.

11.03 Indemnification Claims.

(a) Any Person making a claim for indemnification under Section 11.01 or Section 11.02 (each, an "Indemnitee") shall give written notification to the party or parties from which indemnification is sought (the "Indemnitor") of the commencement of any Third Party Action. Such notification shall be given within twenty (20) days after receipt by the Indemnitee of notice of such Third Party Action and shall describe in reasonable detail (to the extent then known by the Indemnitee) the facts constituting the basis for such Third Party Action and the amount of the claimed damages and, subsequent to such delivery, upon the request of the Indemnitor, the Indemnitee shall make available to the Indemnitor such information as the Indemnitee may have with respect to such Third Party Action (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same). No delay or failure on the part of an Indemnitee in so notifying the Indemnitor in accordance with this Section 11.03 shall relieve the Indemnitor of any liability or obligation hereunder except to the extent of any damage or liability caused by or arising out of such delay or failure.

(b) Within twenty (20) days after the delivery of such notification, the Indemnitor may, upon written notice thereof to the Indemnitee (subject to the rights of the insurer under the R&W Policy to control the defense of Third Party Actions covered by such R&W Policy), assume control of the defense of such Third Party Action with counsel reasonably satisfactory to the Indemnitee; provided that (i) the Indemnitor may only assume control of such defense if the Indemnitor acknowledges in writing to the Indemnitee that any damages, fines, costs or other liabilities that may be assessed against the Indemnitee in connection with such Third Party Action constitute Damages for which the Indemnitor shall fully indemnify, subject to the limitations provided herein, the Indemnitee pursuant to this Article 11 and, in each case where the Securityholders are the Indemnitor, (A) the *ad damnum* in such Third Party Action, together with the estimated costs of defense thereof, and the Claimed Amount with respect to any unresolved claims for indemnification then pending, is less than or equal to (1) the current balance of the Indemnity Escrow Account, or (2) with respect to an Interim Breach Claim, the current balance of the Interim Breach Escrow Account plus the current balance of the Indemnity Escrow Account, and (B) an adverse resolution of the Third Party Action would not have a material adverse effect on the goodwill or reputation of the Indemnitee or the business, operations or future conduct of the Indemnitee, and (ii) the Indemnitor may not assume control of the defense of any Third Party Action involving any Governmental Authority or criminal liability or in which equitable relief is sought against the Indemnitee or any of the Subsidiaries. If the Indemnitor does not, or is not permitted under the terms hereof to, so assume control of the defense of a Third Party Action, the Indemnitee shall control such defense. The Non-controlling Party may participate in such defense at its own expense. The Controlling Party shall keep the Non-controlling Party advised of the status of such Third Party Action and the defense thereof and shall consider in good faith recommendations made by the Non-controlling Party with respect thereto. The Non-controlling Party shall furnish the Controlling Party with such information as it may have with respect to such Third Party Action (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Controlling Party in the defense of such Third Party Action. The reasonably incurred and documented fees and expenses of counsel to the Indemnitee with respect to a Third Party Action shall be considered Damages for purposes of this Agreement if (x) the Indemnitee controls the defense of such Third Party Action pursuant to the terms of this Section 11.03(b) or (y) the Indemnitor assumes control of such defense and counsel for the Indemnitee reasonably concludes and advises the Indemnitee that the Indemnitor

and the Indemnitee have conflicting interests or different defenses available with respect to such Third Party Action. Except as provided in Section 11.03(f), the Indemnitee shall not agree to any settlement of, or the entry of any judgment arising from, any such Third Party Action without the prior written consent of the Indemnitor, which shall not be unreasonably withheld, conditioned or delayed. The Indemnitor shall not agree to any settlement of, or the entry of any judgment arising from, any Third Party Action without the prior written consent of the Indemnitee, which shall not be unreasonably withheld, conditioned or delayed. This Section 11.03(b) shall not apply with respect to any Tax Matter, which shall be governed by Section 9.01(k).

(c) In order to seek indemnification under this Article 11, the Indemnitee shall deliver a Claim Notice to the Indemnitor.

(d) Within twenty (20) days after the delivery of a Claim Notice, the Indemnitor shall deliver to the Indemnitee a Response, in which the Indemnitor shall: (i) agree that the Indemnitee is entitled to receive all of the Claimed Amount (in which case the Indemnitor shall, within two (2) Business Days after delivery of the Response, pay to the Indemnitee, by wire transfer of immediately available funds, the Claimed Amount; provided that if the Purchaser is the Indemnitee and is seeking recovery from the Indemnity Escrow Account and/or the Interim Breach Escrow Account, the Seller Representative and the Purchaser shall deliver to the Escrow Agent by such date a written notice executed by the Purchaser and the Seller Representative instructing the Escrow Agent to disburse to the Purchaser from the Indemnity Escrow Account and/or the Interim Breach Escrow Account, as applicable, an amount in cash equal to the Claimed Amount), (ii) agree that the Indemnitee is entitled to receive a portion of the Claimed Amount (such portion of the Claimed Amount, the "Agreed Amount") (in which case the Indemnitor shall, within two (2) Business Days after delivery of the Response, pay to the Indemnitee, by wire transfer of immediately available funds, the Agreed Amount; provided that if the Purchaser is the Indemnitee and is seeking recovery from the Indemnity Escrow Account and/or (with respect to an Interim Breach Claim only) the Interim Breach Escrow Account, the Seller Representative and the Purchaser shall deliver to the Escrow Agent by such date a written notice executed by the Purchaser and the Seller Representative instructing the Escrow Agent to disburse to the Purchaser from the Indemnity Escrow Account and/or (with respect to an Interim Breach Claim only) the Interim Breach Escrow Account, as applicable, an amount in cash equal to the Agreed Amount), or (iii) dispute that the Indemnitee is entitled to receive any of the Claimed Amount. If no Response is delivered by the Indemnitor within such twenty (20)-day period, the Indemnitee shall deliver a written notice informing the Indemnitor of its failure to timely deliver such Response, and if a Response is not delivered within ten (10) days following the date such written notice is delivered by the Indemnitee, then the Indemnitor shall be deemed to have agreed that such portion of the Claimed Amount as may be recovered from the Indemnity Escrow Account and/or the Interim Breach Escrow Account, as applicable, is owed to the Indemnitee. Acceptance (or deemed acceptance) by the Indemnitee of partial payment of any Claimed Amount shall be without prejudice to the Indemnitee's right to claim the balance of any such Claimed Amount.

(e) Subject to Section 1.05(e), in the event of any Dispute, the Indemnitee shall promptly consult with the Indemnitor with respect to such points of disagreement in an effort to resolve the Dispute. Except as otherwise set forth in this Agreement, if any such Dispute cannot be resolved by the parties within thirty (30) calendar days after the Indemnitee receives the Response containing the Dispute from the Indemnitor, then, at the election of one or both parties, the Dispute shall be resolved in accordance with Section 13.16, subject to any other terms, conditions and limitations of this Agreement, including Section 11.05 and Article 13. Promptly (and in any event within twenty (20) days) following the resolution of the Dispute (whether by mutual agreement, judicial decision or otherwise), the Indemnitor shall pay to the Indemnitee, by wire transfer of immediately available funds, the amount (if any) that the Indemnitee is entitled to receive pursuant to such resolution; provided that if the Purchaser is the Indemnitee and is seeking recovery

from the Indemnity Escrow Account and/or (with respect to an Interim Breach Claim only) the Interim Breach Escrow Account, the Seller Representative and the Purchaser shall promptly (and in any event within five (5) Business Days) deliver to the Escrow Agent a written notice executed by the Purchaser and the Seller Representative instructing the Escrow Agent to disburse to the Purchaser from the Indemnity Escrow Account and/or (with respect to an Interim Breach Claim only) the Interim Breach Escrow Account, as applicable, the amount (if any) that the Purchaser is entitled to receive pursuant to such resolution.

(f) Notwithstanding the other provisions of this Section 11.03, if a third party asserts (other than by means of a lawsuit) that any Purchaser Indemnified Party is liable to such third party for a monetary or other obligation which may constitute or result in Damages for which a Purchaser Indemnified Party may be entitled to indemnification pursuant to this Article 11, and the Purchaser reasonably determines that it has a valid business reason to fulfill such obligation, then (i) the Purchaser shall be entitled to satisfy such obligation, without prior notice to or consent from the Seller Representative, (ii) the Purchaser may subsequently make a claim for indemnification in accordance with the provisions of this Article 11, and (iii) the Purchaser shall be reimbursed, in accordance with the provisions of this Article 11, for any such Damages for which it is entitled to indemnification pursuant to this Article 11 (subject to the right of the Seller Representative to dispute the applicable Purchaser Indemnified Party's entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Article 11).

(g) Without limiting Article 10, the Seller Representative shall have full power and authority on behalf of each Securityholder to take any and all actions on behalf of, execute any and all instruments on behalf of, and execute or waive any and all rights of, the Securityholders under this Article 11. For purposes of this Article 11, (i) if any or all of the Securityholders comprise the Indemnitor, any references to the Indemnitor (except provisions relating to an obligation to make any payments) shall be deemed to refer to the Seller Representative, and (ii) if any or all of the Securityholders comprise the Indemnitee, any references to the Indemnitee (except provisions relating to an obligation to make or a right to receive any payments) shall be deemed to refer to the Seller Representative. The Purchaser and the Seller Representative shall be the only Persons entitled to assert (and shall act on behalf of all Indemnitees in the case of) any claim with respect to which a Purchaser Indemnified Party or a Securityholder Indemnified Party, respectively, is seeking indemnification under Section 11.01 or Section 11.02.

11.04 Survival of Representations and Warranties, Covenants and Agreements.

(a) Unless otherwise specified in this Section 11.04 or elsewhere in this Agreement, all provisions of this Agreement shall survive the Closing and the consummation of the transactions contemplated hereby and shall continue in full force and effect in accordance with their terms until the expiration of the applicable statute of limitations; provided, however, that, except in the case of Actual Fraud or Knowing Misrepresentation, (i) the representations and warranties of Holdco, Syntron Corp and the Sellers set forth in Article 3 and Article 5, other than the Fundamental Representations, shall survive until the date that is twelve (12) months following the Closing Date (the "General Survival Period Termination Date"); (ii) the representations and warranties of the Purchaser set forth in Article 4, other than (A) the Fundamental Purchaser Representations and (B) the representations and warranties of the Purchaser set forth in Section 4.07 (Acknowledgment of the Purchaser), shall survive until the date that is twelve (12) months following the Closing Date; (iii) the Fundamental Representations shall survive until the six (6)-year anniversary of the Closing Date; and (iv) the Fundamental Purchaser Representations and the representations and warranties of the Purchaser set forth in Section 4.07 (Acknowledgment of the Purchaser) shall survive until the six (6)-year anniversary of the Closing Date.

(b) Claims for indemnification under Sections 11.01(c) and 11.01(e) shall survive the Closing Date until the three (3)-year anniversary of the Closing Date.

(c) Claims for indemnification under Section 11.01(d) shall survive the Closing Date until the six (6)-year anniversary of the Closing Date.

(d) All of the covenants or other agreements contained in this Agreement which require performance on or prior to the Closing Date and claims for indemnification under Section 11.01(b) or Section 11.02(b) with respect thereto will survive the Closing Date until the date that is twelve (12) months following the Closing Date.

(e) All of the covenants or other agreements contained in this Agreement which require performance after the Closing Date and claims for indemnification under Section 11.01(b) or Section 11.02(b) with respect thereto will survive the Closing Date until sixty (60) days after the expiration by their terms of the obligations of the applicable party under such covenant or agreement.

(f) If an Indemnitee seeking indemnification delivers to the Indemnitor, before expiration of a representation, warranty, covenant or agreement, either a Claim Notice based upon a breach of such representation, warranty, covenant or agreement or an Expected Claim Notice based upon a breach of such representation, warranty, covenant or agreement then the applicable representation, warranty, covenant or agreement shall survive until, but only for purposes of, the resolution of the matter covered by such notice. If the legal proceeding or written claim with respect to which an Expected Claim Notice has been given is definitively withdrawn or resolved in favor of the Indemnitee, the Indemnitee shall promptly so notify the Indemnitor.

11.05 Limitations and Other Matters.

(a) Except in the case of Actual Fraud or Knowing Misrepresentation:

(i) (A) the aggregate liability of the Securityholders under Section 11.01(a), other than in cases of breaches of or inaccuracies in any of the Fundamental Representations, shall not exceed the sum of (1) the amount then held in the Indemnity Escrow Account, plus (2) with respect to an Interim Breach Claim only, the amount then held in the Interim Breach Escrow Account, and (B) the aggregate liability of the Purchaser under Section 11.02(a), other than in the case of breaches of or inaccuracies in any of the Fundamental Purchaser Representations, shall not exceed the General Rep Deductible/Cap Amount; and

(ii) (A) the aggregate liability of the Securityholders under Section 11.01(a) (in cases of breaches of or inaccuracies in any of the Fundamental Representations) and the remainder of Section 11.01 shall not exceed the aggregate net proceeds actually received by the Securityholders under this Agreement (including any amounts held in the Escrow Accounts), and the liability of any individual Securityholder under Section 11.01 shall not exceed the portion of such net proceeds that such Securityholder actually receives (including such Securityholder's share of any amounts held in the Escrow Accounts), and (B) the aggregate liability of the Purchaser under Section 11.02(a) (in cases of breaches of or inaccuracies in any of the Fundamental Purchaser Representations) and Section 11.02(b) shall not exceed the aggregate net proceeds actually received by the Securityholders under this Agreement (including any amounts held in the Escrow Accounts).

(b) With respect to claims for Damages arising under Section 11.01(a) or Section 11.02(a), the Indemnitor shall not be liable for any such Damages until the aggregate amount of all such Damages exceeds an amount equal to the General Rep Deductible/Cap Amount (at which point the Indemnitor shall become liable for such excess); provided that the limitation set forth in this sentence shall not apply to (i) claims based on Actual Fraud or Knowing Misrepresentation or (ii) breaches of or inaccuracies in any of the Fundamental Representations or the Fundamental Purchaser Representations, as applicable.

(c) The Purchaser shall not attempt to collect any Damages directly from any Securityholder unless there are insufficient unclaimed funds remaining in the Indemnity Escrow Account and the Interim Breach Escrow Account (which funds remaining in the Interim Breach Escrow Account are available for recovery only in connection with an Interim Breach Claim) to satisfy such Damages pursuant to the Escrow Agreement. Except for the remaining funds in the Interim Breach Escrow Account (which funds are available only for recovery in connection with an Interim Breach Claim), the remaining funds in the Indemnity Escrow Account shall serve as the Purchaser's sole source of recovery with respect to claims for Damages arising under Section 11.01(a), other than in cases of Actual Fraud, Knowing Misrepresentation or breaches of or inaccuracies in any of the Fundamental Representations. With respect to claims for Damages arising under Section 11.01(a) in cases of breaches of or inaccuracies in any of the Fundamental Representations only or Section 11.01(d) (in each case, solely to the extent such claims are not expressly excluded under the R&W Policy), the Purchaser shall be required to recover any such Damages in the following order: (i) from the Securityholders (in accordance with Section 11.01) until the retention under the R&W Policy has been satisfied (which amount shall be first collected from the remaining funds in the Interim Breach Escrow Account (which funds are available only for recovery in connection with an Interim Breach Claim), and next from the Indemnity Escrow Account as provided in the immediately preceding sentence), then (ii) by seeking recovery under the R&W Policy until the R&W Policy has been Exhausted with respect to such claim, and then (iii) directly from the Securityholders (in accordance with Section 11.01). For purposes of this Agreement, "Exhausted" means that the Purchaser has utilized commercially reasonable efforts (which, for the avoidance of doubt, shall not require actual or threatened litigation) to pursue coverage and recovery under the R&W Policy or the applicable policy limit (taking into account the amount of any other pending claims thereunder) has been exhausted.

(d) The amount of any Damages for which an Indemnitor is otherwise liable under this Article 11 shall be reduced by the amount of any proceeds actually received by the Indemnitee under (i) any indemnity, contribution or similar agreement with an unaffiliated third party or (ii) insurance policies maintained with any unaffiliated third party insurer with respect to the matter giving rise to such Damages (net of any costs of collection and increase in insurance premiums). No Indemnitee and none of its Affiliates shall have any obligation to pursue any claims under any insurance policies; provided that the Purchaser shall submit a claim under the R&W Policy for any matter giving rise to indemnification hereunder that is insurable thereunder (after taking into account any deductibles, retentions or other limitations applicable to the R&W Policy) and shall use commercially reasonable efforts (which, for the avoidance of doubt, shall not require actual or threatened litigation) to pursue coverage and recovery under the R&W Policy for such a matter.

(e) If the Indemnitee receives an indemnification payment pursuant to this Agreement and later receives indemnity proceeds or insurance proceeds (including pursuant to the R&W Policy) in respect of the related Damages, the Indemnitee shall promptly pay to the Indemnitor an amount equal to the lesser of (i) the actual amount of such insurance proceeds (net of any costs of collection and increase in insurance premiums), if any, or (ii) the actual amount of the indemnification payment previously paid by the Indemnitor with respect to such Damages (excluding any amount paid by the Securityholders that is allocable to the retention under the R&W Policy or recoveries in excess of the R&W Policy's limit).

(f) The rights to indemnification set forth in this Article 11 shall not be affected by any investigation conducted by or on behalf of any Purchaser Indemnified Party or any knowledge acquired (or capable of being acquired) by any Purchaser Indemnified Party, whether before or after the date of this Agreement, with respect to the inaccuracy or noncompliance with any representation, warranty, covenant or obligation which is the subject of indemnification hereunder.

(g) Notwithstanding anything to the contrary in this Agreement, for purposes of determining (i) whether there has been a breach of any representation or warranty set forth in Article 3 or Article 5 and (ii) the amount of Damages for which any Purchaser Indemnified Party may be entitled to indemnification under this Article 11, each such representation or warranty (other than the representations and warranties set forth in Section 3.05(a)) shall be deemed to have been made without any qualifications or limitations as to materiality (including any qualifications or limitations made by reference to a Material Adverse Effect).

(h) Except in cases of (i) the Purchase Price dispute resolution provisions in Section 1.05, (ii) Actual Fraud or Knowing Misrepresentation, and (iii) claims for specific performance, the rights of the Purchaser and the Securityholders under this Article 11 shall be the sole and exclusive remedy of the Purchaser and the Securityholders with respect to claims resulting from or relating to any misrepresentation, breach of warranty or failure to perform any covenant or agreement of the other parties hereto contained in this Agreement, the negotiation and execution of this Agreement, or the performance by the parties of their respective obligations hereunder.

(i) Notwithstanding anything to the contrary contained in this Agreement, the Purchaser shall not have any right to indemnification under this Agreement with respect to any Damages or alleged Damages to the extent (i) such matter was included as a current liability in the calculation of the Final Net Working Capital or (ii) such matter was an item included in the Final Indebtedness or the Final Transaction Expenses (in each case, as finally determined pursuant to Section 1.05); provided that nothing in this first sentence of this Section 11.05(i) shall limit the Purchaser's indemnification rights with respect to Section 11.01(c). For the avoidance of doubt, in no event shall the Purchaser be entitled to receive any double recovery for the same amounts under both Section 1.05 and Section 11.01. Without limiting the generality of the foregoing, there shall be no recovery for any Taxes or Damages (A) based on any claim of the unavailability in a Tax period (or portion thereof) beginning after the Closing Date of any net operating loss, capital loss, Tax credit carryover or other Tax asset or attribute generated or arising in a Pre-Closing Tax Period, or (B) attributable to a Tax period (or portion thereof) beginning after the Closing Date resulting from a breach of or inaccuracy in any representation or warranty set forth in Section 3.07 (other than Sections 3.07(d), 3.07(h), 3.07(j), 3.07(k), 3.07(m) and/or 3.07(o)). The Purchaser may not avoid the limitations on liability set forth in this Section 11.05 by seeking damages for breach of contract or tort or pursuant to any other theory of liability.

(j) Any payments made to a party pursuant to this Article 11 shall be treated as an adjustment to the Purchase Price for Tax purposes to the extent permitted by Law. Each of the parties shall file all Tax Returns in a manner consistent with the foregoing.

11.06 Indemnity Escrow Account Release. (a) Except for the Purchaser pursuant to Section 1.04(a)(iii), no Person (including, without limitation, the Securityholder Indemnified Parties) shall have any obligation to fund the Escrow Amount, and (b) except for any amounts with respect to which the Purchaser shall have, prior to the General Survival Period Termination Date, previously made a claim pursuant to the procedures set forth in this Article 11 and for which the obligations to indemnify, if any, shall not have been

previously satisfied from the Indemnity Escrow Account (the "Outstanding Escrow Claims"), title and all rights to any excess funds remaining in the Indemnity Escrow Account shall transfer to the Seller Representative (for the benefit of the Securityholders) on the day after the General Survival Period Termination Date and the Purchaser and the Seller Representative shall deliver joint written instructions to the Escrow Agent to cause the Escrow Agent to promptly release any amount in the Indemnity Escrow Account in excess of the Outstanding Escrow Claims to the Seller Representative (for the benefit of the Securityholders). As soon as any Outstanding Escrow Claim is resolved pursuant to the procedures set forth in this Article 11, the Purchaser and the Seller Representative shall deliver joint written instructions to the Escrow Agent to cause the Escrow Agent to release any remaining amounts in the Indemnity Escrow Account held solely in respect of such Outstanding Escrow Claim pursuant to the terms of the Escrow Agreement to the Seller Representative (for the benefit of the Securityholders).

11.07 Interim Breach Escrow Account Funding and Release. If the Purchaser shall have made, prior to the Closing, one or more Interim Breach Claims that are not, in the Purchaser's good faith judgment, fully resolved prior to the Closing, then the Interim Breach Escrow Amount shall be funded into the Interim Breach Escrow Account at the Closing in accordance with Section 1.04(a)(iii). Upon final resolution of an Interim Breach Claim, title and all rights to any excess funds remaining in the Interim Breach Escrow Account (excluding funds held in respect of any other Interim Breach Claim(s) that remain outstanding) shall transfer to the Seller Representative (for the benefit of the Securityholders) on the day after any outstanding Interim Breach Claim is finally resolved pursuant to the procedures set forth in this Article 11 and the Purchaser and the Seller Representative shall deliver joint written instructions to the Escrow Agent to cause the Escrow Agent to release any remaining amounts in the Interim Breach Escrow Account held solely in respect of such resolved Interim Breach Claim pursuant to the terms of the Escrow Agreement to the Seller Representative (for the benefit of the Securityholders).

ARTICLE 12
DEFINITIONS

12.01 Definitions. For purposes hereof, the following terms when used herein shall have the respective meanings set forth below:

"Accounting Principles" means those principles, classifications, processes and methodologies set forth on Exhibit C hereto.

"Acquired Company" means each of Syntron Corp, Holdco and each of their respective Subsidiaries; provided that Technisys, Inc. shall not be deemed an Acquired Company at or after the Closing (other than for purposes of Article 3 and Article 5).

"Acquired Company Financials" means (i) historical consolidated financial statements for the Acquired Companies for the fiscal year ended 2017 and, if applicable, for the relevant quarterly periods of 2018, in a form that complies with the requirements of Item 9.01 of Form 8-K and Rule 3-05 of Regulation S-X of the SEC for a business acquisition required to be described in answer to Item 2.01 of Form 8-K, including information required in order for the Purchaser to prepare the pro forma financial information required by Item 9.01 of Form 8-K, (ii) an unqualified report with respect to the financial statements for the Acquired Companies for the fiscal year ended 2017 from the Acquired Companies' independent accounting firm stating that such financial statements present fairly, in all material respects, the consolidated financial position, as well as the consolidated results of operations and cash flows, of the Acquired Companies for the periods covered by such financial statements, in conformity with GAAP and (iii) such additional information and documents, including consents and reliance letters from the Acquired Companies' independent

accounting firm, as the Purchaser may reasonably request in order to comply with the requirements for financial statements included in Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (and any amendments to any of the foregoing) filed under the Exchange Act, as applicable.

"Actual Fraud" means (i) a representation or warranty made by the Acquired Companies in Article 3 or by the Sellers in Article 5 was false when made, (ii) such representation or warranty was made with knowledge or belief by any of the Acquired Companies or the applicable Seller that such representation or warranty was false, (iii) such representation or warranty was made with an intent to induce the Purchaser to act or refrain from acting, (iv) action taken, or action not taken, by the Purchaser resulted from a reasonable reliance on such representation or warranty, and (v) the Purchaser incurred Damages by reason of such reliance.

"Adjustment Escrow Account" means the segregated escrow account maintained by the Escrow Agent pursuant to the Escrow Agreement in order to hold the Adjustment Escrow Amount.

"Adjustment Escrow Amount" means $500,000.

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

"Affiliated Group" means an affiliated group as defined in Section 1504 of the Code (or any analogous combined, consolidated or unitary group defined under state, local or non-U.S. Law relating to income Tax).

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in the State of New York are authorized or obligated to close.

"Calculation Time" means 12:01 a.m. Central Time on the Closing Date.

"Cash" means, with respect to any Acquired Company, all cash, cash equivalents and marketable securities held by such Acquired Company, determined in accordance with GAAP. For the avoidance of doubt, Cash shall (i) be calculated net of issued but uncleared checks and drafts and payroll clearing accrual, (ii) include checks and drafts deposited for the account of such Acquired Company but not yet reflected as available proceeds in such Acquired Company's account, and (iii) not include banker's acceptance drafts or similar instruments issued in China.

"CERCLA" means the federal Comprehensive Environmental Response, Compensation and Liability Act.

"Chinese Capital Gains Tax" means any Chinese enterprise income Tax levied by any Chinese Tax authority with respect to any capital gain derived from an indirect transfer of the ownership in a Chinese Subsidiary arising from the transactions contemplated by this Agreement.

"Claim Notice" means written notification which contains, to the extent then known, (i) a description and, to the extent then estimable, a good-faith estimate of the Damages incurred or reasonably expected to be incurred by the Indemnitee and the Claimed Amount of such Damages, (ii) a statement that the Indemnitee is entitled to indemnification under Article 11 for such Damages and a reasonable explanation

of the basis therefor (including citations to the specific section(s) of this Agreement), and (iii) a demand for payment in the amount of such Damages.

"Claimed Amount" means, to the extent then known, the amount of any Damages incurred or reasonably expected to be incurred by the Indemnitee in connection with a claim for indemnification pursuant to Article 11.

"COBRA" means the requirements for continuation health coverage under Section 601 et seq. of ERISA and Section 4980B of the Code and any comparable state statutes.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Employee" means any employee (whether current or former) of the Acquired Companies.

"Controlling Party" means the party controlling the defense of any Third Party Action.

"Customer Offering" means (i) the products that any Acquired Company (a) currently develops, manufactures, markets, distributes, makes available, sells or licenses to third parties, (b) has developed, manufactured, marketed, distributed, made available, sold or licensed to third parties since January 1, 2015, or (c) currently plans to develop, manufacture, market, distribute, make available, sell or license to third parties in the future, and (ii) the services that any Acquired Company (a) currently provides or makes available to third parties, (b) has provided or made available to third parties since January 1, 2015, or (c) currently plans to provide or make available to third parties in the future.

"Damages" means any and all claims, debts, obligations and other liabilities (whether absolute, accrued, contingent, fixed or otherwise, or whether known or unknown, or due or to become due or otherwise), monetary damages, fines, fees, penalties, interest obligations, deficiencies, losses and expenses (including amounts paid in settlement, interest, court costs and costs of investigators, in each case paid in connection with a Third Party Action, and any reasonably incurred fees and expenses of attorneys, accountants, financial advisors and other experts, and other expenses of litigation, arbitration or other dispute resolution procedures).

"Dispute" means the dispute resulting if the Indemnitor in a Response disputes the liability of the Indemnitor for all or any part of a Claimed Amount.

"Employee Benefit Plans" means all (i) "employee benefit plans," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), together with plans or arrangements that would be so defined if they were not (a) otherwise exempt from ERISA by Section 3(3) of ERISA or another Section of ERISA, (b) maintained outside the United States or (c) individually negotiated or applicable only to one individual and (ii) any other written or oral benefit arrangement or obligation to provide benefits as compensation for services rendered, including employment or consulting agreements (except for agreements that provide for at-will employment that can be terminated at no cost to the Acquired Companies), severance agreements, arrangements, plans or pay policies, stay or retention bonuses or compensation, incentive (including equity or equity-linked) plans, programs or arrangements, patent award programs, sick leave, vacation pay, plant closing benefits, salary continuation or insurance for disability, consulting, or other compensation arrangements, retirement, deferred compensation, bonus, stock option or purchase plans or programs, hospitalization, medical insurance, life insurance, tuition reimbursement or scholarship programs, any plans subject to Section 125 of the Code and any plans providing benefits or payments in the event of a change of control, change in ownership or effective control, or sale of a substantial portion (including all or substantially all) of the assets of any business or portion thereof.

"Environmental Requirements" means any Law relating to the environment, occupational health and safety, or exposure of persons or property to Materials of Environmental Concern, including any statute, regulation, administrative decision or order pertaining to: (i) the presence of or the treatment, storage, disposal, generation, transportation, handling, distribution, manufacture, processing, use, import, export, labeling, recycling, registration, investigation or remediation of Materials of Environmental Concern or documentation related to the foregoing; (ii) odors and air, water and noise pollution; (iii) drinking water, groundwater and soil contamination; (iv) the release, threatened release, or accidental release into the environment, the workplace or other areas of Materials of Environmental Concern, including leaks, emissions, discharges, injections, spills, escapes, dumping, or other emitting of Materials of Environmental Concern; (v) transfer of interests in or control of real property which may be contaminated; (vi) community or worker right-to-know disclosures with respect to Materials of Environmental Concern; (vii) the protection of fish and wildlife, marine life and wetlands, and endangered and threatened species; (viii) storage tanks, vessels, containers, abandoned or discarded barrels and other closed receptacles; (ix) landfills and open dumps; and (x) health and safety of employees and other persons. As used above, the terms "release" and "environment" shall have the meanings set forth in CERCLA, provided that the term "environment" shall not include the United States jurisdictional limitations of CERCLA and shall include the indoor environment.

"ERISA" shall have the meaning set forth in the definition of Employee Benefit Plans.

"ERISA Affiliate" means any entity that is, or at any applicable time was, a member of (i) a controlled group of corporations (as defined in Section 414(b) of the Code), (ii) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), or (iii) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes or included any Acquired Company.

"Escrow Accounts" means the Adjustment Escrow Account, the Indemnity Escrow Account and the Interim Breach Escrow Account, collectively.

"Escrow Amount" means the sum of (i) the Adjustment Escrow Amount, (ii) the Indemnity Escrow Amount, and (iii) the Interim Breach Escrow Amount.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Expected Claim Notice" means a notice that, as a result of a Legal Proceeding instituted by or written claim made by a third party, the Indemnitee reasonably expects to incur Damages for which it is entitled to indemnification under Article 11.

"Export Control Rules" means all Laws of any Governmental Authority relating to the import or export of goods, technology, or services or trading embargoes or other trading restrictions, including the Arms Export Control Act, the International Traffic in Arms Regulations, the Export Administration Act, the Export Administration Regulations, the International Economic Emergency Powers Act, and executive orders and regulations administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury, and comparable foreign Laws.

"Fundamental Purchaser Representations" shall mean the representations and warranties set forth in Section 4.01 (Organization and Power), Section 4.02 (Authorization; No Breach; Valid and Binding Agreement) (excluding clauses (ii) and (iii) of Section 4.02(b)) and Section 4.05 (Brokerage).

"Fundamental Representations" means the representations and warranties set forth in Section 3.01(a) (Organization and Power), Section 3.02 (Capitalization; Subsidiaries), Section 3.03 (Authorization;

No Breach; Valid and Binding Agreement) (but excluding clauses (B) and (C) of Section 3.03(b)), Section 3.05(a) (Absence of Material Adverse Effect), Section 3.07 (Tax Matters), Section 3.12 (Employee Benefit Plans) (but solely to the extent related to Taxes), Section 3.20 (Affiliated Transactions), Section 3.21 (Brokerage), Section 5.01(a) (Organization), Section 5.02 (Authorization; No Breach; Valid and Binding Agreement) (but excluding clauses (ii) and (iii) of Section 5.02(b)), Section 5.03 (Ownership of Purchased Interests) and Section 5.04 (Brokerage).

"GAAP" means United States generally accepted accounting principles as in effect from time to time, consistently applied throughout the periods presented.

"General Rep Deductible/Cap Amount" shall equal $895,000; provided that, with respect to Interim Breach Claims, the "General Rep Deductible/Cap Amount" shall equal $895,000 plus the Interim Breach Escrow Amount.

"Government Contract" means any prime contract, subcontract, basic ordering agreement, letter contract, purchase order, delivery order, bid, change order, arrangement or other commitment of any kind between any Acquired Company, on the one hand, and any Governmental Authority or prime contractor or subcontractor to a Governmental Authority, on the other hand.

"Governmental Authority" means any governmental, regulatory or administrative body, agency or authority, any court or judicial authority, any arbitral tribunal or any other public authority, whether foreign, federal, state or local, or any applicable self-regulatory organization.

"Indebtedness" means, with respect to any Person as of any particular time, (i) all indebtedness for borrowed money, (ii) any indebtedness evidenced by any note, bond, debenture or other debt security, (iii) any indebtedness or other obligation incurred for the deferred purchase price of property, assets or services (including earnout, milestone and similar obligations) with respect to which such Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables included as current liabilities in the Estimated Net Working Capital or Final Net Working Capital and incurred in the ordinary course of business), (iv) any obligation in respect of accrued and unpaid management fees payable by such Person, (v) the face amount of all letters of credit issued for the account of such Person, excluding the undrawn letter(s) of credit issued to customers and set forth on Schedule 12.01(a), (vi) obligations (whether or not such Person has assumed or become liable for the payment of such obligation) secured by Liens, (vii) all obligations under capital leases, (viii) all unfunded pension obligations of such Person, (ix) all bankers acceptances and overdrafts, (x) with respect to any indebtedness, obligation, claim or liability of a type described in clauses (i) through (ix) above, all accrued and unpaid interest, fees or penalties owing by such Person with respect thereto, including as a result of prepayment or discharge, (xi) direct guarantees with respect to any indebtedness, obligation, claim or liability of any other Person of a type described in clauses (i) through (x) above, and (xii) the Repatriation Adjustment.

"Indemnity Escrow Account" means the segregated escrow account maintained by the Escrow Agent pursuant to the Escrow Agreement in order to hold the Indemnity Escrow Amount.

"Indemnity Escrow Amount" means $895,000.

"Intellectual Property" means all of the following in any jurisdiction throughout the world: (i) patents, patent applications and patent disclosures; (ii) trademarks, service marks, trade dress, trade names, corporate names, logos and slogans and Internet domain names, together with all goodwill associated with each of the foregoing; (iii) copyrights and copyrightable works; (iv) registrations and applications for any

of the foregoing; (v) trade secrets, confidential information, know-how and inventions; and (vi) computer software.

"Interim Breach Claim" means a claim pursuant to which a Claim Notice is delivered prior to the Closing in respect of a breach of any representation or warranty set forth in Article 3 or Article 5, (i) which breach first arises and is identified after the date of this Agreement and prior to the Closing, and (ii) the Purchaser has "Actual Knowledge" (as defined in the R&W Policy) of such "Breach" (as defined in the R&W Policy).

"Interim Breach Escrow Account" means the segregated escrow account maintained by the Escrow Agent pursuant to the Escrow Agreement to be funded at the Closing if the Interim Breach Escrow Amount exceeds $0.

"Interim Breach Escrow Amount" means $0; provided that if any Interim Breach Claim is delivered and not resolved prior to the Closing, the Interim Breach Escrow Amount shall equal the lesser of (i) $447,500 and (ii) fifty percent (50%) of the Purchaser's good faith estimate of the Damages that would reasonably be expected to arise from all such unresolved Interim Breach Claims.

"Knowing Misrepresentation" means that, to the actual knowledge of any of the employees listed on Schedule 9.04, a representation or warranty set forth in Article 3 or Article 5 was incorrect when made.

"Law" means any law (including common law), statute, code, rule, regulation, judgment, injunction, order, decree, Permit or other binding action or requirement of a Governmental Authority.

"Legal Proceeding" means any action, suit, proceeding (including any civil, criminal or administrative proceeding, at law or in equity), claim, complaint, hearing, information request, notice of violation, arbitration, inquiry or investigation of or before any Governmental Authority or before any arbitrator.

"Liens" means liens, mortgages, pledges, security interests, charges and encumbrances (whether arising by contract or by operation of Law).

"Material Adverse Effect" means any change, effect, event, occurrence, state of facts or development that, individually or in the aggregate with all other changes, effects, events, occurrences, states of facts or developments, has been, or would reasonably be expected to be, materially adverse to the business, assets, liabilities, capitalization, financial condition or results of operations of the Acquired Companies, taken as a whole; provided, however, that none of the following, to the extent arising after the date hereof, shall be deemed, either alone or in combination, to constitute, and none of the following, to the extent arising after the date hereof, shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: any change, effect, event, occurrence, state of facts or development to the extent attributable to (i) the announcement, in and of itself, or pendency of the transactions contemplated by this Agreement; (ii) conditions generally affecting any industry in which the Acquired Companies participate, the U.S. or world economy as a whole or the U.S. or global capital or financial markets in general or the markets in which the Acquired Companies operate; (iii) the taking of any action, or failing to take any action, at the written request of the Purchaser, or the taking of any action by the Purchaser; (iv) any change in applicable Laws or the interpretation thereof; (v) any change in GAAP or other accounting requirements or principles; (vi) any failure by the Acquired Companies, taken as a whole, to meet financial forecasts, projections or estimates (but not the reasons underlying such failure unless such reasons are covered by one of the other clauses of this definition); or (vii) changes to national or international political conditions, including without

limitation, the commencement or escalation of a war, material armed hostilities or other material international or national calamity or act of terrorism directly or indirectly involving the United States of America; provided that such matters in the case of the foregoing clauses (ii), (iv), (v) and (vii) shall be taken into account in determining whether there has been or is or would reasonably be expected to be a Material Adverse Effect to the extent such change or effect has a disproportionate impact on the Acquired Companies, taken as a whole, as compared to other Persons engaged in the industries or lines of businesses in which the Acquired Companies participate; provided, further, that the exceptions contained in the foregoing clause (i) shall not apply to changes, effects, events, occurrences, states of facts or developments arising from a breach of Section 3.03(b), Section 3.11 or Section 5.02(b).

"Materials of Environmental Concern" means any: pollutants, contaminants or hazardous substances (as such terms are defined under CERCLA), pesticides (as such term is defined under the Federal Insecticide, Fungicide and Rodenticide Act), solid wastes and hazardous wastes (as such terms are defined under the Resource Conservation and Recovery Act), chemicals, hazardous materials, other hazardous, radioactive or toxic substances, oil, petroleum and petroleum products (and fractions thereof), PCBs, asbestos, or any other substance (or article containing such substance) listed or subject to regulation under any Law due to its potential, directly or indirectly, to harm the environment or the health of humans or other living beings.

"Net Working Capital" means (i) current assets (excluding Cash and deferred Tax assets) of the Acquired Companies minus (ii) current liabilities (including current Taxes and customer deposits but excluding (a) Indebtedness, (b) Transaction Expenses, (c) deferred Tax liabilities, and (d) payroll clearing accrual) of the Acquired Companies, in each case determined in accordance with GAAP using, to the extent consistent with GAAP, the same accounting methods, policies, principles, practices and procedures, with consistent classifications, judgments and estimation methodology (including without limitation as to the establishment of reserves), as were used in preparation of the Latest Balance Sheet and in accordance with the Accounting Principles, and not including any changes in assets or liabilities as a result of purchase accounting adjustments or other changes arising from or resulting as a consequence of the transactions contemplated hereby. An example calculation of Net Working Capital is attached as Exhibit D hereto and the parties hereto agree that only the line items set forth on Exhibit D shall be used in any calculation of Net Working Capital pursuant to this Agreement.

"Non-controlling Party" means the party not controlling the defense of any Third Party Action.

"Operating Agreements" means (i) that certain Limited Liability Company Agreement of Syntron Corp, dated as of April 30, 2014, as may be amended from time to time, and (ii) that certain Amended and Restated Limited Liability Company Agreement of Holdco, dated as of April 30, 2014, as may be amended from time to time.

"Option" means an issued and outstanding option to purchase equity interests in Holdco.

"Optionholder" means each holder of an Option.

"Organizational Documents" means, with respect to any Person (other than an individual), (i) the certificate or articles of incorporation or organization and any joint venture, limited liability company, operating or partnership agreement and other similar documents adopted or filed in connection with the creation, formation or organization of such Person, and (ii) all by-laws, voting agreements and similar documents, instruments or agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

"Permits" means all permits, licenses, registrations, certificates, orders, approvals, franchises, variances and similar rights issued by or obtained from any Governmental Authority (including those issued or required under Environmental Requirements and those relating to the occupancy or use of owned or leased real property).

"Permitted Liens" means (i) statutory liens for current Taxes not yet delinquent or the amount or validity of which are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP; (ii) mechanics', carriers', workers', repairers' and similar statutory liens arising or incurred in the ordinary course of business for amounts which are not yet delinquent; (iii) liens arising under worker's compensation, unemployment insurance, social security, retirement and similar legislation; (iv) liens securing rental payments under capital lease arrangements; and (v) non-exclusive licenses for Intellectual Property granted to end user customers in the ordinary course of business.

"Person" means an individual, a sole proprietorship, a partnership, a limited liability partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity or any Governmental Authority.

"Post-Closing Percentage Interest" means, (i) with respect to each Seller, the percentage set forth across from such Seller's name on Exhibit E hereto in the column titled "Post-Closing Percentage Interest", and (ii) with respect to each Optionholder, the percentage set forth across from such Optionholder's name on Exhibit E hereto in the column titled "Post-Closing Percentage Interest".

"Pre-Closing Percentage Interest" means, with respect to each Seller, the percentage set forth across from such Seller's name on Exhibit E hereto in the column titled "Pre-Closing Percentage Interest".

"Pre-Closing Tax Period" means any taxable periods ending on or before the Closing Date and the portion of any Straddle Period through the end of the day of the Closing Date.

"Purchased Holdco Interest Purchase Price" means an amount equal to product of (i) the sum of (a) the Purchase Price (as finally determined under this Agreement), plus (b) the Syntron Corp Indebtedness, minus (c) the Syntron Corp Cash, multiplied by (ii) the Pre-Closing Percentage Interest of the Holdco Seller.

"Purchased Syntron Corp Interest Purchase Price" means an amount equal to (i) the Syntron Corp Base Consideration, minus (ii) the Syntron Corp Indebtedness, plus (iii) the Syntron Corp Cash.

"Purchaser Indemnified Parties" means the Purchaser and its Affiliates (including the Acquired Companies).

"R&W Policy" means a representation and warranty insurance policy issued in favor of the Purchaser and the other named insureds in connection with the transactions contemplated by this Agreement.

"Related Documents" means the Escrow Agreement and each other agreement, document, certificate or instrument delivered pursuant to, or in connection with, this Agreement.

"Repatriation Adjustment" means $1,500,000.

"Representative Expense Account" means a segregated account where the Representative Expense Amount is held for disbursement by the Seller Representative.

"Representatives" means, with respect to any Person, such Person's officers and directors (or persons holding comparable positions), employees, consultants, independent contractors, subcontractors, leased employees, volunteers, temporary workers, equityholders, accountants, legal and other representatives, agents, executors, heirs, successors and permitted assigns.

"Response" means a written response containing the information provided for in Section 11.03(d).

"Restructuring Transactions" means, collectively, the transactions set forth on the Restructuring Step Chart attached as Exhibit B hereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Securityholder Indemnified Parties" means the Securityholders and their respective Affiliates.

"Securityholders" means, collectively, each Seller and each Optionholder.

"Straddle Period" means any taxable period that includes (but does not end on) the Closing Date.

"Subsidiary" means, with respect to any Person, any corporation of which a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or any partnership, limited liability company, association or other business entity (other than a corporation) of which a majority of the partnership, limited liability company or other similar ownership interest is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof. For purposes of this definition, a Person is deemed to have a majority ownership interest in a partnership, limited liability company, association or other business entity (other than a corporation) if such Person is allocated a majority of the gains or losses of such partnership, limited liability company, association or other business entity or is or controls the managing director, managing member or general partner of such partnership, limited liability company, association or other business entity.

"Syntron Corp Base Consideration" means an amount equal to product of (i) the sum of (a) the Purchase Price (as finally determined under this Agreement), plus (b) the Syntron Corp Indebtedness, minus (c) the Syntron Corp Cash, multiplied by (ii) the aggregate Pre-Closing Percentage Interest of the Corp Sellers.

"Syntron Corp Cash" means the Cash of Syntron Corp included in the Final Cash.

"Syntron Corp Indebtedness" means the Indebtedness of Syntron Corp included in the Final Indebtedness.

"Target Net Working Capital" means $12,108,918.

"Tax" or "Taxes" means any and all (i) taxes, including, without limitation, any federal, state, local or non-U.S. income, gross receipts, corporation, ad valorem, premium, net worth, franchise, estimated, alternative minimum, add-on minimum, sales, use, transfer, value added, excise, severance, stamp, customs, duties, real property, personal property, capital stock, capital gains, documentary, recapture, disability, registration, recording, license, lease, service, service use, social security, unemployment, payroll, employee

or other withholding, employment, insurance, national insurance, business license, business organization, environmental, workers compensation, profits, occupation, windfall profits, or other tax of any kind whatsoever, including any interest, fines, penalties or additions to tax or additional amounts in respect of the foregoing, and (ii) charges, fees, duties, contributions, levies or other similar assessments or liabilities, in each case, in the nature of a tax that is imposed by a Tax authority.

"Tax Returns" means any return, report, information return, declaration or statement related to Taxes (including schedules or attachments thereto) filed with or submitted to, or required to be filed with or submitted to, any Governmental Authority in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

"Third Party Action" means any Legal Proceeding by a Person other than a party hereto for which indemnification may be sought by the Purchaser under Article 11.

"Transaction Expenses" means (i) all fees and expenses of the Acquired Companies incurred in connection with the negotiation, preparation and execution of this Agreement, the consummation of the transactions contemplated hereby, including any such legal, accounting, transaction, closing and investment banking fees, costs and expenses, (ii) all Option Surrender Payments, (iii) all transaction or retention bonuses or similar payments that are due to any employee, officer or director as a result of and in connection with the consummation of the transactions contemplated hereby pursuant to any agreement entered into by any Acquired Company prior to the Closing, and (iv) the employer's share of Taxes payable with respect to all such amounts described in the foregoing clauses (ii) and (iii). For the avoidance of doubt, Transaction Expenses shall include those fees and expenses set forth on the Transaction Expenses Schedule.

"Transaction Tax Deductions" means, without duplication, to the extent deductible for U.S. federal income Tax purposes by an Acquired Company, the sum of (i) transaction bonuses, change in control payments, severance payments, retention payments or similar payments made by any Acquired Company in connection with the transactions contemplated by this Agreement, in each case to the extent such amounts were included in the calculation of the Final Transaction Expenses or as a liability in the Final Net Working Capital or reduced the Final Cash, (ii) the fees, expenses and interest incurred by any Acquired Company with respect to the payment of the Indebtedness (including, for the avoidance of doubt, amounts treated as interest for U.S. federal income Tax purposes, any breakage fees or accelerated deferred financing fees, whether paid before, at or after the Closing), in each case to the extent such amounts were included in the calculation of the Final Indebtedness or as a liability in the Final Net Working Capital or reduced the Final Cash, (iii) all fees, costs and expenses incurred by any Acquired Company in connection with or incident to this Agreement and the consummation of the transactions contemplated hereby, including any such legal, accounting, transaction, closing and investment banking fees, costs and expenses, in each case, in connection with the transactions contemplated hereby, in each case to the extent such amounts were included in the calculation of the Final Transaction Expenses or reduced the Final Cash, and (iv) any other amounts included in the calculation of Final Transaction Expenses (whether paid prior to or following the Closing). The parties hereto agree to apply the safe harbor to any success-based fees pursuant to Revenue Procedure 2011-29, 2011-18 IRB 746.

"Treasury Regulations" means the Treasury Regulations promulgated under the Code.

12.02 Other Definitional Provisions.

(a) Accounting Terms. Accounting terms which are not otherwise defined in this Agreement have the meanings given to them under GAAP. To the extent that the definition of an accounting

term defined in this Agreement is inconsistent with the meaning of such term under GAAP, the definition set forth in this Agreement will control.

(b) Successor Laws. Any reference to any particular Code section or any other Law will be interpreted to include any revision of or successor to that section regardless of how it is numbered or classified.

12.03 Cross-Reference of Other Definitions. Each capitalized term listed below is defined in the corresponding Section of this Agreement:

Term	Section No.
401(k) Plan	6.06
Agreed Amount	11.03(d)
Agreement	Preamble
Allocation Schedule	9.01(h)(ii)
Allocation Statement	9.01(h)(ii)
Anti-Bribery Laws	3.17
Audit Adjustment Tax Benefit	9.01(l)
Authorized Action	10.03(c)
Base Consideration	1.02(a)
Closing	1.07
Closing Balance Sheet	1.05(a)
Closing Date	1.07
Company Intellectual Property	3.09(a)
Company Plan	3.12(a)
Confidentiality Agreement	9.03(a)
Corp Sellers	Preamble
D&O Indemnitee	7.02(a)
Designated Contacts	6.02
Disclosure Schedules	Article 3
Dispute Resolution Auditor	1.05(b)
Distribution	1.04(d)(vii)
Election Notice	6.06
Electronic Delivery	13.13
End Date	8.01(d)
Escrow Agent	1.04(a)(iii)
Escrow Agreement	1.04(a)(iii)
Estimated Cash	1.03
Estimated Indebtedness	1.03
Estimated Net Working Capital	1.03
Estimated Transaction Expenses	1.03
Excess Amount	1.05(d)
Exhausted	11.05(c)
Final Cash	1.05(b)
Final Indebtedness	1.05(b)
Final Net Working Capital	1.05(b)
Final Transaction Expenses	1.05(b)
Financial Statements	3.04(a)

Foreign Plan	3.12(j)
General Survival Period Termination Date	11.04(a)
Holdco	Preamble
Holdco Interests	Recitals
Holdco Seller	Preamble
Holdco Tax Returns	9.01(b)(i)
Honigman	9.06
HSR Act	3.11
Indemnitee	11.03(a)
Indemnitee Affiliates	7.02(d)
Indemnitor	11.03(a)
Latest Balance Sheet	1.05(a)
Leased Real Property	3.06(b)
Material Contracts	3.08(a)
New End Date	13.17
Objections Statement	1.05(b)
Option Surrender Agreement	Recitals
Option Surrender Payment	1.04(b)
Outstanding Escrow Claims	11.06
Preliminary Purchase Price	1.02(b)
Preliminary Statement	1.05(a)
Privileged Communications	9.06
Proprietary Information	9.03(b)
Purchase Price	1.02(a)
Purchased Holdco Interests	Recitals
Purchased Interests	Recitals
Purchased Syntron Corp Interests	Recitals
Purchaser	Preamble
Real Property Leases	3.06(b)
Repaid Indebtedness	1.04(c)
Representative Expense Amount	1.04(a)(v)
Restricted Persons	3.18(d)
RSM	1.05(b)
Section 754 Election	9.01(b)(i)
Seller Group	4.07
Seller Representative	Preamble
Sellers	Preamble
Shortfall Amount	1.05(c)
Specified Matter	9.06
Syntron Corp	Preamble
Syntron Corp Interests	Recitals
Tax Matter	9.01(k)(ii)
Transaction Expenses Schedule	1.03
Transfer Taxes	9.01(d)
WARN Act	3.13(i)

ARTICLE 13
MISCELLANEOUS

13.01 Expenses. Except as otherwise expressly provided herein, the Sellers, on the one hand, and the Purchaser, on the other hand, shall pay all of their own expenses (including attorneys' and accountants' fees and expenses) in connection with the negotiation of this Agreement, the performance of their obligations hereunder and the consummation of the transactions contemplated by this Agreement; provided that the Sellers, on the one hand, and the Purchaser, on the other hand, shall each bear fifty percent (50%) of the fees and expenses of the Escrow Agent.

13.02 Knowledge Defined. For purposes of this Agreement, "the Acquired Companies' knowledge" as used herein shall mean the knowledge of those employees listed on Schedule 9.04, in each case after due and reasonable inquiry.

13.03 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) on the date of confirmation of receipt when transmitted by email, (c) the Business Day following the day on which the same has been delivered to a reputable national overnight delivery service (charges prepaid) or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective parties, shall be sent to the applicable address set forth below, unless another address has been previously specified in writing by the recipient party to the sending party:

Notices to the Purchaser or (following the Closing) to any Acquired Company:

Kadant Inc.
One Technology Park Drive
Westford, MA 01886
Attention: Stacy D. Krause, Vice President, General Counsel and Secretary
Email: stacy.krause@kadant.com

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Facsimile: (617) 526-5000
Attention: Hal J. Leibowitz, Esq. and Andrew R. Bonnes, Esq.
Email: hal.leibowitz@wilmerhale.com
andrew.bonnes@wilmerhale.com

Notices to the Sellers, the Seller Representative or (prior to the Closing) to any Acquired Company:

Levine Leichtman Capital Partners Private Capital Solutions, L.P.
345 North Maple Drive, Suite 300
Beverly Hills, CA 90210
Attention: David I. Wolmer
Email: dwolmer@llcp.com

with a copy (which shall not constitute notice) to:

Honigman Miller Schwartz and Cohn LLP
2290 First National Building
660 Woodward Avenue
Detroit, Michigan 48226
Attention: Joshua F. Opperer and Jacob D. Drouillard
Email: jopperer@honigman.com
jdrouillard@honigman.com

13.04 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned or delegated (a) by the Purchaser or, after the Closing, Holdco or Syntron Corp, without the prior written consent of the Seller Representative, or (b) by any of the Sellers, the Seller Representative or, prior to the Closing, Holdco or Syntron Corp, without the prior written consent of the Purchaser. Notwithstanding the immediately preceding sentence, the Purchaser may, without the prior written consent of the Seller Representative, assign or transfer its rights under this Agreement to any of its Affiliates; provided, further, however, in any case, that no such assignment or transfer shall relieve the assigning party of its obligations or agreements hereunder or require the other party hereunder to resort to any such assignee or transferee prior to seeking any remedies against the assigning or transferring party permitted under or pursuant to this Agreement. Any attempted assignment or transfer in violation of this Section 13.04 shall be null and void.

13.05 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. If the final and non-appealable judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the parties hereto agree that the court making such determination shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term.

13.06 References. The table of contents and the section and other headings and subheadings contained in this Agreement and the Exhibits and Disclosure Schedules hereto are solely for the purpose of reference, are not part of the agreement of the parties hereto, and shall not in any way affect the meaning or interpretation of this Agreement or any Exhibit or Disclosure Schedule hereto. All references to days or months shall be deemed references to calendar days or months unless otherwise specified. All references to “$” shall be deemed references to United States dollars. Unless the context otherwise requires, any reference to a “Section”, “Exhibit” or “Disclosure Schedule” shall be deemed to refer to a section of this Agreement, exhibit to this Agreement or a schedule to this Agreement, as applicable. The words “hereof”, “herein” and “hereunder” and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “extent” in the phrase “to the extent” means the

degree to which a subject or other thing extends, and such phrase does not mean simply "if". Definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. References to a contract or agreement mean such contract or agreement as amended or otherwise supplemented or modified from time to time. References to a Person are also to its permitted successors and assigns. References to a federal, state, local or foreign Law include any rules, regulations and delegated legislation issued thereunder. All references to "the ordinary course of business" shall be deemed references to the ordinary course of business consistent with past custom and practice (including with respect to frequency and amount).

13.07 Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any Person. The specification of any dollar amount or the inclusion of any item in the representations and warranties contained in this Agreement or the Disclosure Schedules or Exhibits hereto is not intended to imply that the amounts, or higher or lower amounts, or the items so included, or other items, are or are not required to be disclosed (including, without limitation, whether such amounts or items are required to be disclosed as material or threatened) or are within or outside of the ordinary course of business, and no Person shall use the fact of the setting of the amounts or the fact of the inclusion of any item in this Agreement or the Disclosure Schedules or Exhibits in any dispute or controversy between the parties as to whether any obligation, item or matter not described or included in this Agreement or in any Disclosure Schedule or Exhibit is or is not required to be disclosed (including whether the amount or items are required to be disclosed as material or threatened) or is within or outside of the ordinary course of business for purposes of this Agreement. The information contained in this Agreement and in the Disclosure Schedules and Exhibits hereto is disclosed solely for purposes of this Agreement, and no information contained herein or therein shall be deemed to be an admission by any party hereto to any third party of any matter whatsoever (including, without limitation, any violation of Law or breach of contract).

13.08 Amendment and Waiver. Any provision of this Agreement or the Disclosure Schedules or Exhibits hereto may be amended only in a writing signed by the Purchaser, Holdco, Syntron Corp and the Seller Representative. No waiver of any provision hereunder, or any breach, default or misrepresentation hereunder, shall be valid unless the same shall be in writing and signed by the party making such waiver, and no such waiver shall extend to or affect in any way any other provision or prior or subsequent breach, default or misrepresentation.

13.09 Complete Agreement. This Agreement and the documents referred to herein (including the Confidentiality Agreement) contain the complete agreement between the parties hereto and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof or thereof in any way.

13.10 Third-Party Beneficiaries. Other than Section 7.02, which is for the benefit of, and shall be enforceable by, the D&O Indemnitees, nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, claim or benefit under or with respect to this Agreement or any provision of this Agreement.

13.11 Waiver of Trial by Jury. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THIS AGREEMENT OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE AND

REGARDLESS OF WHICH PARTY INITIATES SUCH ACTION OR PROCEEDING. EACH PARTY TO THIS AGREEMENT HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE IRREVOCABLE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

13.12 Purchaser Deliveries. When reference is made in this Agreement to information that has been "made available" to the Purchaser, that shall consist of only the documents or other items delivered to the Purchaser or its representatives prior to the execution of this Agreement, and all documents or other items made available to the Purchaser and its representatives in the Acquired Companies' electronic data room hosted by Intralinks and located at https://services.intralinks.com no later than 5:00 p.m., Eastern time, on the second (2^{nd}) Business Day prior to the date hereof.

13.13 Electronic Delivery. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent delivered by means of electronic mail or comparable technology (any such delivery, an "Electronic Delivery"), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

13.14 Counterparts. This Agreement may be executed in multiple counterparts, any one of which need not contain the signature of more than one party, but all such counterparts taken together shall constitute one and the same instrument.

13.15 Governing Law. All issues and questions concerning the construction, validity, interpretation and enforceability of this Agreement and the Exhibits and Disclosure Schedules hereto shall be governed by, and construed in accordance with, the Laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

13.16 Consent to Jurisdiction. SUBJECT TO THE PROVISIONS OF SECTION 1.05 (WHICH SHALL GOVERN ANY DISPUTE ARISING THEREUNDER), THE PARTIES HERETO AGREE THAT JURISDICTION AND VENUE IN ANY SUIT, ACTION OR PROCEEDING BROUGHT BY ANY PARTY PURSUANT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY SHALL PROPERLY AND EXCLUSIVELY LIE IN THE CHANCERY COURT OF THE STATE OF DELAWARE, AND ANY STATE APPELLATE COURT THEREFROM WITHIN THE STATE OF DELAWARE (OR, IF THE CHANCERY COURT OF THE STATE OF DELAWARE DECLINES TO ACCEPT JURISDICTION OVER A PARTICULAR MATTER, ANY STATE OR FEDERAL COURT WITHIN THE STATE OF DELAWARE). EACH PARTY ALSO AGREES NOT TO BRING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY OTHER COURT (OTHER THAN UPON THE APPEAL OF ANY JUDGMENT, DECISION OR ACTION OF ANY SUCH COURT LOCATED IN DELAWARE OR, AS APPLICABLE, ANY FEDERAL APPELLATE COURT THAT INCLUDES THE

STATE OF DELAWARE WITHIN ITS JURISDICTION). BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY IRREVOCABLY SUBMITS TO THE JURISDICTION OF SUCH COURTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY WITH RESPECT TO SUCH SUIT, ACTION OR PROCEEDING. THE PARTIES IRREVOCABLY AGREE THAT VENUE WOULD BE PROPER IN SUCH COURT, AND HEREBY WAIVE ANY OBJECTION THAT ANY SUCH COURT IS AN IMPROPER OR INCONVENIENT FORUM FOR THE RESOLUTION OF SUCH SUIT, ACTION OR PROCEEDING. EACH OF THE PARTIES FURTHER IRREVOCABLY AND UNCONDITIONALLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 13.03 OF THIS AGREEMENT. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

13.17 Specific Performance. The parties hereto agree that irreparable damage, for which monetary relief, even if available, may not be an adequate remedy, could occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached, including if the parties hereto fail to take any action required of them hereunder to consummate the transactions contemplated by this Agreement. It is accordingly agreed that (a) the parties hereto shall be entitled to seek an injunction or injunctions, specific performance or other equitable relief to prevent breaches of this Agreement and to seek to enforce specifically the terms and provisions hereof in the courts described in Section 13.16 without proof of damages or posting a bond or other form of security, this being in addition to any other remedy to which they are entitled under this Agreement, and (b) the right of specific performance and other equitable relief is an integral part of the transactions contemplated by this Agreement and without that right, none of the parties hereto would have entered into this Agreement. The parties hereto agree not to assert that a remedy of specific performance is unenforceable, invalid, contrary to law or inequitable, and not to assert that a remedy of monetary damages would provide an adequate remedy or that the parties otherwise have an adequate remedy at law; provided that the foregoing shall not prohibit the Purchaser from asserting that this Agreement does not require it to consummate the transactions contemplated hereby (or to take any other action) and to assert equitable defenses (such as "unclean hands"), but excluding the assertion that a remedy of monetary damages would provide an adequate remedy. The parties hereto acknowledge and agree that any party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 13.17 shall not be required to provide any bond or other security in connection with any such order or injunction. If, on or prior to the End Date, any party hereto brings any action, in each case in accordance with Section 13.16, to enforce specifically the performance of the terms and provisions hereof by any other party, the End Date shall automatically be extended (i) for the period during which such action is pending, plus ten (10) Business Days, or (ii) by such other time period established by the court presiding over such action, as the case may be; provided, however, that the Purchaser shall not be required to effect the Closing during such an extension prior to the date that is three (3) Business Days following the receipt by the Purchaser of the audited consolidated balance sheet of Syntron Material Handling Holdings, LLC and its Subsidiaries as of December 31, 2018 and the related audited statement of income and cash flows for the fiscal year then ended (such date, the "New End Date"), and such an extension of the End Date shall be further extended until the New End Date; provided, further, that in no event shall the End Date be extended pursuant to this Section 13.17 beyond June 30, 2019. Notwithstanding anything herein to the contrary, in no event shall this Section 13.17 be used to require any party hereto to remedy any breach of any representation or warranty made herein unless a covenant made herein separately requires such action.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Equity Purchase Agreement on the day and year first written above.

Syntron Corp:

LLCP PCS ALTERNATIVE SYNTRON, LLC

By: LLCP PCS GP, LLC
Its: Manager

By: Levine Leichtman Capital Partners, LLC
Its: Managing Member

By: /s/ David Wolmer
Name: David Wolmer
Its: Vice President

Holdco:

SYNTRON MATERIAL HANDLING GROUP, LLC

By: /s/ Andy Blanchard
Name: Andy Blanchard
Its: President and Chief Executive Officer

Holdco Seller: SMH EQUITY, LLC

By: /s/ David Wolmer
Name: David Wolmer
Its: President

Corp Sellers:

PCS ALTERNATIVE CORP SELLER 1, LLC

By: /s/ David Wolmer
Name: David Wolmer
Its: Authorized Person

PCS ALTERNATIVE CORP SELLER 2, LLC

By: /s/ David Wolmer
Name: David Wolmer
Its: Authorized Person

Seller Representative:

LEVINE LEICHTMAN CAPITAL PARTNERS PRIVATE CAPITAL SOLUTIONS, L.P.

By: LLCP PCS GP, LLC
Its: General Partner

By: Levine Leichtman Capital Partners, LLC
Its: Managing Member

By: /s/ David Wolmer
Name: David Wolmer
Its: Vice President

Purchaser:

KADANT INC.

By: /s/ Jeffrey L. Powell
Name: Jeffrey L. Powell
Its: Executive Vice President and Co-Chief Operating Officer

EXHIBIT A

FORM OF ESCROW AGREEMENT

EXECUTION VERSION

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of _____, 2019 (this "Agreement"), is by and among Kadant Inc., a Delaware corporation ("Purchaser"), Levine Leichtman Capital Partners Private Capital Solutions, L.P., a Delaware limited partnership (the "Seller Representative" and, together with Purchaser, the "Parties"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as escrow agent hereunder ("Escrow Agent").

BACKGROUND

A. (i) LLCP PCS Alternative Syntron, LLC, a Delaware limited liability company ("Syntron Corp"), (ii) Syntron Material Handling Group, LLC, a Delaware limited liability company ("Holdco"), (iii) PCS Alternative Corp Seller 1, LLC, a Delaware limited liability company, and PCS Alternative Corp Seller 2, LLC, a Delaware limited liability company (collectively, the "Corp Sellers"), (iv) SMH Equity, LLC, a Delaware limited liability company ("Holdco Seller" and, together with the Corp Sellers, collectively, the "Sellers"), (v) Purchaser, and (vi) the Seller Representative, have entered into an Equity Purchase Agreement, dated as of December 9, 2018 (the "Underlying Agreement"), pursuant to which Purchaser is acquiring Syntron Corp and Holdco by means of the purchase of (a) all of the issued and outstanding equity interests of Syntron Corp and (b) all of the equity interests of Holdco owned by Holdco Seller, with the remaining issued and outstanding equity interests of Holdco being retained by Syntron Corp.

B. The Underlying Agreement provides that Purchaser shall deposit the Adjustment Escrow Amount (as defined below), the Interim Breach Escrow Amount (as defined below), and the Indemnity Escrow Amount (as defined below) in segregated escrow accounts to be held by Escrow Agent pursuant to this Agreement for the purposes of (i) providing security for any adjustment to the amount of the Preliminary Purchase Price pursuant to Section 1.5 of the Underlying Agreement, and (ii) securing the indemnification obligations of the Securityholders (as defined in the Underlying Agreement) set forth in Article 11 of the Underlying Agreement.

C. Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it and any earnings thereon in accordance with the terms of this Agreement.

D. The Parties acknowledge that (i) Escrow Agent is not a party to and has no duties or obligations under the Underlying Agreement, (ii) all references in this Agreement to the Underlying Agreement are solely for the convenience of the Parties, and (iii) Escrow Agent shall have no implied duties beyond the express duties set forth in this Agreement.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Definitions. The following terms shall have the following meanings when used herein:

"Adjustment Escrow Amount" means the sum of $500,000.00 deposited with Escrow Agent pursuant to Section 3.

"Business Day" shall mean any day, other than a Saturday, Sunday or legal holiday, on which Escrow Agent at its location identified in Section 14 is open to the public for general banking purposes.

"Escrow Funds" shall mean the funds deposited with Escrow Agent pursuant to Section 3, together with any interest and other income thereon.

"Final Order" shall mean a final and nonappealable judgment, order, award or determination of a court of competent jurisdiction regarding the disbursement of Escrow Funds.

"Indemnity Escrow Amount" means the sum of $895,000.00 deposited with Escrow Agent pursuant to Section 3.

"Interim Breach Escrow Amount" means the sum of zero dollars deposited with Escrow Agent pursuant to Section 3.

"Joint Written Direction" shall mean a written direction executed by each of the Parties and directing Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking any other action pursuant to this Agreement. A Joint Written Direction directing Escrow Agent to disburse all or a portion of the Escrow Funds shall be in substantially the form of Attachment 1.

2. Appointment of and Acceptance by Escrow Agent. The Parties hereby appoint Escrow Agent to serve as escrow agent hereunder. Escrow Agent hereby accepts such appointment and, upon receipt by wire transfer of the Escrow Funds in accordance with Section 3, agrees to hold, invest and disburse the Escrow Funds in accordance with this Agreement.

3. Deposit of Escrow Funds. Simultaneously with the execution and delivery of this Agreement, Purchaser will deposit (a) the Adjustment Escrow Amount, by wire transfer of immediately available funds, into an account designated by Escrow Agent (the "Adjustment Escrow Account"), (b) the Indemnity Escrow Amount, by wire transfer of immediately available funds, into an account designated by Escrow Agent (the "Indemnity Escrow Account"), and (c) the Interim Breach Escrow Amount, by wire transfer of immediately available funds, into an account designated by Escrow Agent (the "Interim Breach Escrow Account"). The Adjustment Escrow Account, the Indemnity Escrow Account, and the Interim Breach Escrow Account shall be segregated accounts and shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of any party. Escrow Funds shall remain uninvested.

4. Disbursements of Escrow Funds.

(a) Escrow Agent shall disburse Escrow Funds at any time and from time to time, within two (2) Business Days of receipt of, and in accordance with, a Joint Written Direction. Such Joint Written Direction shall contain complete payment instructions, including wire transfer instructions or an address to which a check shall be sent. By signing this Agreement, each of the Parties agrees to execute and provide Joint Written Directions as are consistent with the provisions and intent of the Underlying Agreement and this Agreement.

(b) Within two (2) Business Days of receipt of a written notification from either Party of a Final Order (with a copy of such written notification provided concurrently to the other Party), which notification will attach a copy of such Final Order, instructing Escrow Agent that a Party or other person is entitled to the release of Escrow Funds pursuant to the Underlying Agreement, Escrow Agent shall release such Escrow Funds in accordance with such Final Order and accompanying instructions. Any such Final

Order delivered to Escrow Agent shall be accompanied by a certificate from the Party delivering the Final Order (with a copy of such certificate provided concurrently to the other Party) confirming that such Final Order is final and nonappealable and issued from a court of competent jurisdiction, and that the accompanying instructions are in accordance with such Final Order. Escrow Agent shall be entitled to conclusively rely upon such certification and instructions and shall have no responsibility to make any determination as to whether the Final Order is from a court of competent jurisdiction or is final and nonappealable.

(c) Prior to any disbursement, Escrow Agent shall have received reasonable identifying information regarding the recipient so that Escrow Agent may comply with its regulatory obligations and reasonable business practices, including without limitation a completed United States Internal Revenue Service ("IRS") Form W-9 or Form W-8, as applicable. All disbursements of funds from Escrow Funds shall be subject to the fees and claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 and Section 11.

(d) Each of Purchaser and the Seller Representative may deliver written notice to Escrow Agent in accordance with Section 14 changing such Party's wire transfer instructions, which notice shall be effective only upon receipt by Escrow Agent.

(e) Escrow Agent shall, within five (5) Business Days of the end of each calendar month, deliver to Purchaser and the Seller Representative a statement setting forth (i) the aggregate amount of Escrow Funds so released or disbursed, (ii) the recipient of such disbursement or release, (iii) whether such disbursement or release was made from the Adjustment Escrow Account, the Indemnity Escrow Account, or the Interim Breach Escrow Account, and (iv) the respective balances of the Adjustment Escrow Account, the Indemnity Escrow Account, and the Interim Breach Escrow Account as of such date after giving effect to such disbursement or release. Promptly upon receipt of the Escrow Funds, Escrow Agent shall provide Purchaser and the Seller Representative with permissions to view the Adjustment Escrow Account, the Indemnity Escrow Account, and the Interim Breach Escrow Account via the Internet at no additional cost.

5. Suspension of Performance; Disbursement into Court. If, at any time, (a) a dispute between the Parties exists with respect to the holding or disposition of all or any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, (b) Escrow Agent is unable to determine, to Escrow Agent's reasonable satisfaction, the proper disposition of all or any portion of the Escrow Funds or Escrow Agent's proper actions with respect to its obligations hereunder, or (c) the Parties have not, within ten (10) days of receipt of a notice of resignation from Escrow Agent, appointed a successor Escrow Agent to act hereunder, then Escrow Agent may, in its sole discretion, take either or both of the following actions:

(i) suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Agreement until such dispute or uncertainty shall be resolved to the reasonable satisfaction of Escrow Agent or until a successor Escrow Agent shall have been appointed; and/or

(ii) petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction, in any venue convenient to Escrow Agent, for instructions with respect to such dispute or uncertainty and, to the extent required or permitted by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all remaining Escrow Funds.

Escrow Agent shall have no liability to Purchaser or the Seller Representative or their respective owners, shareholders or members or any other person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise due to any delay, or alleged to have arisen out of or as a result of any delay, in the disbursement of the Escrow Funds or any delay in or with respect to any other action required or requested of Escrow Agent.

6. Investment of Funds. Based upon Purchaser's and the Seller Representative's prior review of investment alternatives, in the absence of further specific written direction to the contrary at any time that an investment decision must be made, Escrow Agent is directed to invest and reinvest the Escrow Funds in the investment identified in Schedule A.

All investments shall be made in the name of Escrow Agent. Escrow Agent may, without notice to Purchaser and the Seller Representative, sell or liquidate any of the foregoing investments at any time for any disbursement of Escrow Funds permitted or required hereunder and shall not be liable for any loss, cost or penalty resulting from any sale or liquidation of any such investment. All investment earnings shall become part of Escrow Funds and investment losses shall be charged against Escrow Funds. With respect to any Escrow Funds or investment instruction received by Escrow Agent after 11:00 a.m., U.S. Central Time, Escrow Agent shall not be required to invest applicable funds until the next Business Day. Receipt of Escrow Funds and investment and reinvestment of Escrow Funds shall be confirmed by Escrow Agent by an account statement.

7. Tax Reporting. Escrow Agent shall have no responsibility for the tax consequences of this Agreement and Purchaser and the Seller Representative shall consult with independent counsel concerning any and all tax matters. Except as otherwise provided in this Section 7, Purchaser and the Seller Representative (on behalf of the Securityholders (as defined in the Underlying Agreement)) jointly and severally agree to (a) assume all obligations imposed now or hereafter by any applicable tax law or regulation with respect to payments or performance under this Agreement and (b) request and direct Escrow Agent in writing with respect to withholding and other taxes, assessments or other governmental charges, and advise Escrow Agent in writing with respect to any certifications and governmental reporting that may be required under any applicable laws or regulations. Except as otherwise agreed by Escrow Agent in writing, Escrow Agent has no tax reporting or withholding obligation except with respect to Form 1099-B reporting on payments of gross proceeds under Internal Revenue Code Section 6045 and Form 1099 and Form 1042-S reporting with respect to investment income earned on Escrow Funds, if any. For each calendar quarter or portion thereof for which there are amounts in Escrow Funds, an amount in cash equal to twenty-five percent (25%) of the interest and other income earned during such calendar quarter with respect to Escrow Funds shall be distributed to Purchaser, to the account identified in writing by Purchaser, within five (5) Business Days of the end of such calendar quarter for the purpose of making the applicable tax payments for such income. To the extent that U.S. federal imputed interest regulations apply, Purchaser and the Seller Representative shall so inform Escrow Agent and provide Escrow Agent with all imputed interest calculations, and Escrow Agent shall report such imputed interest in accordance with the instructions provided by Purchaser and the Seller Representative. Escrow Agent shall rely solely on such provided calculations and information and shall have no responsibility for the accuracy or completeness of any such calculations or information. Purchaser and the Seller Representative shall provide Escrow Agent a properly completed IRS Form W-9 or Form W-8, as applicable, for each payee. If requested tax documentation is not so provided, Escrow Agent is authorized to withhold taxes as required by the United States Internal Revenue Code and related regulations. All interest and other income earned from the investment of Escrow Funds shall be allocated and reported to Purchaser for tax purposes.

8. Resignation or Removal of Escrow Agent. Escrow Agent may resign and be discharged from the performance of its duties hereunder at any time by giving at least thirty (30) days' prior written

notice to Purchaser and the Seller Representative specifying a date when such resignation shall take effect and, after the date of such resignation, notwithstanding any other provision of this Agreement, Escrow Agent's sole obligation will be to hold Escrow Funds pending appointment of a successor Escrow Agent. Similarly, Escrow Agent may be removed at any time by Purchaser and the Seller Representative giving at least thirty (30) days' prior written notice to Escrow Agent specifying the date when such removal shall take effect. If Purchaser and the Seller Representative fail to jointly appoint a successor Escrow Agent prior to the effective date of such resignation or removal, Escrow Agent may petition a court of competent jurisdiction to appoint a successor escrow agent. The retiring Escrow Agent shall transmit all records pertaining to Escrow Funds and shall pay all Escrow Funds to the successor Escrow Agent, after making copies of such records as the retiring Escrow Agent deems advisable. After any retiring Escrow Agent's resignation or removal, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Agreement.

9. Duties and Liability of Escrow Agent.

(a) Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no duties shall be implied. Escrow Agent has no fiduciary or discretionary duties of any kind. Escrow Agent's permissive rights shall not be construed as duties. Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Agreement, including without limitation any other agreement between the Parties or any other persons even though reference thereto may be made herein and whether or not a copy of such agreement has been provided to Escrow Agent. Escrow Agent's sole responsibility shall be for the safekeeping of Escrow Funds in accordance with Escrow Agent's customary practices and disbursement thereof in accordance with the terms of this Agreement. Escrow Agent shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein or in a notice delivered pursuant to Section 14. This Agreement shall terminate upon the distribution of all Escrow Funds pursuant to any applicable provision of this Agreement, and Escrow Agent shall thereafter have no further obligation or liability whatsoever with respect to this Agreement or Escrow Funds.

(b) Escrow Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines, which determination is not subject to appeal, that Escrow Agent's fraud, bad faith, gross negligence or willful misconduct was the direct cause of any loss to Purchaser, the Seller Representative, or the Securityholders. Escrow Agent may retain and act hereunder through its agents.

(c) Escrow Agent may rely upon any notice, instruction, request or other instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which Escrow Agent believes to be genuine and to have been signed or presented by the proper person or parties. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages or penalties of any kind (including, but not limited to lost profits), even if Escrow Agent has been advised of the likelihood of such damages or penalty and regardless of the form of action.

(d) Escrow Agent shall not be responsible for delays or failures in performance resulting from acts of God, strikes, lockouts, riots, acts of war or terror, epidemics, governmental regulations, fire, communication line failures, computer viruses, attacks or intrusions, power failures, earthquakes or any other circumstance beyond its control. Escrow Agent shall not be obligated to take any legal action in connection with Escrow Funds, this Agreement or the Underlying Agreement or to appear in, prosecute or defend any such legal action. Purchaser and the Seller Representative are aware that under applicable

state law, property which is presumed abandoned may under certain circumstances escheat to the applicable state. Escrow Agent shall have no liability to Purchaser or the Seller Representative, their respective heirs, legal representatives, successors and assigns, or any other party, should any or all Escrow Funds escheat by operation of law.

(e) Escrow Agent may consult legal counsel selected by it in the event of any dispute or question as to the construction of any of the provisions hereof or of any other agreement or of its duties hereunder, or relating to any dispute involving this Agreement, and, except to the extent that doing so would constitute fraud or bad faith of Escrow Agent, shall incur no liability and shall be fully indemnified from any liability whatsoever in acting in accordance with the advice of such counsel. Purchaser and the Seller Representative agree to perform or procure the performance of all further acts and things, and execute and deliver such further documents, as may be required by law or as Escrow Agent may reasonably request in connection with performing its duties hereunder. When any action is provided for herein to be done on or by a specified date that falls on a day other than a Business Day, such action may be performed on the next ensuing Business Day.

(f) If any portion of Escrow Funds is at any time attached, garnished or levied upon, or otherwise subject to any writ, order, decree or process of any court, or in case disbursement of Escrow Funds is stayed or enjoined by any court order, Escrow Agent is authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders, decrees or process so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction; and if Escrow Agent relies upon or complies with any such writ, order, decree or process, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even if such order is reversed, modified, annulled, set aside or vacated.

(g) Escrow Agent and any stockholder, director, officer or employee of Escrow Agent may buy, sell and deal in any of the securities of any other party hereto and contract with and lend money to any other party hereto and otherwise act as fully and freely as though it were not Escrow Agent under this Agreement. Nothing herein shall preclude Escrow Agent from acting in any other capacity for any other party hereto or for any other person or entity.

(h) In the event instructions, including but not limited to funds transfer instructions, address change instructions or contact information change instructions are given to Escrow Agent (other than in writing at the time of execution of this Agreement), whether in writing, by facsimile or otherwise, Escrow Agent is authorized but shall not be required to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule C hereto, and Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in writing actually received and acknowledged by Escrow Agent and shall be effective only after Escrow Agent has a reasonable opportunity to act on such changes. If Escrow Agent is unable to contact any of the designated representatives identified on Schedule C, Escrow Agent is hereby authorized but shall be under no duty to seek confirmation of such instructions by telephone call-back to any one or more of Purchaser's or the Seller Representative's executive officers ("Executive Officers"), as the case may be, which shall include the titles of Chief Executive Officer, President and Vice President, as Escrow Agent may select. Such Executive Officer shall deliver to Escrow Agent a fully-executed incumbency certificate, and Escrow Agent may rely upon the confirmation of anyone purporting to be any such officer. Purchaser and the Seller Representative agree that Escrow Agent may at its option record any telephone calls made pursuant to this Section 9(i). Escrow Agent in any funds transfer may rely upon any account numbers or similar identifying numbers provided by Purchaser or the Seller Representative to identify (i) the beneficiary, (ii) the beneficiary's bank, or (iii) an intermediary bank, even when its use may result in a person other than the beneficiary being paid, or the

transfer of funds to a bank other than the beneficiary's bank or an intermediary bank so designated, provided that Escrow Agent shall use its reasonable best efforts to recover any misdirected funds. Purchaser and the Seller Representative acknowledge that these optional security procedures are commercially reasonable.

10. Indemnification of Escrow Agent. Purchaser and the Seller Representative, jointly and severally, shall indemnify and hold harmless Escrow Agent and each director, officer, employee and affiliate of Escrow Agent (each, an "Indemnified Party") upon demand against any and all claims (whether asserted by Purchaser, the Seller Representative or any other person or entity and whether or not valid), actions, proceedings, losses, damages, liabilities, penalties, costs and expenses of any kind or nature (including without limitation reasonable attorneys' fees, costs and expenses) (collectively, "Losses") arising from this Agreement or Escrow Agent's actions hereunder, except to the extent such Losses are finally determined by a court of competent jurisdiction, which determination is not subject to appeal, to have been directly caused by the fraud, bad faith, gross negligence or willful misconduct of such Indemnified Party. Purchaser and the Seller Representative further agree, jointly and severally, to indemnify each Indemnified Party for all costs, including without limitation reasonable attorneys' fees, incurred by such Indemnified Party in connection with the enforcement of Purchaser's and the Seller Representative's respective obligations hereunder. Any Indemnified Party seeking indemnity under this Escrow Agreement (including under this Section 10) shall give prompt written notice to the party or parties obligated to provide indemnification (the "Indemnifying Party") of any suit, claim, proceeding, demand or liability of which such Indemnified Party has received written notice (collectively, a "Claim"), and will reasonably cooperate with the Indemnifying Party, at the Indemnifying Party's expense, in the defense or settlement thereof. Failure to provide prompt notice shall not affect the indemnification provided hereunder except to the extent that the Indemnifying Party has actually been prejudiced as a result of such failure. The Indemnifying Party shall be entitled to participate in the defense of any Claim for which indemnification is sought from it under this Escrow Agreement (including under this Section 10) at its own expense and/or to assume the defense thereof at its own expense and shall not be liable for any settlement entered into without its prior written consent so long as the Indemnifying Party is in compliance with its obligations under this Section 10 and has paid to Escrow Agent all Losses that have then been incurred by Escrow Agent for which Escrow Agent is entitled to indemnification pursuant hereto. The Indemnifying Party shall not settle or compromise any action or proceeding defended by the Indemnifying Party in accordance with the foregoing without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, conditioned or delayed. An Indemnified Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any indemnified Claim, and the reasonable fees of such counsel shall be indemnified by Purchaser and the Seller Representative jointly and severally; provided that Purchaser and the Seller Representative shall not be obligated to pay for more than one law firm for all Indemnified Parties in any individual matter or series of related matters (other than local counsel, to the extent required). The obligations of Purchaser and the Seller Representative under this Section 10 shall survive any termination of this Agreement and the resignation or removal of Escrow Agent. Notwithstanding anything to the contrary, as between Purchaser and the Seller Representative only, (a) if neither Party's actions or omissions caused Losses for which indemnification is owed pursuant to this Section 10, any indemnification for such Claim shall be payable one-half (1/2) by Purchaser and one-half (1/2) by the Seller Representative, (b) if only one Party's actions or omissions caused Losses for which indemnification is owed pursuant to this Section 10, any indemnification for such Losses shall be payable by such Party, and (c) if both Parties' actions or omissions caused Losses for which indemnification is owed pursuant to this Section 10, any indemnification for such Losses shall be payable by each Party based on the portion of such Losses caused by such Party (e.g., if such Losses were caused sixty percent (60%) by Purchaser and forty percent (40%) by the Seller Representative, Purchaser shall be responsible for payment of sixty percent (60%) of

such Losses and the Seller Representative for forty percent (40%) of such Losses).

11. Compensation of Escrow Agent.

(a) Fees and Expenses. Purchaser, on the one hand, and the Seller Representative, on the other hand, shall each (i) pay to Escrow Agent fifty percent (50%) of its service fees, as stated on Schedule B attached hereto, and (ii) reimburse Escrow Agent upon request for fifty percent (50%) of all reasonable expenses, disbursements and advances, including (A) overnight delivery service charges and (B) reasonable attorneys' fees incurred or made by it in connection with carrying out its duties hereunder. Escrow Agent shall invoice each of Purchaser and the Seller Representative separately in accordance with the provisions of this Section 11. The obligations of Purchaser and the Seller Representative under this Section 11 shall survive any termination of this Agreement and the resignation or removal of Escrow Agent.

(b) Withholding of Disbursements from Escrow Funds. Escrow Agent shall not be required to release any Escrow Fund amounts hereunder if, at the time such Escrow Fund amounts are to be released in accordance with this Agreement, there are any outstanding and overdue fees and expenses payable to Escrow Agent by the recipient of such Escrow Fund amounts pursuant to the terms of this Agreement. Upon payment of all such outstanding fees and expenses, Escrow Agent shall promptly release such Escrow Fund amounts, as applicable, in accordance with this Agreement.

12. Representations and Warranties. Purchaser and the Seller Representative each makes the following representations and warranties to Escrow Agent with respect to itself:

(a) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement has been duly approved by all necessary action and constitutes its valid and binding agreement enforceable in accordance with its terms;

(b) each of the applicable persons designated on Schedule C attached hereto has been duly appointed to act as its authorized representative hereunder and individually has full power and authority on its behalf to execute and deliver any instruction or direction (including a Joint Written Direction), to amend, modify or waive any provision of this Agreement and to take any and all other actions as its authorized representative under this Agreement all without further consent or direction from, or notice to, it or any other person, and no change in designation of such authorized representatives shall be effective until written notice of such change is delivered to each other party to this Agreement pursuant to Section 14; and

(c) the Seller Representative represents and warrants to Escrow Agent that it has the irrevocable right, power and authority (i) to enter into and perform this Agreement on behalf of the Securityholders, (ii) to give and receive directions and notices hereunder, and (iii) to make all determinations that may be required or that it deems appropriate under this Agreement.

13. Identifying Information. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust or other legal entity, Escrow Agent requires documentation to verify its formation and existence as a legal entity. Escrow Agent may require financial statements, licenses or identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. Purchaser and the Seller Representative agree to provide all information requested by Escrow Agent in connection with any legislation or regulation to which Escrow Agent is subject, in a

timely manner. Escrow Agent's appointment and acceptance of its duties under this Agreement is contingent upon verification of all regulatory requirements applicable to Purchaser, the Seller Representative and any of their permitted assigns, including successful completion of a final background check. These conditions include, without limitation, requirements under the USA Patriot Act Customer Identification Program, the Bank Secrecy Act, and the U.S. Department of the Treasury Office of Foreign Assets Control. If these conditions are not met, Escrow Agent may at its option promptly terminate this Agreement, in whole or in part, or refuse any otherwise permitted assignment by Purchaser or the Seller Representative, without any liability or incurring any additional costs.

14. Notices. All notices, approvals, consents, requests and other communications hereunder shall be in writing (provided that any notice or instruction sent to Escrow Agent hereunder must be in the form of a manually signed document or electronic copy thereof), in English, and shall be delivered (a) by personal delivery, (b) by national overnight courier service, (c) by certified or registered mail, return receipt requested, or (d) via email by way of a PDF attachment thereto. Notice shall be effective upon receipt. Such notices shall be sent to the applicable party or parties at the applicable address(es) specified below:

If to Purchaser, at:

Kadant Inc.
Attention: General Counsel
One Technology Park Drive
Westford, MA 01886
Telephone: 978-776-2000

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Attention: Hal J. Leibowitz, Esq. and Andrew R. Bonnes, Esq.
Email: hal.leibowitz@wilmerhale.com
andrew.bonnes@wilmerhale.com

If to the Seller Representative, at:

Levine Leichtman Capital Partners Private Capital Solutions, L.P.
345 North Maple Drive, Suite 300
Beverly Hills, CA 90210
Attention: David I. Wolmer
Email: dwolmer@llcp.com

with a copy (which shall not constitute notice) to:

Honigman Miller Schwartz and Cohn LLP
2290 First National Building
660 Woodward Avenue
Detroit, Michigan 48226
Attention: Joshua F. Opperer and Jacob D. Drouillard
Email: jopperer@honigman.com
jdrouillard@honigman.com

If to Escrow Agent, at: U.S. Bank National Association
Attention: Global Corporate Trust Services
225 Asylum St, 23rd Floor
Hartford, CT 06103
Telephone: 860-241-6859
E-mail: arthur.blakeslee@usbank.com

and to:

U.S. Bank National Association
Attention: Jillianna Brazeau
Trust Finance Management - EP-MN-WS3T
60 Livingston Avenue
St Paul, MN 55107
Telephone: 651-466-5448
E-mail: tfmcorporateescrowshared@usbank.com

or to such other address as each party may designate for itself by like notice and unless otherwise provided herein shall be deemed to have been given on the date received.

15. Amendment, Waiver and Assignment. None of the terms or conditions of this Agreement may be changed, waived, modified, discharged, terminated or varied in any manner whatsoever unless in writing duly signed by each party to this Agreement. No course of conduct shall constitute a waiver of any of the terms and conditions of this Agreement, unless such waiver is specified in writing, and then only to the extent so specified. A waiver of any of the terms and conditions of this Agreement on one occasion shall not constitute a waiver of the other terms of this Agreement, or of such terms and conditions on any other occasion. This Agreement may not be assigned by any party hereto without the written consent of the other parties hereto; provided that if Escrow Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business (including the escrow contemplated by this Agreement) to another entity, the successor or transferee entity without any further act shall be the successor Escrow Agent. This Agreement shall be binding upon the respective parties hereto and their respective successors and permitted assigns.

16. Governing Law, Jurisdiction and Venue. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Delaware without giving effect to the conflict of laws principles thereof that would require the application of any other laws. Each of the parties hereto irrevocably (a) consents to the exclusive jurisdiction and venue of the state and federal courts in the State of Delaware in connection with any matter arising out of this Agreement, (b) waives any objection to such jurisdiction or venue, (c) agrees not to commence any legal proceedings related hereto except in such courts, (d) consents to and agrees to accept service of process to vest personal jurisdiction over it in any such courts made as set forth in Section 14, and (e) waives any right to trial by jury in any action in connection with this Agreement.

17. Entire Agreement, No Third-Party Beneficiaries. This Agreement constitutes the entire agreement between the signatory parties hereto relating to the holding, investment and disbursement of Escrow Funds and sets forth in their entirety the obligations and duties of Escrow Agent with respect to Escrow Funds. This Agreement and any Joint Written Direction may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement or direction. To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision

shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The section headings appearing in this instrument have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and conditions of this Agreement. Nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than the signatory parties hereto and the Indemnified Parties any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

18. Waiver of Immunity. To the extent that in any jurisdiction any party hereto may now or hereafter be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (before or after judgment) or other legal process, each party hereto irrevocably agrees not to claim, and it hereby waives, such immunity in connection with this Agreement.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

PURCHASER:

KADANT INC.

By: _____
Name: [•]
Title: [•]

SELLER REPRESENTATIVE:

LEVINE LEICHTMAN CAPITAL PARTNERS PRIVATE CAPITAL SOLUTIONS, L.P.

By: LLCP PCS GP, LLC
Its: General Partner

By: Levine Leichtman Capital Partners, LLC
Its: Managing Member

By: _____
Name: David I. Wolmer
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION
as Escrow Agent

By: _____
Name: Arthur L. Blakeslee
Title: Vice President

SCHEDULE A

U.S. BANK NATIONAL ASSOCIATION
Investment Authorization Form

U.S. BANK MONEY MARKET DEPOSIT ACCOUNT

Description and Terms

The U.S. Bank Money Market Deposit Account is a U.S. Bank National Association ("U.S. Bank") interest-bearing money market deposit account designed to meet the needs of U.S. Bank's Corporate Trust Services Escrow Group and other Corporate Trust customers of U.S. Bank. Selection of this investment includes authorization to place funds on deposit and invest with U.S. Bank.

U.S. Bank uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates are determined at U.S. Bank's discretion, and may be tiered by customer deposit amount.

The owner of the account is U.S. Bank as agent for its Corporate Trust customers. U.S. Bank's Corporate Trust Services Escrow Group performs all account deposits and withdrawals. Deposit accounts are FDIC insured per depositor, as determined under FDIC Regulations, up to applicable FDIC limits.

U.S. BANK IS NOT REQUIRED TO REGISTER AS A MUNICIPAL ADVISOR WITH THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF COMPLYING WITH THE DODD-FRANK WALL STREET REFORM & CONSUMER PROTECTION ACT. INVESTMENT ADVICE, IF NEEDED, SHOULD BE OBTAINED FROM YOUR FINANCIAL ADVISOR.

Automatic Authorization

In the absence of specific written direction to the contrary, U.S. Bank is hereby directed to invest and reinvest proceeds and other available moneys in the U.S. Bank Money Market Deposit Account. The customer(s) confirm that the U.S. Bank Money Market Deposit Account is a permitted investment under the operative documents and this authorization is the permanent direction for investment of the moneys until notified in writing of alternate instructions.

SCHEDULE B

Schedule of Fees for Services as Escrow Agent

[See attached]

SCHEDULE C

Each of the following person(s) is authorized to execute documents and direct Escrow Agent as to all matters, including fund transfers, address changes and contact information changes, on Purchaser's behalf (only one signature required):

_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.

(Note: if only one person is identified above, provide the following information)
The following person not listed above is authorized for call-back confirmations:

_____	_____
Name	Telephone Number

Each of the following person(s) is authorized to execute documents and direct Escrow Agent as to all matters, including fund transfers, address changes and contact information changes, on the Seller Representative's behalf (only one signature required):

_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No.

(Note: if only one person is identified above, provide the following information)
The following person not listed above is authorized for call-back confirmations:

_____	_____
Name	Telephone Number

ATTACHMENT 1

FORM OF JOINT WRITTEN DIRECTION

U.S. Bank National Association, as Escrow Agent
Attention: Global Corporate Trust Services
Address: [•]

RE: ESCROW AGREEMENT (the "Escrow Agreement") made and entered into as of [•], 2019 by and among Kadant Inc., a Delaware corporation ("Purchaser"), Levine Leichtman Capital Partners Private Capital Solutions, L.P., a Delaware limited partnership (the "Seller Representative"), and U.S. Bank National Association, in its capacity as escrow agent ("Escrow Agent").

Pursuant to Section 4 of the above-referenced Escrow Agreement, Purchaser and the Seller Representative hereby instruct Escrow Agent to disburse the amount of [$•] from the [Interim Breach][Indemnity][Adjustment] Escrow Account to [Purchaser][the Seller Representative], as provided below:

Bank Name: [•]
Bank Address: [•]
ABA No.: [•]
Account Name: [•]
Account No.: [•]

[Signature Page Follows]

PURCHASER:

KADANT INC.

By: _____
Name: [•]
Title: [•]

SELLER REPRESENTATIVE:

LEVINE LEICHTMAN CAPITAL PARTNERS PRIVATE CAPITAL SOLUTIONS, L.P.

By: LLCP PCS GP, LLC
Its: General Partner

By: Levine Leichtman Capital Partners, LLC
Its: Managing Member

By: _____
Name: David I. Wolmer
Title: Vice President

EXHIBIT B

RESTRUCTURING STEP CHART

EXHIBIT C

ACCOUNTING PRINCIPLES

The following provisions shall apply to the calculation of Net Working Capital:

1. Components of Net Working Capital shall be calculated in a manner consistent with GAAP and, to the extent consistent with GAAP, the company's past accounting practices applied using the same methods, policies and procedures, with consistent classifications as were used in the preparation of the internal monthly balance sheets for the 6-month period ended September 2018.

2. With respect to the calculation of the Company's current assets:
    a. Shall include the following:
        i. Accounts receivable
        ii. Inventory
        iii. Prepaid Expenses and other current assets
        iv. Current Tax assets
    b. Shall exclude the following:
        i. Cash
        ii. Deferred Tax assets

3. With respect to the calculation of the Company's current liabilities:
    a. Shall include the following:
        i. Accounts payable
        ii. Accrued expenses
        iii. Current Tax liabilities
        iv. Customer deposits
        v. Deferred revenue
        vi. Other current liabilities

    b. Shall exclude the following:
        i. Indebtedness
        ii. Transaction Expenses
        iii. Deferred Tax liabilities
        iv. Payroll clearing accrual

4. Allowance for Bad Debts shall be calculated in a manner consistent with past accounting practices.

5. Inventory Reserve shall be calculated in a manner consistent with past accounting practices.

6. Accrued Miscellaneous shall be calculated in a manner consistent with past accounting practices.

EXHIBIT D

NET WORKING CAPITAL EXAMPLE CALCULATION

EXHIBIT E

PERCENTAGE INTERESTS

Exhibit 10.9

KADANT INC. RESTORATION PLAN

Amendment to Terminate Plan

Kadant Inc. (the "Company") hereby amends, freezes and terminates the Kadant Inc. Restoration Plan, as amended (the "Plan"), pursuant to the resolution freezing and terminating the Plan approved by the Compensation Committee of the Company's Board of Directors on October 29, 2018.

1. A new paragraph is added to the end of Article 1 to read in its entirety as follows:

   "The Plan is frozen for new benefit accruals and is terminated effective December 29, 2018 (the "Plan Termination Date"). A Participant's Plan Benefit shall be determined as of the Plan Termination Date and the Participant shall not thereafter accrue any additional Plan Benefit. Distribution of Plan Benefits on account of plan termination shall be made at such date as the Company determines but in all events in accordance with the timing specified under Treasury Regulation section 1.409A-3(j)(4)(ix)(C)."

2. A new Section 2.12A is added immediately following Section 2.12 to read in its entirely as follows:

   "2.12A **Plan Termination Date** has the meaning ascribed to it in Article 1 (December 29, 2018)."

3. Section 2.14 is amended in its entirety to read as follows:

   "2.14 **Qualified Plan Benefit** means the annual benefit payable under the Qualified Plan in the form of a single-life annuity at a Participant's Normal Retirement Date or, if later, at the Participant's Separation from Service. Notwithstanding the foregoing, in the case of a Participant who has not had a Separation from Service prior to the Plan Termination Date, the Participant's Qualified Plan Benefit shall be determined as of the Plan Termination Date. For the avoidance of doubt, in the case of a Participant who is employed by the Company on October 29, 2018, the Participant's Qualified Plan Benefit shall be calculated giving effect to any benefit enhancement under Section 3.1A of the Qualified Plan pursuant to the amendment to the Qualified Plan adopted in connection with its termination."

4. So much of Section 5.1 as precedes subparagraph (a) is amended in its entirety to read as follows:

   "A Participant who becomes vested pursuant to Article 6 shall be entitled to a lump sum benefit that is the Actuarial Equivalent lump sum, calculated as of the payment date provided in Section 5.3 (except that, in the case of a distribution made on account of plan termination 2019 interest rates shall be used), of the difference between (a) and (b), where:"

5. Section 5.3 is amended in its entirety to read as follows:

"5.3 **Time of Payment**. Benefit payments will be made on the date which is 6 months and 1 day after the date of the Participant's Separation from Service as determined under section 409A of the Code. Notwithstanding the foregoing, in the case of a Participant who had not had a Separation from Service prior to the Plan Termination Date, such Participant's benefits shall be paid on account of termination of the Plan in accordance with the timing requirements of Treasury Regulation section 1.409A-3(j)(4)(ix)(C)."

6. Section 6.1. is amended in its entirety to read as follows:

"6.1 Full Vesting. Each Participant is fully vested in his Plan Benefit."

IN WITNESS WHEREOF, the Company adopts this Amendment this 29th day of December, 2018.

KADANT INC.

By: /s/Stacy D. Krause
Stacy D. Krause
Vice President, General Counsel and Secretary

Exhibit 10.14

TRANSITION AND EXECUTIVE CHAIRMAN AGREEMENT

THIS TRANSITION AND EXECUTIVE CHAIRMAN AGREEMENT (this ***"Agreement")*** by and between KADANT INC., a Delaware corporation (the ***"Company"),*** and Jonathan W. Painter (the ***"Executive")*** is made as of February 13, 2019.

WHEREAS, the Company and the Executive desire to provide for an orderly transition to the Executive's successor as President and Chief Executive Officer**,** to provide an incentive for the Executive to stay an employee through the transition period and for an additional period ending June 30, 2020 (the "***Retirement Date***"); and

WHEREAS, in connection with the foregoing, the Company and the Executive wish to set forth the terms of such transition in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

1. Employment.

1.1 Except as hereinafter otherwise provided, the Company shall employ the Executive, and the Executive agrees to remain employed, on a full-time basis as President and Chief Executive Officer through March 31, 2019 and as Chief Executive Officer through June 30, 2019 (the "***Transition Date***") and as Executive Chairman (working on a part-time basis) from June 30, 2019 through the Retirement Date, at which date his employment will end unless it is sooner terminated as provided herein (such date when employment ends shall be referred to as the "***Separation Date***")).

1.2 In addition to carrying out the regular duties of his positions, the Executive shall work under the direction of and on such matters as may be reasonably assigned to him by the Chairman (the "***Chair***") of the Board of Directors of the Company (the "***Board***") through the Transition Date and by the Board after such date. Such duties before the Transition Date may include, but shall not be limited to, the advancement of the business and interests of the Company, providing for an orderly transition of the role and responsibilities of the President and Chief Executive Officer of the Company to a successor President and Chief Executive Officer (the "***Successor CEO***"), consulting with the Successor CEO as requested on matters related to the Company as requested by the Successor CEO, and undertaking special assignments agreed to between the Executive and the Successor CEO. The duties as Executive Chairman may include, but shall not be limited to, the advancement of the business and interests of the Company, consulting with the Successor CEO or the Board as requested on strategic and operational matters related to the Company, meeting with industry groups and the Company's investors and customers as requested by the Successor CEO or the Board, evaluating potential acquisition targets, acting as a liaison between the Board and the Company's management and coordinating logistical matters related to the Board (e.g., calling meetings and preparing agendas). During the period between the Transition Date and the Separation Date, the parties anticipate that key employment services by Executive will provide the Company a relative benefit of at least one half of the key services Executive provided in the prior year, after taking into account those referenced in this section.

1.3 The Executive agrees that, during his employment, he shall, to the best of his ability, perform his duties, and shall not engage in any business, profession or occupation that would conflict with the rendering of the agreed upon services, either directly or indirectly, without the prior approval of the Chair or, after he is the Executive Chairman, the Board. Nothing in this Section 1.3 shall prevent the Executive from serving on the boards of director or other advisory bodies, provided that the Executive complies with Section 4 of this Agreement.

2. Board Service. Subject to the fiduciary obligations of the Board, the Company shall (a) nominate the Executive to be reelected as a member of the Board at the Company's 2019 Annual Meeting of Stockholders and (b) appoint the Executive as the Executive Chairman from the Transition Date until the Retirement Date, at which time the Executive will retire, step down as the Executive Chairman and cease to be an employee of the Company. For the avoidance of doubt, the Executive shall not be required to resign from the Board on the Retirement Date.

3. Compensation. During the period of his employment by the Company under this Agreement and for the covenants and obligations of the Executive contained herein, the Executive shall be compensated as follows:

3.1 Through the Separation Date, the Executive shall be paid a base salary at an annual rate of $735,000 for salary earned on or before the Transition Date and at an annual rate of $380,000 for salary earned after the Transition Date and on or before the Retirement Date. (The base salary determined under this Section 3.1 shall be referred to hereafter as the ***"Base Salary.")***

3.2 The Executive shall be eligible to participate in the Company's Cash Incentive Plan and the actual bonus earned shall be determined and calculated in accordance with the compensation practices of the Company determined as follows, for the fiscal year ending December 28, 2019 (such period referred to as the "***2019 Fiscal Year***"), based on a target or reference bonus of $710,000 (the **"2019 Bonus")** (and not payable if the Executive ceases to be employed before June 30, 2019 other than on a termination that satisfies Section 5.5 below). For the avoidance of doubt, the 2019 Bonus shall not be prorated and there will be no bonus for the 2020 fiscal year.

Any bonus payable to the Executive under the Cash Incentive Plan shall be determined and paid in accordance with the terms of the Cash Incentive Plan in the same manner and at the same time as other executive officers of the Company, but in no event later than March 15 of the fiscal year following the fiscal year for which the bonus is payable.

3.3 The Compensation Committee of the Board ("***Compensation Committee***") has approved revisions to the Executive's outstanding restricted stock unit awards to provide that any amounts that would otherwise vest after March 10, 2020 (if employment continued) shall be fully vested and result in a distribution of the shares of Company common stock underlying such restricted stock unit awards as soon as practicable following the Separation Date but no later than March 10, 2021, provided that the Executive has remained an employee of the Company through June 30, 2020 or his termination otherwise satisfies Section 5.1(d) below (subject in either case to providing an effective release, except where the vesting is caused by the Executive's death, on the terms set forth in Section 5.1(d) and the last paragraph of Section 5.5). For the avoidance of doubt, the termination of the Executive's employment with the Company on the Retirement Date qualifies as a "retirement" under his outstanding stock option award agreements, which status provides that the optionee may exercise vested stock options for up to two years after such retirement event. For other purposes, the Executive's restricted stock unit awards shall continue to be governed by the terms of the applicable plans and agreements, and his stock options will continue to be governed by the terms of the applicable plans and agreements while the options remain outstanding. In addition, the Executive acknowledges and agrees that, in the event that the Compensation Committee grants restricted stock unit awards to executive officers in March 2019, any such award granted to the Executive shall be equal in value to $600,000 at the closing price used by the Compensation Committee to grant awards to executive officers in March 2019. Any such restricted stock unit awards granted in March 2019 shall be time-based and the underlying shares (but only to the extent vested by the Separation Date or vesting under the same terms as the first sentence of this Section 3.3, with any remaining unvested amounts forfeited) shall be distributable as provided above. The Executive acknowledges that the Board is not obligated to grant additional awards to the Executive under any of the Company's equity incentive plans as a result of his service as Executive Chairman.

3.4 The Executive shall be reimbursed for any and all monies expended by him in connection with his employment for reasonable and necessary expenses on behalf of the Company in accordance with the policies of the Company then in effect.

3.5 The Executive shall (a) be eligible to participate in the Company's executive and employee benefit plans and arrangements that are offered to executive officers and employees of the Company (including, without limitation, 401(k)**,** medical insurance, dental insurance, life insurance and disability benefits), to the extent he remains eligible to do so under the terms of such plans and to the extent that the Company continues such plans for its executive officers and employees, (b) continue to accrue vacation through the Transition Date (which shall accrue in accordance with the Company's vacation policy), and (c) continue to receive the same perquisites that are generally provided to other executive officers of the Company, subject to the provisions of this Agreement. The medical and dental insurance coverage will be provided through benefits continuation pursuant to the federal "COBRA" laws if he becomes, and while he remains, eligible for such coverage, with the same rules as to cost sharing as are specified in Section 5.5(c). No new COBRA coverage would then be provided when his employment ends but neither will such cessation of employment curtail the COBRA coverage from part-time service.

3.6 If, because of adverse business conditions or for other reasons, the Company at any time puts into effect salary reductions applicable to all executive officers of the Company generally, the salary payments required to be made under this Agreement to the Executive during any period in which such general reduction is in effect may be reduced by the same percentage as is applicable to all executive officers of the Company generally. Any benefits made available to the Executive which are related to Base Salary shall also be reduced in accordance with any salary reduction.

3.7 Through the Separation Date, the Executive shall comply with all of the Company's policies and procedures in effect at such time in connection with the maintenance of the Company's property. He shall return any company car, if applicable, no later than the Separation Date but may retain his laptop and other personal computing devices and files and other documents as agreed to with the Company.

3.8 The Executive's Amended and Restated Executive Retention Agreement, dated as of December 9, 2008 (the "***Executive Retention Agreement***"), shall remain in full force and effect and provide compensation as set forth therein in the event of a Change in Control (a "***Change in Control***") as defined therein before June 30, 2020. Any payments under this Agreement will not apply to the extent that they would overlap any payments thereunder in the reasonable determination of the Board. Nothing in this Agreement is intended to change the timing of payments, if any, due under the Executive Retention Agreement.

3.9 Executive shall not receive any compensation for his service as a director prior to the Separation Date other than the compensation set forth herein. Provided the Executive continues to be a director at such time, he shall receive the compensation paid to non-employee directors beginning on July 1, 2020 prorated for the year.

4. Restrictive Covenants.

4.1 During the period of the Executive's employment with the Company and for a period of one year following the Separation Date, the Executive shall not, directly or indirectly, own, manage, control, operate, be employed by, participate in or be connected with the ownership, management, operation or control of any business that competes with the Company or any of its affiliated companies in the Applicable Territory if the Executive would be performing a job or job duties or services for the competitive entity that is or are similar to the job or job duties or services that the Executive performed for the Company at any time during the last two years of the Executive's employment; provided, however, that the foregoing ownership restriction shall not apply to ownership of less than 5% of the outstanding stock of a publicly held corporation, which ownership is disclosed to the Board, nor shall it apply to any other relationship that is disclosed to and approved by the Board. The one year post-employment period shall automatically be extended to two years following the cessation of the Executive's employment if the Executive breaches a fiduciary duty to the Company or the Executive unlawfully takes, physically or electronically, any property belonging to the Company other than as set forth in Section 3.7 above. "***Applicable Territory***" means the geographic areas in which the Executive provided services or had a material presence or influence at any time during his last two years of employment. The Executive acknowledges that he received the form of restrictive covenants set forth in this Section 4.1 more than 10 business days before executing this Agreement. He acknowledges that the compensation offered under this Agreement exceeds anything to which he is presently entitled on a separation from service and constitutes fair and reasonable consideration to enter into these restrictions, to which both parties have agreed.

4.2 During the period of the Executive's employment with the Company and for a period of two years following the Separation Date, the Executive shall not, either alone or in association with others, solicit, divert or take away, or attempt to divert or take away, the business or patronage of any of the clients, customers or business partners of the Company that were contacted, solicited or served by the Company during the 12-month period prior to the Separation Date.

4.3 During the period of the Executive's employment with the Company and for a period of two years following the Separation Date, the Executive shall not, either alone or in association with others, (a) solicit, induce or attempt to induce any employee of the Company to terminate his or her employment with the Company or (b) hire, recruit or attempt to hire any person who was employed by the Company at any time during the term of the Executive's employment with the Company, provided that this clause (b) shall not apply to the recruitment or hiring of any individual whose employment with the Company has been terminated for a period of six months or longer.

4.4 During the period of the Executive's employment with the Company and thereafter, the Executive shall not, without the written consent of the Company, utilize or disclose to others any proprietary or confidential information of any type or description, which terminology shall be construed to mean any information developed or identified by the Company that is intended to give it an advantage over its competitors or that could give a competitor an advantage if obtained by it, unless and until such confidential information has become public knowledge through no fault of the Executive. Such information includes, but is not limited to, product or process design, specifications, manufacturing methods, financial or statistical information about the Company, marketing or sales information about the Company, sources of supply, lists of customers and the Company's plans, strategies and contemplated actions. The Executive shall not disclose any proprietary or confidential information to others outside the Company or use the same for any unauthorized purposes without written approval by an executive officer of the Company, either during or at any time after employment, unless and until such proprietary or confidential information has become public knowledge without fault by the Executive. Nothing in this Agreement or elsewhere prohibits the Executive from reporting possible violations of state or federal law or regulation to any governmental entity, or making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Executive is not required to notify the Company that he has made any such reports or disclosures; provided, however, that nothing herein authorizes the disclosure of information he obtained through a communication that was subject to the attorney-client privilege. In addition, pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the

disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

4.5 During the period of the Executive's employment by the Company and for a period of two years following the Separation Date, the Executive shall not in any way whatsoever aid or assist any party seeking to cause, initiate or effect a Change in Control of the Company without the prior approval of the Board.

4.6 Nothing in this Agreement is intended to be or shall serve as a restriction on the Executive's conduct that would violate the Massachusetts Rules of Professional Conduct relating to the Executive's right to practice law, provided that nothing in this Agreement shall be deemed to limit or waive the Executive's responsibilities with respect to the use of confidential information in such practice.

5. Termination.

5.1 Except for the covenants set forth in Section 4, which covenants shall remain in effect for the periods stated therein, and subject to the satisfaction of the provisions of this Agreement that require payments or the provision of benefits after the termination of this Agreement, this Agreement and the Executive's employment shall terminate on the earliest of the following events:

(a) on the effective date set forth in any resignation submitted by the Executive and accepted by the Company, or if no effective date is agreed upon, the date of receipt of such letter;

(b) at the election of the Company, upon the Disability of the Executive. For purposes of this Agreement, "***Disability"*** shall mean the Executive's absence from the performance of the Executive's duties with the Company for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative;

(c) upon the termination of the Executive by the Company for Cause. For purposes of this Agreement, ***"Cause"*** shall mean the Executive's failure to substantially perform his obligations under this Agreement after written notice given by the Company and, where reasonably curable, not cured within 15 days of such notice, or the Executive's willful engagement in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company, provided that no act or failure to act by the Executive shall be considered "willful" unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company; or

(d) on the Retirement Date, provided the Executive has remained an employee through such date, or upon other termination of the Executive's employment by the Company without Cause or as a result of his death, in either case occurring before the Retirement Date.

5.2 Except as otherwise expressly provided herein, upon the termination of this Agreement, all of the Company's obligations under this Agreement (except for obligations that by their terms require payment after the termination of this Agreement), including, without limitation, making payments to the Executive, shall immediately cease and terminate.

5.3 Notwithstanding the foregoing, in the event of the termination of this Agreement pursuant to Section 5.1(a) or (c), the Company shall pay to the Executive, in a lump sum in cash within 30 days after the Separation Date, an amount equal to the sum of (a) the Executive's previously unpaid Base Salary through the

Separation Date, (b) the Executive's annual bonus payable (including any bonus or portion thereof which has been earned but deferred) to the Executive for the most recently completed fiscal year (if such bonus has not yet been paid); provided that, notwithstanding the foregoing, such annual bonus need not be paid within the 30-day period as long as such annual bonus is paid at the same time as to other executive officers of the Company and not later than March 15 of the fiscal year following the fiscal year for which the bonus is payable, and (c) the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) (but not to the extent that payment on such timing would be an impermissible acceleration under Section 409A, as defined below) and any accrued vacation pay, in each case to the extent not previously paid (the sum of the amounts described in clauses (a), (b), and (c) shall be hereinafter referred to as the ***"Accrued Obligations"***).

5.4 Notwithstanding the foregoing, in the event of the termination of this Agreement pursuant to Section 5.1(b), the Company shall (a) pay to the Executive (or the Executive's estate, if applicable), in a lump sum in cash within 30 days after the Separation Date (or such other date as is required by applicable law, including Section 409A), the Accrued Obligations and (b) the 2019 Bonus.

5.5 The terms of this Section 5.5 are intended to provide an incentive in the form of a stay bonus and related benefits for the Executive to remain employed through the Retirement Date or upon the earlier termination by the Company under Section 5.1(d). Continued payments are further conditioned on the Executive's compliance with Sections 4 and 7. Notwithstanding Section 5.2, in the event of the termination of this Agreement pursuant to Section 5.1(d) and, other than as a result of a termination of employment by death, contingent upon the effectiveness of the Release (as defined below), the Company shall:

(a) in the event the Separation Date is before the Retirement Date, pay to the Executive a sum equal to (i) the Base Salary that the Executive would have received pursuant to this Agreement had the Executive remained an employee from the Separation Date through the Retirement Date; (ii) the maximum 401(k) plan matching contribution payable by the Company prorated for the period from the Separation Date through the Retirement Date (to the extent not otherwise paid or provided); and (iii) an amount equal to the executive perquisites payable or provided to the Executive (to the extent not otherwise paid or provided) prorated for the period from the Separation Date through the Retirement Date (the "***Early Termination Period***"), including but not limited to the executive car allowance or other benefits being provided to the Executive as of the Separation Date; provided that the amounts set forth in clauses (i) and (ii) shall be paid in a lump sum six months and one day (the "***Delayed Payment Date***") after the Executive has a separation from service pursuant to Section 8.4 and the amount set forth in clause (iii) shall be paid ratably over an equivalent number of months as the months falling in the Early Termination Period but beginning at the Delayed Payment Date (with no payment to be made unless the Release has previously become irrevocable);

(b) pay to the Executive the Executive's actual bonus for the 2019 Fiscal Year, paid as in the last sentence of Section 3.2 (but net of any amount paid under Section 3.2);

(c) provided he timely elects and remains eligible for COBRA, payment by the Company of COBRA premiums for dual family coverage under the group health and dental insurance coverage through the Retirement Date (less his portion of the premiums he would have paid as an active employee, which shall be paid by him, and with any later COBRA coverage being fully at his expense), provided that any such payments and related coverage shall be discontinued in the event that he ceases to be eligible for or to elect such COBRA coverage during such period. Such payments by the Company (but not eligible coverage at the Executive's expense) will cease if future regulations or legislation causes the Company to conclude such payments are reasonably likely to result in any tax liability to the Company; provided that the Company will reimburse the Executive for his own payments under this sentence (less the portion he would have paid as an active employee) if the Company cannot pay them directly and if permitted under applicable law without tax liability to the Company. The Executive must repay promptly to the Company any premiums paid under this subsection if he does not comply with the final paragraph of this

Section 5.5 within the time period specified and no premiums will be paid after the deadline for such compliance if he has not so complied; and

(d) cause each of the Executive's outstanding restricted stock unit awards that would have vested through the Retirement Date to vest on the Separation Date and be distributed on the dates provided in such awards as amended by Section 3.3 of this Agreement (and with respect to performance-based restricted stock units, if the Separation Date occurs prior to the measurement date for such awards, the Executive agrees that such performance-based restricted stock units awards will be measured and adjusted to the same extent as if the Executive had remained an employee of the Company through the measurement date to determine the number of shares deliverable under such awards), provided that no shares will be issued under such restricted stock unit awards that would have vested through the Retirement Date pursuant to this subsection unless the Executive complies with the final paragraph of this Section 5.5 within the time period specified and such restricted stock unit awards shall immediately expire if the Executive does not comply with the final paragraph of this Section 5.5 within the time period specified.

The provision to the Executive of the benefits provided by clauses (a) through (e) of this Section 5.5 shall be contingent upon the execution by the Executive of a release (the "***Release")*** in a reasonable form provided by the Company (within five business days following the Separation Date) and the Release's becoming irrevocable no later than 60 days (or such shorter period as the Company specifies) after the Separation Date, and the Executive must repay promptly to the Company any payments made pursuant to clauses (a) through (e) if he does not comply with the final paragraph of this Section 5.5 within the time period specified. Payments contingent on the Release shall be paid no earlier than the first business day of the calendar year following the year of termination of employment if the 60-day period ends in such subsequent year. Payments that are triggered before or by death will continue to be paid after death.

6. Mitigation. The Executive shall not be required to mitigate the amount of any payment or benefits provided for by this Agreement by seeking other employment or otherwise. Further the amount of any payment or benefits provided for in this Agreement shall not be reduced by any compensation earned by the Executive as a result of employment by another employer, by retirement benefits or other compensation, by offset against any amount claimed to be owed by the Executive to the Company or otherwise.

7. Cooperation. The Executive agrees to cooperate fully with the Company in the investigation, defense or prosecution of any claims or actions in existence when his employment ends or that may be brought in the future against or on behalf of the Company by any third party against the Company or by the Company against any third party. The Executive also agrees that his full cooperation in connection with such claims or actions will include being available to meet with the Company's counsel to prepare for discovery, any mediation, arbitration, trial, administrative hearing or other proceeding, and to act as a witness when requested by the Company at reasonable times and locations designated by the Company. Moreover, unless otherwise prohibited by law, the Executive agrees to notify the General Counsel (or the Successor CEO in the absence of a General Counsel) of the Company at One Technology Park Drive, Westford, Massachusetts 01886, if he is asked by any person, entity or agency (other than a governmental agency) to assist, testify or provide information in any such proceeding or investigation. Such notice shall be in writing and sent by overnight mail to the General Counsel or the Successor CEO in the absence of a General Counsel as promptly as practical under the circumstances after the Executive receives the request for assistance, testimony or information. If the Executive is not legally permitted to provide such notice, the Executive agrees that he will request that the person, entity or agency seeking assistance, testimony or information provide notice consistent with this Section 7.

8. Payments Subject to Section 409A. Subject to the provisions in this Section 8, any severance payments or benefits under this Agreement shall begin only upon the date of the Executive's ***"separation from service"*** (determined as set forth below) which occurs on or after the date of termination of the Executive's employment. The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to the Executive under this Agreement:

8.1 It is intended that each installment of the severance payments and benefits provided under this Agreement shall be treated as a separate "payment" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the ***"Code")***, and the guidance issued thereunder ***("Section 409A")***. Neither the Company nor the Executive shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

8.2 If, as of the date of the Executive's "separation from service" from the Company, the Executive is not a ***"specified employee"*** (within the meaning of Section 409A), then each installment of the severance payments and benefits shall be made on the dates and terms set forth in this Agreement.

8.3 If, as of the date of the Executive's "separation from service" from the Company, the Executive is a "specified employee" (within the meaning of Section 409A), then:

(a) Each installment of the severance payments and benefits due under this Agreement that, in accordance with the dates and terms set forth herein, will be paid within the Short-Term Deferral Period (as hereinafter defined) shall be treated as a short-term deferral within the meaning of Treasury Regulation §1.409A-1(b)(4) to the maximum extent permissible under Section 409A. For purposes of this Agreement, the "***Short-Term Deferral Period"*** means the period ending on the later of the fifteenth day of the third month following the end of the Executive's tax year in which the separation from service occurs and the fifteenth day of the third month following the end of the Company's tax year in which the separation from service occurs; and

(b) Each installment of the severance payments and benefits due under this Agreement that is not described in Section 8.3(a) and that would, absent this Section 8.3(b), be paid within the six-month period following the Executive's "separation from service" from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, the Executive's death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following the Executive's separation from service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of severance payments and benefits if and to the maximum extent that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation § 1.409A-1 (b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation §1.409A-1(b)(9)(iii) must be paid no later than the last day of the Executive's second taxable year following the taxable year in which the separation from service occurs.

8.4 The determination of whether and when the Executive's separation from service from the Company has occurred shall be made in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation §1.409A-1(h). Solely for purposes of this Section 8.4, the ***"Company"*** shall include all persons with whom the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code.

8.5 All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (a) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (b) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (c) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (d) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

8.6 This Agreement is intended to comply with the provisions of Section 409A and the Agreement shall, to the extent practicable, be construed in accordance therewith. The Company makes no

representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A and do not satisfy an exemption from, or the conditions of, Section 409A.

9. Disputes.

9.1 Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim. Any further dispute or controversy arising under or in connection with this Agreement (including the arbitrability of the dispute or controversy) shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect and the Federal Arbitration Act. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

9.2 Expenses. Except with respect to any claim or contest regarding the validity or enforceability of, or liability under, Section 4, the Company agrees to pay as incurred, to the full extent permitted by law, all legal, accounting and other fees and expenses which the Executive may reasonably incur as a result of any claim or contest (regardless of the outcome thereof) by the Company, the Executive or others regarding the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive regarding the amount of any payment or benefits pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

10. Successors.

10.1 Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, the ***"Company"*** shall mean the Company as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

10.2 Successor to Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive or the Executive's family hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate. Neither the Executive nor, in the event of his death, the executors, personal representatives or administrators of the Executive's estate, shall have the power to transfer, assign, mortgage or otherwise encumber in advance any of the payments provided for in this Agreement, nor shall any payments nor assets or funds of the Company be subject to seizure for the payment of any debts, judgments, liabilities, bankruptcy or other actions.

11. Notice. All notices, instructions and other communications given hereunder or in connection herewith shall be in writing. Any such notice, instruction or communication shall be sent either (a) by registered or certified mail, return receipt requested, postage prepaid, or (b) prepaid via a reputable nationwide overnight courier service, in each case addressed to the Company, Attention: CEO, at One Technology Park Drive, Westford, Massachusetts 01886 and to the Executive at 1 Franklin Street (PH4D) Boston, MA 02110 (or to such other address as either the Company or the Executive may have furnished to the other in writing in accordance herewith). Any such notice, instruction or communication shall be deemed to have been delivered five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent via a

reputable nationwide overnight courier service. Either party may give any notice, instruction or other communication hereunder using any other means, but no such notice, instruction or other communication shall be deemed to have been duly delivered unless and until it actually is received by the party for whom it is intended.

12. Miscellaneous.

12.1 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12.2 Injunctive Relief. The Company and the Executive agree that any breach of this Agreement by the Company or the Executive is likely to cause the other party substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company or the Executive, as applicable, shall have the right to specific performance and injunctive relief, without the obligation to post a bond or show monetary damages.

12.3 Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

12.4 Waivers. No waiver by the Company or the Executive at any time of any breach of, or compliance with, any provision of this Agreement to be performed by the other party shall be deemed a waiver of that or any other provision at any subsequent time.

12.5 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but both of which together shall constitute one and the same instrument.

12.6 Tax Withholding. Any payments provided for hereunder shall be paid net of any applicable tax withholding required under federal, state or local law.

12.7 Entire Agreement. Except with respect to the Executive Retention Agreement, and any non-disclosure or invention assignment agreement entered into between the Company and the Executive and the Executive's equity compensation awards (as amended herein) and their related plans, this Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein, and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

12.8 Amendments. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Executive.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

KADANT INC.

By: /s/William A. Rainville
William A. Rainville
Chairman of the Board

EXECUTIVE

/s/Jonathan W. Painter
Jonathan W. Painter

Exhibit 10.24

LIMITED CONSENT UNDER AMENDED AND RESTATED CREDIT AGREEMENT

This LIMITED CONSENT UNDER AMENDED AND RESTATED CREDIT AGREEMENT (this "Consent"), dated as of December 9, 2018 and, made by and among KADANT INC., a Delaware corporation (the "Borrower"), the Subsidiary Guarantors parties hereto, the Foreign Subsidiary Borrowers parties hereto, the several banks and other financial institutions or entities parties hereto constituting all of the lenders under the Original Credit Agreement (defined below) (the "Lenders"), CITIZENS BANK, N.A., as administrative agent (the "Administrative Agent") and CITIZENS BANK, N.A., as multicurrency administrative agent (the "Multicurrency Administrative Agent"; together with the Administrative Agent, the "Agents").

Background

The Borrower, the Subsidiary Guarantors, the Foreign Subsidiary Borrowers, the Agents and the Lenders entered into an Amended and Restated Credit Agreement dated as of March 1, 2017 as amended by that certain First Amendment dated as of May 24, 2017 (the "Original Credit Agreement"), as further amended, modified or supplemented from time to time, the "Credit Agreement".

The Borrower has informed the Agents and the Lenders that it or its Subsidiaries intends to acquire all of the Capital Stock of one or more entities that have been identified to the Agents (the "Acquisition Target") (and delivered a copy of an Equity Purchase Agreement regarding such transaction dated the date hereof (the "Purchase Agreement")) through the Borrower or one or more of the Borrower's wholly-owned subsidiaries (individually, and collectively, the "Kadant Purchaser") (such acquisition transaction, the "Identified Acquisition") which Identified Acquisition shall be funded, in part, with Loans to be advanced under the Credit Agreement (such extension of credit by the Lenders, the "Acquisition Advance").

The Borrower has requested that the Agents and the Lenders agree that the conditions to each extension of credit to the Borrower and/or a Foreign Subsidiary Borrower set forth in Sections 5.2 and 5.3 of the Original Credit Agreement, as applicable, shall be limited as set forth herein with respect to the Acquisition Advance.

Capitalized terms not defined herein shall have the meanings given such terms in the Original Credit Agreement. This Consent constitutes a Loan Document for all purposes under the Credit Agreement and the other Loan Documents.

NOW, THEREFORE, in consideration of the promises and the agreements, provisions and covenants herein contained, the Borrower, the Subsidiary Guarantors, the Foreign Subsidiary Borrowers, the Agents and the Lenders hereby agree as follows:

1. Limited Consent and Agreement. Subject to the terms and conditions herein contained and in reliance upon the representations and warranties of the Borrower herein contained, effective upon satisfaction of the conditions precedent contained in Section 2 below, the Agents and the Lenders hereby agree that the conditions to each extension of credit to the Borrower and/or a Foreign Subsidiary Borrower set forth in Sections 5.2 and 5.3 of the Credit Agreement, as applicable, shall be limited as set forth below with respect to the Acquisition Advance to the extent that the Identified Acquisition is consummated in connection therewith and the Revolving Commitments have not otherwise terminated prior to the date of the consummation of the Identified Acquisition in accordance with the terms of the Credit Agreement (other than a termination resulting from any Disregarded Default occurring after the date hereof) (the conditions to the Acquisition Advance being referred to herein as the "Limited Funding Conditions"):

(A) The representations and warranties referenced in Section 5.2(a) of the Credit Agreement shall be limited to (x) those representations and warranties set forth in Sections 4.3(a), 4.3(e), 4.4, 4.5, 4.11, 4.14, 4.19 and 4.21 of the Credit Agreement as those representations and warranties relate to the Borrower and Kadant Purchaser, and (y) (limited to the best of Kadant Purchaser's knowledge) those representations and warranties made by or with respect to the Acquisition Target in the Purchase Agreement as are material to the interests of the Lenders, but only to the extent Kadant Purchaser is entitled to terminate such Purchase Agreement on the basis of such representations and warranties.

(B) The Defaults and Events of Default referred to in Section 5.2(b) of the Credit Agreement shall be limited to those Events of Default which are not Disregarded Defaults.

The parties hereto acknowledge and agree to the following in connection with the consent granted pursuant to this Section 1:

(i) The Limited Funding Conditions apply solely to the Acquisition Funding to the extent consummated on or before 120 days after the date hereof and not to any other funding under the Credit Agreement.

(ii) The Acquisition Funding shall also be subject to the following conditions: (x) the Identified Acquisition shall constitute a "Permitted Acquisition" under (and as defined in) the Credit Agreement except that (I) the occurrence of a Disregarded Default shall be disregarded for the purposes of determining compliance with clause (c) of the definition of "Permitted Acquisition," and (II) compliance with clauses (d) and (e) of the definition of "Permitted Acquisition" shall be subject to Section 1.9 of the Original Credit Agreement and shall be deemed to be satisfied on the date hereof, and (y) on the date of the Acquisition Funding, the Borrower shall (I) certify that no Default or Event of Default (based on the Borrower's knowledge with respect to the Acquisition Target) has occurred or is continuing both before and after giving effect to the Acquisition Funding and the Acquisition, or (II) certify that no Default or Event of Default other than a Disregarded Default has occurred or is continuing both before and after giving effect to the Acquisition Funding and the Identified Acquisition and provide a list of all such Disregarded Defaults (based on the Borrower's knowledge with respect to the Acquisition Target) that have occurred and are continuing as of such date.

(iii) The Lenders' agreement to fund the Acquisition Advance subject to the Limited Funding Conditions is not intended (and should not be construed) as a waiver of any Disregarded Default existing at the time of such Acquisition Advance or of any of the Agents' or the Lenders' rights and remedies with respect thereto, all of which are hereby reserved and preserved in their entirety by the Agents and the Lenders.

The foregoing limited consent and limited waiver is limited to the Identified Acquisition as set forth herein and is not a commitment or agreement to grant any consent or waiver in the future.

2. Conditions Precedent.

The provisions of this Consent shall be effective as of the date on which all of the following conditions shall be satisfied:

(a) the Borrower, each Subsidiary Guarantor and each Foreign Subsidiary Borrower shall have delivered to the Agents an executed counterpart of this Consent; and

(b) the Agents and the Lenders shall have indicated their consent and agreement by executing this Consent.

3. Miscellaneous.

(a) *Ratification*. The terms and provisions set forth in this Consent shall modify and supersede all inconsistent terms and provisions set forth in the Original Credit Agreement and except as expressly modified and superseded by this Consent, the terms and provisions of the Original Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Borrower, the Foreign Subsidiary Borrowers, the Agents and the Lenders agree that the Original Credit Agreement as amended hereby and the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. For all matters arising prior to the effective date of this Consent, the Original Credit Agreement shall control.

(b) *Representations and Warranties*. The Borrower hereby represents and warrants to the Agents that the representations and warranties set forth in the Loan Documents, after giving effect to this Consent, are true and correct in all material respects (or all respects to the extent already qualified by materiality or the occurrence of a Material Adverse Effect) on and as of the date hereof, with the same effect as though made on and as of such date except with respect to any representations and warranties limited by their terms to a specific date. The Borrower further represents and warrants to the Agents and the Lenders that the execution and delivery of this Consent (i) are within the Borrower's and each Foreign Subsidiary Borrower's organizational power and authority; (ii) have been duly authorized by all necessary organizational action of the Borrower and each Foreign Subsidiary Borrower; (iii) is not in contravention of any provision of the Borrower's or any Foreign Subsidiary Borrower's organizational documents; (iv) do not violate any law or regulation, or any order or decree of any Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance required by, any material indenture, mortgage, deed of trust, lease, agreement or other material instrument to which either the Borrower or any Foreign Subsidiary Borrower is a party or by which Borrower, any Foreign Subsidiary Borrower or any of their property is bound. All representations and warranties made in this Consent shall survive the execution and delivery of this Consent.

(c) *Expenses of the Agent*. As provided in the Credit Agreement, the Borrower agrees to pay all reasonable costs and expenses incurred by the Agents in connection with the preparation, negotiation, and execution of this Consent, including without limitation, the reasonable costs and fees of the Agents' legal counsel.

(d) *Severability*. Any provision of this Consent held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Consent and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

(e) *Applicable Law*. This Consent shall be governed by and construed in accordance with the laws of the State of New York.

(f) *Successors and Assigns*. This Consent is binding upon and shall inure to the benefit of the Agents, the Lenders and the Borrower, the Foreign Subsidiary Borrowers and their respective successors and assigns.

(g) *Counterparts*. This Consent may be executed in one or more counterparts and on facsimile counterparts or other electronic transmission, as permitted under the Original Credit Agreement, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement.

(h) *Headings*. The headings, captions, and arrangements used in this Consent are for convenience only and shall not affect the interpretation of this Consent.

(i) *ENTIRE AGREEMENT*. THIS CONSENT EMBODIES THE ENTIRE AGREEMENT AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER THEREOF, AND SUPERSEDES ANY AND ALL PRIOR REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

(j) *Acknowledgement and Reaffirmation*. Each of the Borrower, as a guarantor, and Kadant Black Clawson LLC, Kadant International Holdings LLC and Kadant Johnson LLC (collectively, the "Subsidiary Guarantors" and together with the Borrower, the "Guarantors"), hereby acknowledges the consents granted pursuant to this Consent and reaffirms its guaranty of the Borrower Obligations and the Foreign Subsidiary Borrower Obligations (each as defined in the Guarantee) pursuant to that certain Amended and Restated Guarantee Agreement, dated as of March 1, 2017 (as amended, supplemented or otherwise modified from time to time, the "Guarantee"), among the Guarantors and the Administrative Agent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

KADANT INC.

By: /s/ Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

KADANT U.K. LIMITED

By: /s/ Jonathan W. Painter
Name: Jonathan W. Painter
Title: Director

KADANT CANADA CORP.

By: /s/ Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

Kadant JOHNSON EUROPE B.V.

By: /s/ Eric T. Langevin
Name: Eric T. Langevin
Title: Director

KADANT INTERNATIONAL LUXEMBOURG SCS

By: /s/ Stacy D. Krause
Name: Stacy D. Krause
Title: Manager

Kadant Luxembourg S.à r.l.

By: /s/ Roger Hoogeboom
Name: Roger Hoogeboom
Title: Class A Manager

By: /s/ Isabelle Evers
Name: Isabelle Evers
Title: Class B Manager

KADANT JOHNSON DEUTSCHLAND GmbH

By: /s/ Jonathan W. Painter
Name: Jonathan W. Painter
Title: Director

Subsidiary Guarantors:

Kadant Black Clawson LLC

By: /s/ Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

Kadant International Holdings LLC

By: Kadant Inc. Its Sole Member
By: /s/ Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

Kadant Johnson LLC

By: /s/ Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

CITIZENS BANK, N.A., as Administrative Agent and as a Lender

By: /s/ Michael Ozzella
Name: Michael Ozzella
Title: Assistant Vice President

CITIZENS BANK, N.A., as Multicurrency Administrative Agent and as a Lender

By: /s/ Michael Ozzella
Name: Michael Ozzella
Title: Assistant Vice President

CITIZENS BANK, N.A., as a Lender

By: /s/ Michael Ozzella
Name: Michael Ozzella
Title: Assistant Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ David M. Crane
Name: David M. Crane
Title: Senior Vice President

U.S. BANK, NATIONAL ASSOCIATION

By: /s/ Kenneth R. Fieler
Name: Kenneth R. Fieler
Title: Vice President

HSBC BANK USA, N.A.

By: /s/ Sacha Stein
Name: Sacha Stein
Title: Vice President

SANTANDER BANK, N.A.

By: /s/ Karen Ng
Name: Karen Ng
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Brian Keenan
Name: Brian Keenan
Title: Vice President

HSBC BANK CANADA

By: /s/ Leonard Mortimore
Name: Leonard Mortimore
Title: Country Head of ISB

By: /s/ Graham Carroll
Name: Graham Carroll
Title: AVP

Exhibit 10.25

SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Second Amendment"), dated as of December 14, 2018 and, made by and among KADANT INC., a Delaware corporation (the "Borrower"), the Subsidiary Guarantors parties hereto, the Foreign Subsidiary Borrowers parties hereto, the several banks and other financial institutions or entities parties hereto (the "Lenders"), CITIZENS BANK, N.A., as administrative agent (the "Administrative Agent") and CITIZENS BANK, N.A., as multicurrency administrative agent (the "Multicurrency Administrative Agent"; together with the Administrative Agent, the "Agents").

Background

The Borrower, the Subsidiary Guarantors, the Foreign Subsidiary Borrowers, the Agents and the Lenders entered into an Amended and Restated Credit Agreement dated as of March 1, 2017 as amended by that certain First Amendment dated as of May 24, 2017 and that certain Limited Consent dated as of December 9, 2018 (the "Original Credit Agreement"), as amended by this Second Amendment and as further amended, modified or supplemented from time to time, the "Credit Agreement".

The Borrower has informed the Agents and the Lenders that it or its Subsidiaries intends to acquire all of the Capital Stock of one or more entities that have been identified to the Agents (the "Acquisition Target") (and delivered a copy of an Equity Purchase Agreement regarding such transaction dated December 9, 2018 (the "Purchase Agreement")) through the Borrower or one or more of the Borrower's wholly-owned subsidiaries (individually, and collectively, the "Kadant Purchaser") (such acquisition transaction, the " Identified Acquisition") which Identified Acquisition shall be funded, in part, with Loans to be advanced under the Credit Agreement (such extension of credit by the Lenders, the "Acquisition Advance").

The Borrower has requested that the Agents and the Lenders amend the Original Credit Agreement to increase the Revolving Commitments from $300,000,000 to $400,000,000 and to make additional changes to the Original Credit Agreement.

Capitalized terms not defined herein shall have the meanings given such terms in the Original Credit Agreement. This Second Amendment constitutes a Loan Document for all purposes under the Credit Agreement and the other Loan Documents.

NOW, THEREFORE, in consideration of the promises and the agreements, provisions and covenants herein contained, the Borrower, the Subsidiary Guarantors, the Foreign Subsidiary Borrowers, the Agents and the Lenders hereby agree as follows:

1. Amendments to Original Credit. Subject to the terms and conditions herein contained and in reliance on the representations and warranties of the Borrower herein contained, effective upon satisfaction of the conditions precedent contained in Section 2 below, the following amendments are incorporated into the Original Credit Agreement:

(A) The definition of "CDOR Rate" in Section 1.1 of the Original Credit Agreement is hereby amended by adding the phrase "; provided that, in no event shall the CDOR Rate be less than 0%" at the end of such definition.

(B) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "Consolidated Total Debt" and to insert the following in lieu thereof:

'"Consolidated Total Debt": as of any date of determination, the aggregate principal amount of all Indebtedness (other than any Indebtedness described in clauses (f) (to the extent paid on a current basis only), (h) and (i) of the definition thereof) of the Borrower and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP, provided, (i) to the extent the PAAL Lease is treated, for United States GAAP accounting purposes (as in effect on the Effective Date), as a capital lease, the PAAL Lease Obligations will be excluded from Indebtedness in such calculation up to an aggregate amount of 4,000,000 euros, and (ii) to the extent the Syntron Leases are treated, for United States GAAP accounting purposes (as in effect on the Effective Date), as a capital lease, the Syntron Lease Obligations will be excluded from Indebtedness in such calculation up to an aggregate amount of $17,000,000."

(C) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "Documentation Agents" and to insert the following in lieu thereof:

"Documentation Agents": HSBC Bank USA, National Association, HSBC Bank Canada, Santander Bank, N.A., and U.S. Bank National Association.

(D) Section 1.1 of the Original Credit Agreement is hereby amended to add the following text "or Chinese bankers acceptance drafts" at the end of clause (f) of the definition of "Indebtedness;"

(E) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "Joint Lead Arrangers" and to insert the following in lieu thereof:

"Joint Lead Arrangers": Citizens Bank, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners.

(F) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "L/C Commitment" and to insert the following in lieu thereof:

""L/C Commitment": $80,000,000. The L/C Commitment is part of, and not in addition to, the Revolving Commitment."

(G) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "LIBOR Rate" and to insert the following in lieu thereof:

> ""LIBOR Rate": with respect to any LIBOR Loan, other than a LIBOR Loan based upon the CDOR Rate, for any applicable Interest Period including for any applicable Foreign Currency, the offered rate for deposits of U.S. Dollars for a term coextensive with the designated interest period that the ICE Benchmark Administration (or any successor administrator of LIBOR rates) fixes as its LIBOR rate as of 11:00 a.m. London time on the day that is two (2) London Business Days prior to the beginning of such Interest Period; provided that, in no event shall the LIBOR Rate be less than 0%. In the event the LIBOR Rate is no longer available, (a) the Administrative Agent may in its discretion establish an alternate rate of interest to the LIBOR Rate (and adjust the applicable margin) that gives due consideration to the then prevailing market convention in the United States at such time for determining a rate of interest for loans of this type made to borrowers domiciled in the United States, applied in a manner determined by the Administrative Agent to be consistent with such then prevailing market convention and (b) the Administrative Agent and the Borrower shall negotiate in good faith any amendments to the Loan Documents as may be necessary and appropriate to effectively implement any such alternative rate of interest. Notwithstanding anything to the contrary herein contained regarding amendments to the Loan Documents, any such amendment entered into by the Administrative Agent and the Borrower shall become effective without any further action or consent of any other party to the Loan Documents so long as the Administrative Agent shall not have received, within five

(5) Business Days of the date a draft of such amendment is provided to the Lenders for review, a written notice from the Required Lenders stating that such Lenders object to such amendment."

(H) Section 1.1 of the Original Credit Agreement is hereby amended to add the following definition in alphabetical order:

""Material Acquisition Certificate" means a certificate executed by a Responsible Officer designating an Acquisition as a Material Acquisition for purposes of Section 7.1(a)."

(I) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "Multicurrency Sublimit" and to insert the following in lieu thereof:

""Multicurrency Sublimit": $250,000,000, which shall part of and included in the Revolving Commitment."

(J) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in clause (e) of the definition of "Permitted Acquisition" and to insert the following in lieu thereof:

"(e) if such acquisition is a Material Acquisition, (i) the Borrower's Consolidated Leverage Ratio for the most recent Reference Period ended prior to the date of such acquisition and calculated to the extent applicable, (after giving effect to any pro forma adjustment made pursuant to the second sentence of the definition of Consolidated EBITDA) as if such acquisition had occurred on the first day of such Reference Period, shall not exceed 0.25:1.00 below the otherwise applicable Consolidated Leverage Ratio (after giving effect to any increase under Section 7.1(a)), and (ii) the Borrower shall have demonstrated to the Administrative Agent compliance with clause (i) above, together with such supporting documentation as the Administrative Agent may reasonably request, no later than five (5) days prior to the consummation of any such acquisition and the assumption and/or incurrence of any Indebtedness in connection therewith,"

(K) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "Permitted Unrestricted Cash" and to insert the following in lieu thereof:

""Permitted Unrestricted Cash": means 100% of unrestricted cash and Cash Equivalents of the Borrower or any of its Subsidiaries on deposit or invested in a country where Borrower or any of its Subsidiaries has business operations which the Borrower or any of its Subsidiaries may withdraw without restriction, up to an aggregate amount of $30,000,000."

(L) Section 1.1 of the Original Credit Agreement is hereby amended to delete the table in the definition of "Pricing Grid" and to insert the following in lieu thereof:

Level	Consolidated Leverage Ratio	Commitment (bps)	LIBOR (bps)	Base Rate (bps)
I	≥ 3.5x	35.0	225.0	125.0
II	≥ 3.0x	30.0	200.0	100.0
III	≥ 2.5x	25.0	175.0	75.0
IV	≥ 2.0x	20.0	150.0	50.0
V	≥ 1.0x	17.5	125.0	25.0
VI	< 1.0x	12.5	100.0	—

(M) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of "Revolving Commitment" and to insert the following in lieu thereof:

““Revolving Commitment”: as to any Lender, the obligation of such Lender, if any, to make Revolving Loans (which includes Multicurrency Revolving Loans and participate in Swingline Loans and Letters of Credit (which includes Multicurrency L/C Obligations) in an aggregate principal and/or face amount not to exceed the amount set forth under the heading “Total Revolving Commitment” opposite such Lender’s name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the Total Revolving Commitments on the Second Amendment Effective Date is $400,000,000.”

(N) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of “Revolving Termination Date” and to insert the following in lieu thereof:

““Revolving Termination Date”: December 14, 2023 unless sooner terminated in accordance with the terms hereof.”

(O) Section 1.1 of the Original Credit Agreement is hereby amended to add the following new definition:

““Second Amendment Effective Date”: the date all of the conditions precedent in that certain Second Amendment to Amended and Restated Credit Agreement dated as of December 14, 2018, entered into among the Agents, the Lenders, the Borrower, the Foreign Subsidiary Borrowers and the Subsidiary Guarantors, are satisfied. “

(P) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of “Syndication Agent” and to insert the following in lieu thereof:

“Syndication Agent”: means collectively, Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A.

(Q) Section 1.1 of the Original Credit Agreement is hereby amended to delete the text in the definition of “Swingline Commitment” and to insert the following in lieu thereof:

“ “Swingline Commitment”: the obligation of the Swingline Lender to make Swingline Loans pursuant to Section 2.3 in an aggregate principal amount at any one time outstanding not to exceed $7,500,000.”

(R) Section 1.1 of the Original Credit Agreement is hereby amended to add the following definitions in alphabetical order:

““Syntron Leases”: means that certain Lease Agreement dated June 5, 2014 between Store Capital Acquisitions, LLC, a Delaware LLC and Syntron Material Handling, LLC, a Delaware LLC for the lease of property at 2730 Highway 145 South, Saltillo, Mississippi 38866, and any other capital lease agreement to which Syntron Material Handling or its subsidiaries is a party at the time it or the applicable subsidiary becomes a Subsidiary of Kadant.”

““Syntron Lease Obligations”: means all obligations of the Borrower and its Subsidiaries arising under or in connection with the Syntron Leases.”

(S) Schedule 1.1 of the Original Credit Agreement is hereby deleted and the Schedule 1.1 attached to this Second Amendment is inserted in lieu thereof.

(T) Section 1.3(b) of the Original Credit Agreement is hereby amended to delete the text “real estate” in the last sentence thereof and replacing it with “capital”.

(U) Section 1.9 of the Original Credit Agreement is hereby amended by adding the words "or the Applicable Margin" after the words "in Section 7.1" in the parenthetical in the penultimate sentence thereof.

(V) (Section 2.22(b) of the Original Credit Agreement is hereby amended by deleting the last sentence thereof and replacing it with the following:

> ""Notwithstanding anything to the contrary herein, the aggregate amount of all Incremental Revolving Commitment Increases shall not exceed $150,000,000."

(W) Section 6.7(e) of the Original Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

> "(e) promptly after the Borrower or any of its Subsidiaries obtains knowledge thereof, any material addition or material change to a Sharing Agreement the Borrower or any of its Subsidiaries have entered into."

(X) Section 7.1(a) of the Original Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

> "(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to exceed 3.75 to 1.00. Notwithstanding the foregoing, following the delivery of a Material Acquisition Certificate, the maximum Consolidated Leverage Ratio shall be increased to 4.00 to 1.00 for the fiscal quarter during which a Material Acquisition occurs and for the first full three fiscal quarters thereafter (a "Leverage Ratio Holiday"); provided that following the end of any Leverage Ratio Holiday, the Borrower must demonstrate compliance with the covenant level set forth in the first sentence of this Section 7.1(a) for at least one full fiscal quarter before it can commence another Leverage Ratio Holiday."

(Y) Section 7.2(j) of the Original Credit Agreement is hereby amended by deleting "$25,000,000" and replacing it with "$35,000,000"

(Z) Section 7.2 of the Original Credit Agreement is hereby amended by deleting clause (k) and replacing it with the following:

"(k) (i) Indebtedness in respect of additional standby letter of credit and bank guarantee facilities in an aggregate amount not to exceed $50,000,000; and (ii) Indebtedness in respect of China banker acceptance drafts in an aggregate amount not to exceed $15,000,000;"

(AA) Section 7.2(l) of the Original Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

"(l) Unsecured Indebtedness up to an aggregate principal amount of $125,000,000, minus the principal amounts outstanding under Section 7.2(m), at any time outstanding pursuant to which the holder of such Indebtedness (or a representative thereof) enters into a Sharing Agreement provided if such unsecured Indebtedness is entered into solely as a Limited Condition Financing a Sharing Agreement is not required ;"

(BB) Section 7.6(c) of the Original Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

> "(c) so long as no Default or Event of Default shall have occurred and be continuing, the Borrower may pay dividends and repurchase its Capital Stock or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of its Capital Stock; provided that at the time of the payment of such dividends or the making of such repurchase, and after giving effect thereto, the Borrower's Consolidated Leverage Ratio for the most recent Reference Period ended prior to the date of such payment of dividends or

the making of such repurchase and calculated as if such payment of dividends or making of such repurchase had occurred on the first day of such Reference Period, shall be equal to or less than the Consolidated Leverage Ratio then in effect under Section 7.1(a); and"

(CC) Section 9.1 of the Original Credit Agreement is hereby amended by adding the following sentence after the first sentence thereof:

"Each Lender (a) hereby irrevocably designates and appoints the Agents as the agents of such Lender to enter into and execute, on its behalf, a sharing agreement, substantially in the form of Exhibit K, (b) hereby authorizes and consents to the Administrative Agent acting under and with respect to any such Sharing Agreement, and (c) agrees to be bound by the terms of such Sharing Agreement."

The foregoing amendments are limited to those set forth herein and is not a commitment or agreement to grant any amendment in the future.

2. Conditions Precedent.

The provisions of this Second Amendment shall be effective as of the date on which all of the following conditions shall be satisfied:

(a) the Borrower, each Subsidiary Guarantor and each Foreign Subsidiary Borrower shall have delivered to the Agents an executed counterpart of this Second Amendment;

(b) the Agents and the Lenders shall have indicated their consent and agreement by executing this Second Amendment; and

(c) the Borrower shall have paid all of the Agents' fees and expenses and all amounts required under that certain fee letter dated as of November 28, 2018 between the Administrative Agent and the Borrower.

3. Miscellaneous.

(a) *Ratification*. The terms and provisions set forth in this Second Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Original Credit Agreement and except as expressly modified and superseded by this Second Amendment, the terms and provisions of the Original Credit Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Borrower, the Subsidiary Guarantors, the Foreign Subsidiary Borrowers, the Agents and the Lenders agree that the Original Credit Agreement as amended hereby and the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with their respective terms. For all matters arising prior to the effective date of this Second Amendment, the Original Credit Agreement (as unmodified by this Second Amendment) shall control.

(b) *Representations and Warranties*. The Borrower hereby represents and warrants to the Agents that the representations and warranties set forth in the Loan Documents, after giving effect to this Second Amendment, are true and correct in all material respects (or all respects to the extent already qualified by materiality or the occurrence of a Material Adverse Effect) on and as of the date hereof, with the same effect as though made on and as of such date except with respect to any representations and warranties limited by their terms to a specific date. The Borrower further represents and warrants to the Agents and the Lenders that the execution and delivery of this Second Amendment (i) are within the Borrower's, each Subsidiary Guarantor's and each Foreign Subsidiary Borrower's organizational power and authority; (ii) have been duly authorized by all necessary organizational action of the Borrower, each Subsidiary Guarantor and each Foreign Subsidiary Borrower; (iii) is not in contravention of any provision of the Borrower's, any Subsidiary Guarantor's or any Foreign Subsidiary Borrower's Organizational Documents; (iv) do not violate any law or regulation, or any order or decree of any Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance

required by, any material indenture, mortgage, deed of trust, lease, agreement or other material instrument to which either the Borrower, any Subsidiary Guarantor or any Foreign Subsidiary Borrower is a party or by which Borrower, any Subsidiary Guarantor, any Foreign Subsidiary Borrower or any of their property is bound. All representations and warranties made in this Second Amendment shall survive the execution and delivery of this Second Amendment.

(c) *Expenses of the Agent*. As provided in the Credit Agreement, the Borrower agrees to pay all reasonable costs and expenses incurred by the Agents in connection with the preparation, negotiation, and execution of this Second Amendment, including without limitation, the reasonable costs and fees of the Agents' legal counsel.

(d) *Severability*. Any provision of this Second Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Second Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

(e) *Applicable Law*. This Second Amendment shall be governed by and construed in accordance with the laws of the State of New York.

(f) *Successors and Assigns*. This Second Amendment is binding upon and shall inure to the benefit of the Agents, the Lenders and the Borrower, the Subsidiary Guarantors, the Foreign Subsidiary Borrowers and their respective successors and assigns.

(g) *Counterparts*. This Second Amendment may be executed in one or more counterparts and on facsimile counterparts or other electronic transmission, as permitted under the Original Credit Agreement, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement.

(h) *Headings*. The headings, captions, and arrangements used in this Second Amendment are for convenience only and shall not affect the interpretation of this Second Amendment.

(i) *ENTIRE AGREEMENT*. THIS SECOND AMENDMENT EMBODIES THE ENTIRE AGREEMENT AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER THEREOF, AND SUPERSEDES ANY AND ALL PRIOR REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

(j) *Acknowledgement and Reaffirmation*. Each of the Borrower, as a guarantor, and Kadant Black Clawson LLC, Kadant International Holdings LLC and Kadant Johnson LLC (collectively, the "Subsidiary Guarantors" and together with the Borrower, the "Guarantors"), hereby acknowledges the consents granted, and amendments effected, pursuant to this Second Amendment and reaffirms its guaranty of the Borrower Obligations and the Foreign Subsidiary Borrower Obligations (each as defined in the Guarantee) pursuant to that certain Amended and Restated Guarantee Agreement, dated as of March 1, 2017 (as amended, supplemented or otherwise modified from time to time, the "Guarantee"), among the Guarantors and the Administrative Agent.

(k) *Affirmation*. The parties to this Second Amendment agree and affirm that the terms of the Limited Consent Under Amended and Restated Credit Agreement dated December 9, 2018 among Borrower, the Subsidiary Guarantors party thereto, the Foreign Subsidiary Borrowers party thereto, the Lenders and the Agents apply to the Credit Agreement as amended by this Second Amendment.

(l) *Sharing Agreement*. The Lenders hereby direct the Agents to enter into, on their behalf, and consent to the Agents acting with respect to, the Sharing Agreement dated the date hereof among the Agents, PGIM, Inc. the Series A Purchasers (as defined therein), the Prudential Affiliates (as defined therein) and the Parity Debtholders (as defined therein), and agree to be bound by the terms thereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

KADANT INC.

By: /s/Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

KADANT U.K. LIMITED

By: /s/Jonathan W. Painter
Name: Jonathan W. Painter
Title: Director

KADANT CANADA CORP.

By: /s/Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

KADANT JOHNSON EUROPE B.V.

By: /s/Eric T. Langevin
Name: Eric T. Langevin
Title: Director

KADANT INTERNATIONAL LUXEMBOURG SCS

By: /s/Stacy D. Krause
Name: Stacy D. Krause
Title: Manager

KADANT LUXEMBOURG S.À R.L.

as the Foreign Subsidiary Borrower

By: /s/Roger A. Hoogeboom
Name: Roger A. Hoogeboom
Title: Class A Manager

By: /s/Florence Gerardy
Name: Florence Gerardy
Title: Class B Manager

KADANT JOHNSON DEUTSCHLAND GmbH

By: /s/Jonathan W. Painter
Name: Jonathan W. Painter
Title: Director

Subsidiary Guarantors:

Kadant Black Clawson LLC

By: /s/Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

Kadant International Holdings LLC

By: /s/Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

Kadant Johnson LLC

By: /s/Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

CITIZENS BANK, N.A., as Administrative Agent and as a Lender

By: /s/Michael Ozzella
Name: Michael Ozzella
Title: Assistant Vice President

CITIZENS BANK, N.A., as Multicurrency Administrative Agent and as a Lender

By: /s/Michael Ozzella
Name: Michael Ozzella
Title: Assistant Vice President

CITIZENS BANK, N.A., as a Lender

By: /s/Michael Ozzella
Name: Michael Ozzella
Title: Assistant Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/Daniel M. Grondin
Name: Daniel M. Grondin
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/Kenneth R. Fieler
Name: Kenneth R. Fieler
Title: Vice President

HSBC BANK USA, N.A.

By: /s/Joanna London
Name: Joanna London
Title: Vice President

SANTANDER BANK, N.A.

By: /s/Karen Ng
Name: Karen Ng
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/Brian Keenan
Name: Brian Keenan
Title: Vice President

HSBC BANK CANADA

By: /s/Leonard Mortimore
Name: Leonard Mortimore
Title: Country Head of ISB

By: /s/Douglas Remington
Name: Douglas Remington
Title: AVP

BANK OF AMERICA, N.A.

By: /s/Robert C. Megan
Name: Robert C. Megan
Title: Senior Vice President

Schedule 1.1

Lender	Total Revolving Commitment	Multicurrency
Citizens Bank, N.A.	$70,000,000	$43,750,000
Wells Fargo Bank, National Association	$70,000,000	$43,750,000
JPMorgan Chase Bank, National Association	$70,000,000	$43,750,000
HSBC Bank USA, N.A	$30,000,000	$18,750,000
HSBC Bank Canada	$20,000,000	$12,500,000
U.S. Bank National Association	$50,000,000	$31,250,000
Santander Bank, N.A.	$50,000,000	$31,250,000
Bank of America, N.A.	$40,000,000	$25,000,000
Total Allocation	$400,000,000	$250,000,000

Exhibit 10.28

Execution Version

KADANT INC.

MULTI-CURRENCY
NOTE PURCHASE AND PRIVATE SHELF AGREEMENT

DATED AS OF DECEMBER 14, 2018

$10,000,000 4.90% SERIES A SENIOR NOTES DUE DECEMBER 14, 2028

$115,000,000 (OR FOREIGN CURRENCY EQUIVALENT) PRIVATE SHELF FACILITY

TABLE OF CONTENTS

SCHEDULES & EXHIBITS

MULTI-CURRENCY NOTE PURCHASE
AND PRIVATE SHELF AGREEMENT

Kadant Inc.
One Technology Park Drive
Westford, MA 01866

As of December 14, 2018

PGIM, Inc.

Each of the Purchasers of Series A Notes listed in
the Purchaser Schedule hereto (each, a "**Series A Purchaser**")

Each Prudential Affiliate (as hereinafter defined)
which becomes bound by certain provisions of
this Agreement as hereinafter provided (together with the
Series A Purchasers, each a "**Purchaser**" and collectively, the "**Purchasers**")

c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036
Ladies and Gentlemen:

The undersigned, **KADANT INC**., a Delaware corporation (herein called the "**Company**"), hereby agrees with you as follows:

1. **AUTHORIZATION OF NOTES; DEFINED TERMS.**

1A. **Authorization of Issue of Series A Notes**. The Company will authorize the issue and sale of $10,000,000 aggregate principal amount of its 4.90% Series A Senior Notes due December 14, 2028 (together with any notes issued in substitution, replacement or exchange therefor pursuant to paragraph 12D, the "**Series A Notes**") to be issued at the Series A Closing. The Series A Notes shall be substantially in the form of Exhibit A-1 hereto.

1B. **Authorization of Issue of Shelf Notes**. The Company will authorize the issue of its additional senior promissory notes (together with any notes issued in substitution, replacement or exchange therefor pursuant to paragraph 12D, the "**Shelf Notes**") in the aggregate principal amount of up to $115,000,000 (including the equivalent thereof in the Available Currencies), to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than twelve (12) years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than ten (10) years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Note delivered pursuant to paragraph 2B(5), and to be substantially in the form of Exhibit A-2 attached hereto. The terms "**Note**" and "**Notes**" as used herein shall include each Series A Note and each Shelf Note delivered pursuant

to any provision of this Agreement and each Note delivered in substitution, replacement or exchange for any such Note pursuant to any such provision, as such Notes are amended, restated or otherwise modified from time to time. Notes which have (i) the same final maturity, (ii) the same principal prepayment dates, (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods, (vi) the same currency specification and (vii) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note's ultimate predecessor Note was issued), are herein called a "**Series**" of Notes.

1C. **Defined Terms**. Certain capitalized terms used in this Agreement are defined in paragraph 11 hereof; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. PURCHASE AND SALE OF NOTES.

2A. **Purchase and Sale of Series A Notes**. Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Series A Purchaser, and each Series A Purchaser will purchase from the Company, at the Closing provided for in paragraph 3A, Series A Notes in the principal amount specified opposite such Series A Purchaser's name in the Purchaser Schedule at the purchase price of 100% of the principal amount thereof. The Series A Purchasers' obligations hereunder are several and not joint obligations and no Series A Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

2B. **Purchase and Sale of Shelf Notes**.

2B(1). **Facility**. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential and Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the "**Facility**". At any time, $115,000,000 minus the sum of the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, and the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder (but the sale and purchase of which have not been cancelled hereunder) prior to such time, is herein called the "**Available Facility Amount**" at such time. For purposes of the preceding sentence, all aggregate principal amounts of Shelf Notes and Accepted Notes shall be calculated in Dollars with the aggregate amount of any Shelf Notes denominated or Accepted Notes to be denominated in any Available Currency other than Dollars being converted to Dollars at the rate of exchange used by Prudential to calculate the Dollar equivalent (the "**U.S. Dollar Equivalent**") at the time of the applicable Acceptance under paragraph 2B(5); the U.S. Dollar Equivalent shall be set forth in the Confirmation of Acceptance relating to such Accepted Notes. NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE OR A COMMITMENT BY THE COMPANY TO ISSUE NOTES EXCEPT FOLLOWING ACCEPTANCE OF ANY SERIES OF SHELF NOTES PURSUANT TO PARAGRAPH 2B(5).

2B(2). **Issuance Period**. Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) December 14, 2021 and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, written notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a New York Business Day, the New York Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the "**Issuance Period**".

2B(3). **Request for Purchase**. The Company may from time to time during the Issuance Period make requests for purchases of Shelf Notes (each such request being herein called a "**Request for Purchase**"). Each Request for Purchase shall be made to Prudential by telefacsimile or overnight delivery service, and shall (i) specify the currency (which shall be an Available Currency) of the Shelf Notes covered thereby, (ii) specify the aggregate principal amount of Shelf Notes covered thereby, which shall not be less than $10,000,000 (or its equivalent in another Available Currency) and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (iii) specify the principal amounts, final maturities (which shall not be greater than 12 years from the date of issuance), principal prepayment dates and amounts and interest payment periods (quarterly or semi-annually in arrears) of the Shelf Notes covered thereby, (iv) specify the use of proceeds of such Shelf Notes, (v) contain an undertaking that such proceeds will not be used for a Hostile Tender Offer, (vi) specify the proposed day for the closing of the purchase and sale of such Shelf Notes, which shall be a Business Day during the Issuance Period not less than 10 days and not more than 25 days after the making of such Request for Purchase (and which day may be advanced by mutual agreement of the Company and Prudential and may be modified by Prudential in its sole discretion as reasonably required by it to accommodate a purchase of Shelf Notes denominated in a currency other than Dollars), (vii) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Shelf Notes are to be transferred on the Closing Day for such purchase and sale, (viii) certify that the representations and warranties contained in paragraph 9 are true on and as of the date of such Request for Purchase (except for such representations and warranties as are made as of a date certain and as updated in the applicable Request for Purchase) and that there exists on the date of such Request for Purchase no Event of Default or Default, and (ix) be substantially in the form of Exhibit B attached hereto. Each Request for Purchase shall be in writing and shall be deemed made when received by Prudential.

2B(4). **Rate Quotes**. Not later than five Business Days after the Company shall have given Prudential a Request for Purchase pursuant to paragraph 2B(3), Prudential may, but shall be under no obligation to, provide to the Company by telephone or telefacsimile, in each case between 9:30 a.m. and 1:30 p.m. New York City local time (or such other time as Prudential may elect) interest rate quotes (which quotes will be for fixed interest rates only) for the several currencies, principal amounts, maturities, principal prepayment schedules, interest payment periods and Reinvestment Yield of Shelf Notes specified in such Request for Purchase (each such interest rate quote provided in response to a Request for Purchase herein called a "**Quotation**"). Each Quotation shall represent the interest rate per annum payable on the outstanding principal balance of such Shelf Notes at which Prudential or a Prudential Affiliate would be willing to purchase such Shelf Notes at 100% of the principal amount thereof and shall specify the time period (to be 2 minutes or such lesser or greater time agreed by Prudential in its sole discretion) within which the Company may elect to accept the Quotation (the "**Acceptance Window**").

2B(5). **Acceptance**. Within the Acceptance Window, an Authorized Officer of the Company may, subject to paragraph 2B(6), elect to accept on behalf of the Company a Quotation as to the aggregate principal amount of the Shelf Notes specified in the related Request for Purchase (each such Shelf Note being herein called an "**Accepted Note**" and such acceptance being herein called an "**Acceptance**"); provided, however that no Acceptance can be made with respect to any Quotation at any time prior to 9:30 a.m. or later

than 2:00 p.m. New York City local time. The day the Company notifies an Acceptance with respect to any Accepted Notes is herein called the "**Acceptance Day**" for such Accepted Notes. Any Quotation as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on any such expired Quotation. Subject to paragraph 2B(6) and the other terms and conditions hereof, the Company agrees to sell to a Prudential Affiliate, and Prudential agrees to cause the purchase by a Prudential Affiliate of, the Accepted Notes at 100% of the principal amount of such Notes, which purchase price shall be paid in the currency in which such Notes are to be denominated. As soon as practicable following the Acceptance Day, the Company, Prudential and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit C attached hereto (herein called a "**Confirmation of Acceptance**"). If the Company should fail to execute and return to Prudential within three Business Days following receipt thereof a Confirmation of Acceptance with respect to any Accepted Notes, Prudential may at its election at any time prior to its receipt thereof cancel the closing with respect to such Accepted Notes by so notifying the Company in writing.

2B(6). **Market Disruption**. Notwithstanding the provisions of paragraph 2B(5), any Quotation provided pursuant to paragraph 2B(4) shall expire if prior to the time an Acceptance with respect to such Quotation shall have been notified to Prudential in accordance with paragraph 2B(5): (i) in the case of any Shelf Notes to be denominated in Dollars, the domestic market for U.S. Treasury securities or derivatives shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the domestic market for U.S. Treasury securities or derivatives, or (ii) in the case of Shelf Notes to be denominated in another Available Currency, the market for bonds denominated in such Available Currency as shall be determined by Prudential to be relevant to its Quotation (which in the case of the Euro, shall be the German Bund) or the spot and forward currency market, the financial futures market or the interest rate swap market, in any such case shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading. No purchase or sale of Shelf Notes hereunder shall be made based on such expired Quotation. If the Company thereafter notifies Prudential of the Acceptance of any such Quotation, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company that the provisions of this paragraph 2B(6) are applicable with respect to such Acceptance.

2B(7). **Fees**.

(a) [Reserved.]

(b) **Delayed Delivery Fee**. If the closing of the purchase and sale of any Accepted Note is delayed for any reason beyond the original Closing Day for such Accepted Note, the Company shall pay the Purchaser which shall have agreed to purchase such Accepted Note, on the Cancellation Date or actual Closing Day of such purchase and sale, an amount (the "**Delayed Delivery Fee**") equal to

(i) in the case of an Accepted Note denominated in Dollars, the product of (1) the amount determined by Prudential to be the amount by which the bond equivalent yield per annum of such Accepted Note exceeds the investment rate per annum on an alternative Dollar investment of the highest quality selected by Prudential and having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day from time to time fixed for the delayed delivery of such Accepted Note, (2) the principal amount of such Accepted Note, and (3) a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of payment of such Delayed Delivery Fee, and the denominator of which is 360; and

(ii) in the case of an Accepted Note denominated in a currency other than Dollars:

(A) in the case that only the Dollar interest rate relevant to the determination of the coupon of such Accepted Note has been fixed, the amount equal to the product of (1) the difference between such Dollar interest rate and the investment rate per annum on an alternative Dollar investment of the highest quality selected by Prudential and having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day from time to time fixed for the delayed delivery of such Accepted Note, (2) the Dollar principal amount of the Notes for which such Dollar interest rate was fixed and (3) a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of payment of such Delayed Delivery Fee, and the denominator of which is 360; and

(B) in the case that the coupon on such Accepted Note has been fixed based upon the denominated currency of such Accepted Note, the sum of (1) the product of (x) the amount by which the bond equivalent yield per annum of such Accepted Note exceeds the arithmetic average of the Overnight Interest Rate on each day from and including the original Closing Day, (y) the principal amount of such Accepted Note, and (z) a fraction the numerator of which is equal to the number of actual days elapsed from and including the original Closing Day for such Accepted Note to but excluding the date of payment of such Delayed Delivery Fee, and the denominator of which is 365 and (2) the costs and expenses (if any) incurred by such Purchaser or its affiliates with respect to any interest rate, currency exchange or similar agreement entered into by the Purchaser or any such affiliate in connection with the delayed closing of such Accepted Notes.

In no case shall the Delayed Delivery Fee be less than zero. The Delayed Delivery Fee described in clause (i) and clause (ii)(A) above shall be paid in Dollars and the Delayed Delivery Fee described in clause (ii)(B) above shall be paid in the currency in which the Accepted Notes are denominated. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with paragraph 3C. Notwithstanding the foregoing, no Delayed Delivery Fee shall be payable in connection with the closing of the purchase and sale of any Accepted Note if the failure of the purchaser of such Accepted Note to fund on the original Closing Day for such Accepted Note results solely from the failure to timely satisfy either or both of the conditions precedent in paragraph 4B(3) and paragraph 4F(3) or the inability of the Purchasers to procure the funds necessary to purchase the Notes.

(c) **Cancellation Fee**. If the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if Prudential notifies the Company in writing under the circumstances set forth in the penultimate sentence of paragraph 3C that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being herein called the "**Cancellation Date**"), the Company shall pay the Purchaser which shall have agreed to purchase such Accepted Note in immediately available funds on the Cancellation Date an amount (the "**Cancellation Fee**") equal to

(i) in the case of an Accepted Note denominated in Dollars, the product of (1) the principal amount of such Accepted Note and (2) the quotient (expressed in decimals) obtained by dividing (y) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Note(s) on the Acceptance Day for such Accepted Note by (z) such bid price; and

(ii) in the case of an Accepted Note denominated in a currency other than Dollars, the sum of:

(A) the product of (1) the principal amount of such Accepted Note and (2) the quotient (expressed in decimals) obtained by dividing (y) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Note(s) on the Acceptance Day for such Accepted Note by (z) such bid price; plus

(B) if the coupon with respect to such Accepted Note has been fixed based upon the currency of such Accepted Note, the aggregate of all unwinding costs incurred by such Purchaser or its affiliates on positions executed by or on behalf of such Purchaser or such affiliates in connection with the proposed lending in such currency and fixing the coupon in such currency, provided, however, that any gain realized upon the unwinding of any such positions shall be offset against any such unwinding costs; such positions include (without limitation) currency and interest rate swaps, futures and forwards, government bond (including U.S. Treasury bond) hedges and currency exchange contracts, all of which may be subject to substantial price volatility. Such costs may also include (without limitation) losses incurred by such Purchaser or its affiliates as a result of fluctuations in exchange rates. All unwinding costs incurred by such Purchaser shall be determined by Prudential or its affiliate in accordance with generally accepted financial practice.

In no case shall the Cancellation Fee be less than zero. Notwithstanding the foregoing, no Cancellation Fee shall be payable in connection with the closing of the purchase and sale of any Accepted Note if the cancellation of the closing of the purchase and sale of such Accepted Note results solely from the failure to timely satisfy either or both of the conditions precedent in paragraph 4B(3) and paragraph 4F(3) or from the inability of the applicable Purchasers to procure the funds necessary to purchase the Notes.

3. **CLOSING.**

3A. **Series A Closing**. The sale and purchase of the Series A Notes to be purchased by each Series A Purchaser shall occur at the offices of Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036-6745, at 12:00 p.m., Eastern time, at a closing (the "Series A Closing") on December 14, 2018 or such other Business Day thereafter on or prior to [December 27, 2018] as may be agreed upon by the Company and the Series A Purchasers (the day of the Series A Closing hereinafter referred to as the "Series A Closing Day"). At the Series A Closing, the Company will deliver to each Series A Purchaser the Series A Notes to be purchased by such Series A Purchaser in the form of a single Series A Note (or such greater number of Series A Notes in denominations of at least $[___] as such Series A Purchaser may request), dated the date of the Series A Closing and registered in such Series A Purchaser's name (or in the name of its nominee), against delivery by such Series A Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds as set forth on Schedule 3. If at the Series A Closing the Company shall fail to tender such Series A Notes as provided above in this paragraph 3A, or any of the conditions specified in paragraph 4A

shall not have been fulfilled to the satisfaction of any Series A Purchaser, such Series A Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights it may have by reason of such failure or such nonfulfillment. The Series A Closing and each Shelf Closing are hereafter sometimes referred to as a "Closing".

3B. **Facility Closings**. Not later than 12:00 p.m., Eastern time, on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto, at the offices of the Prudential Capital Group at the address set forth on the first page of this Agreement, or at such other place pursuant to the directions of Prudential, the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on the Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account specified in the Request for Purchase of such Notes.

3C. **Rescheduled Facility Closings**. If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in paragraph 3B, or any of the conditions specified in paragraph 4B shall not have been fulfilled by the time required on such scheduled Closing Day (unless fulfillment of such conditions is waived in writing by the Purchasers which shall have agreed to purchase such Accepted Notes), the Company shall, prior to 2:00 p.m., Eastern time, on such scheduled Closing Day, notify Prudential (which notification shall be deemed received by each Purchaser) in writing whether (i) such closing is to be rescheduled (Such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 10 Business Days after such scheduled Closing Day (the "Rescheduled Closing Day")) and certify to Prudential (which certification shall be for the benefit of each Purchaser) that the Company reasonably believes that it will be able to comply with the conditions set forth in paragraph 4B on such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with paragraph 2B(8)(b) or (ii) such closing is to be canceled. Notes shall have the same maturity date, principal prepayment dates and amounts and interest payment dates as originally scheduled. In the event that the Company shall fail to give such notice referred to in the second preceding sentence, Prudential (on behalf of each Purchaser) may at its election, at any time after 2 p.m., Eastern time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled. Notwithstanding anything to the contrary appearing in this Agreement, the Company may not elect to reschedule a closing with respect to any given Accepted Notes on more than one occasion, unless Prudential shall have otherwise consented in writing.

4. CONDITIONS OF CLOSINGS.

4A. **Conditions of Facility Effectiveness**. The obligation of Prudential and the Series A Purchasers to enter into this Agreement, the obligation of any Series A Purchaser to purchase any of the Series A Notes and the obligation of Prudential to make the Shelf Facility available to the Company is subject to the satisfaction, on or before the Series A Closing Day, of the following conditions:

4A(1). Prudential and each Series A Purchaser shall have received the following fully executed documents, each dated the Series A Closing Day, in form and substance satisfactory to Prudential and the Series A Purchasers:

(a) this Agreement;

(b) the Series A Notes to be purchased by such Series A Purchaser;

(c) the Guaranty Agreement, in the form attached hereto as Exhibit D (as amended, restated or otherwise modified (including by any joinder) from time to time, the "**Subsidiary Guaranty**");

(d) the Sharing Agreement in the form attached hereto as Exhibit E; and

(e) copies of the Bank Credit Agreement, all amendments thereto, and such other documentation relating thereto as Prudential shall reasonably request; and

4A(2). A private placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Series A Notes to be issued on the Series A Closing Day;

4A(3). The purchase of and payment for the Series A Notes to be purchased by such Series A Purchaser on the Series A Closing Day on the terms and conditions herein provided (including the use of the proceeds of the Series A Notes issued on the Series A Closing Day) shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject any Series A Purchaser to any tax, penalty, liability or other onerous condition under or pursuant to any applicable law or regulation and such Series A Purchaser shall have received such certificates or other evidence as it may request to establish compliance with this condition.

4A(4). The Company shall have performed and complied with paragraphs 4C through 4I inclusive.

4B. **Conditions to each Closing of the Purchase and Sale of Shelf Notes**
. The obligation of each Purchaser to purchase and pay for any Accepted Notes is subject to the satisfaction, on or before the applicable Closing Day for such Notes, of the following conditions set forth in this paragraph 4B:

4B(1). Each Purchaser shall have received the following fully executed documents, each dated the date of the applicable Closing Day, in form and substance satisfactory to such Purchaser:

(a) the Shelf Note(s) to be purchased by such Purchaser on such Closing Day; and

(b) a confirmation of subsidiary guaranty from each Subsidiary Guarantor in the form attached hereto as Exhibit F, with respect to the Shelf Notes being issued on such Closing Day (each, a "**Confirmation of Subsidiary Guaranty**").

4B(2). A private placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Shelf Notes to be issued on such Closing Day.

4B(3). The purchase of and payment for the Shelf Notes to be purchased by such Purchaser on such Closing Day on the terms and conditions herein provided (including the use of the proceeds of the Shelf Notes issued on such Closing Day) shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the

particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject any Purchaser to any tax, penalty, liability or other onerous condition under or pursuant to any applicable law or regulation and such Purchaser shall have received such certificates or other evidence as it may request to establish compliance with this condition.

4B(4). The Company shall have performed and complied with paragraphs 4C through 4I, inclusive.

4C. **Compliance Certificates.**

4C(1). **Officer's Certificate**. The Company shall have delivered to Prudential and the Series A Purchasers on the Series A Closing Day and to each other Purchaser of Shelf Notes on the applicable Closing Day an Officer's Certificate, dated the Series A Closing Day or applicable Closing Day, as the case may be, certifying that the conditions specified in paragraphs 4D and 4E have been fulfilled.

4C(2). **Company's Secretary's Certificates**. The Company shall have delivered to Prudential and the Series A Purchaser on the Series A Closing Day and to each other Purchaser of Shelf Notes on the applicable Closing Day a certificate of its secretary or assistant secretary, dated the Series A Closing Day or the applicable Closing Day, as the case may be, certifying as to, and attaching:

(a) the resolutions authorizing the execution and delivery of this Agreement and any documents or instruments related hereto, and the issuance of the Notes to be issued on the Series A Closing Day or such other Closing Day, as applicable, and authorizing the execution and delivery of all documents evidencing other necessary corporate (or equivalent) action and governmental approvals, if any, with respect to this Agreement, such Notes and any documents or instruments related thereto;

(b) a copy of its certificate of incorporation certified by the Delaware Secretary of State within 10 days of the Series A Closing Day or the relevant Closing Day, as the case may be;

(c) its bylaws; and

(d) the names, offices and specimen signatures of the officers of the Company executing documents;

provided that on any Closing Day with respect to (b) and (c) above such certificate may specify there have been no changes in such documents since the Series A Closing Day or a prior Closing Day on which such documents were delivered.

4C(3). **Subsidiary Guarantor Secretary's Certificates**. Each Subsidiary Guarantor shall have delivered to Prudential and the Series A Purchasers on the Series A Closing Day and to each other Purchaser on the applicable Closing Day a certificate of its secretary or assistant secretary, dated the Series A Closing Day or the applicable Closing Day, as the case may be, certifying as to, and attaching:

(a) the resolutions authorizing the execution and delivery of the Subsidiary Guaranty and any documents or instruments related thereto, and authorizing the execution and delivery of all documents evidencing other necessary corporate (or equivalent) action and governmental approvals, if any, with respect to the Subsidiary Guaranty and any documents or instruments related thereto;

(b) a copy of its certificate or articles of incorporation (or equivalent constitutive document) certified by the appropriate Governmental Authority of its jurisdiction of organization within 10 days of the Series A Closing Day or the relevant Closing Day, as the case may be;

(c) its bylaws (or other governing document); and

(d) the names, offices and specimen signatures of the officers of such Subsidiary Guarantor executing documents;

provided that on any Closing Day with respect to (b) and (c) above such certificate may specify there have been no changes in such documents since the Series A Closing Day or a prior Closing Day on which such documents were delivered.

4C(4). **Certificates of Legal Existence**. The Company shall have delivered a certificate of legal existence with respect to the Company and each Subsidiary Guarantor from the appropriate Governmental Authority of its jurisdiction of organization dated within 10 days of the Series A Closing Day or the relevant Closing Day, as the case may be.

4D. **Representations and Warranties**. The representations and warranties contained in this Agreement (as updated in connection with the issuance of Notes hereunder, as applicable, pursuant to the Request for Purchase delivered in connection with such issuance on the corresponding Closing Day) and in the Subsidiary Guaranty and those otherwise made in writing by or on behalf of any Obligor in connection with the transactions contemplated by this Agreement shall be true on and as of the Series A Closing Day and such Closing Day, as the case may be, except such representations and warranties made as of prior date certain and as updated pursuant to the applicable Request for Purchase.

4E. **Performance; No Default**. The Obligors shall have performed and complied with all agreements and conditions contained in this Agreement and the Subsidiary Guaranty required to be performed or complied with by them prior to or at the closing on such Closing Day or on the Series A Closing Day, as the case may be, and (a) in the case of any closing hereunder, after giving effect to the issue and sale of the Notes to be sold on such Closing Day (and the application of the proceeds thereof as contemplated by paragraph 9N) and (b) on the Series A Closing Day, after giving effect to the transactions contemplated hereby, in either such case, no Default or Event of Default shall have occurred and be continuing.

4F. **Opinions of Counsel**. Prudential and each Purchaser shall have received on the applicable Closing Day opinions in form and substance satisfactory to them, dated the applicable Closing Day, as the case may be, from

(i) Wilmer Cutler Pickering Hale and Dorr LLP, counsel for the Obligors, or other counsel selected by the Company and reasonably acceptable to Prudential, covering such matters specified on Exhibit G hereto (and the Obligors hereby instruct their counsel to deliver such opinion to Prudential or the Purchasers, as the case may be); and

(ii) Akin Gump Strauss Hauer & Feld LLP, special counsel to Prudential and the Purchasers, or other counsel selected by Prudential, covering such matters relating to such transactions as the Purchasers may reasonably request.

4G. **Payment of Fees**. The Company shall have paid to Prudential any fees due it pursuant to or in connection with this Agreement, including, on any Closing Day, any Delayed Delivery Fee due pursuant to paragraph 2B(7)(b).

4H. **Payment of Special Counsel Fees**. Without limiting the provisions of paragraph 12B, the Company shall have paid on or before the Series A Closing Day or the applicable Closing Day, as the case may be, the fees, charges and disbursements of the Purchasers' special counsel referred to in paragraph 4F(3) to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to such day.

4I. **Proceedings and Documents**. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

5. **PREPAYMENTS**. The Notes shall be subject to required prepayment as and to the extent provided in paragraph 5A. The Notes shall also be subject to prepayment under the circumstances set forth in paragraph 5B. Any prepayment made by the Company pursuant to any other provision of this paragraph 5 shall not reduce or otherwise affect its obligation to make any required prepayment as specified in paragraph 5A.

5A. Required Prepayments.

5A(1). **Series A Notes.** On December 14, 2023 and on each December 14 thereafter to and including December 14, 2028, the Company will prepay $1,670,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series A Notes at par and without payment of the Yield-Maintenance Amount or any premium; *provided* that upon any partial prepayment of the Series A Notes pursuant to paragraph 5B, the principal amount of each required prepayment of the Series A Notes becoming due under this paragraph 5A(1) on and after the date of such prepayment shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series A Notes is reduced as a result of such prepayment. The entire remaining unpaid principal balance of the Series A Notes shall be due and payable on December 14, 2028.

5A(2). **Shelf Notes.** Each Series of Shelf Notes shall be subject to the required prepayments, if any, set forth in the Notes of such Series.

5B. **Optional Prepayment With Yield-Maintenance Amount**. The Notes of each Series shall be subject to prepayment, in whole at any time or from time to time in part (in integral multiples of $100,000 and in a minimum amount of $1,000,000 or, in each case, in the equivalent of the currency in which the Notes of such Series are denominated), at the option of the Company, at 100% of the principal amount so prepaid plus interest thereon to the prepayment date and the Yield-Maintenance Amount, if any, with respect to each such Note. Any partial prepayment of a Series of the Notes pursuant to this paragraph 5B shall be applied pro rata among all of required payments of principal (including the required principal payment due out maturity) in respect of such Series of Notes.

5C. **Notice of Optional Prepayment**. The Company shall give the holder of each Note of a Series to be prepaid pursuant to paragraph 5B irrevocable written notice of such prepayment not less than 10 Business Days prior to the prepayment date, specifying such prepayment date, the aggregate principal

amount of the Notes of such Series to be prepaid on such date, the principal amount of the Notes of such Series held by such holder to be prepaid on that date and that such prepayment is to be made pursuant to paragraph 5B. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with interest thereon to the prepayment date and together with the Yield-Maintenance Amount, if any, herein provided, shall become due and payable on such prepayment date.

5D. **Application of Prepayment**. In the case of each prepayment of less than the entire unpaid principal amount of all outstanding Notes of any Series pursuant to paragraphs 5A or 5B, the amount to be prepaid shall be applied pro rata to all outstanding Notes of such Series.

5E. **Retirement of Notes**. The Company shall not, and shall not permit any of its Subsidiaries or Affiliates to, prepay or otherwise retire in whole or in part prior to their stated final maturity (other than by prepayment pursuant to paragraphs 5A or 5B or upon acceleration of such final maturity pursuant to paragraph 8A), or purchase or otherwise acquire, directly or indirectly, Notes of any Series held by any holder unless the Company or such Subsidiary or Affiliate shall have offered to prepay or otherwise retire or purchase or otherwise acquire, as the case may be, the same proportion of the aggregate principal amount of Notes of such Series held by each other holder of Notes of such Series at the time outstanding upon the same terms and conditions. Any Notes so prepaid or otherwise retired or purchased or otherwise acquired by the Company or any of its Subsidiaries or Affiliates shall not be deemed to be outstanding for any purpose under this Agreement.

6. **AFFIRMATIVE COVENANTS**. During the Issuance Period and so long thereafter as any Note is outstanding and unpaid, the Company covenants as follows:

6A. **Financial Statements; Notice of Defaults**. The Company covenants that it will deliver, by filing on EDGAR with respect to items 6A(i), (ii) and (iv), to Prudential and each holder that is an Institutional Investor of any Notes:

(i) as soon as practicable and in any event within 45 days after the end of each of the first three quarterly periods of each fiscal year of the Company, unaudited consolidated statements of income, and cash flows of the Company and its consolidated Subsidiaries for the period from the beginning of the current fiscal year to the end of such quarterly period, and an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, certified by an authorized financial officer of the Company as being fairly stated in all material respects (subject to normal year-end adjustments);

(ii) as soon as practicable and in any event within 90 days after the end of each fiscal year, consolidated statements of income, cash flows and shareholders' equity of the Company and its consolidated Subsidiaries for such year, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit prepared in accordance with GAAP and reported on by KPMG LLP or other independent public accountants of recognized national standing selected by the Company whose report shall be without a "**going concern**" or like qualification or exception or any limitation as to scope of the audit;

(iii) as soon as available, and in any event no later than 90 days after the end of each fiscal year of the Company, a summary consolidated forecast of the Company and its Subsidiaries for the following fiscal year;

(iv) within 5 days after transmission thereof, copies of all such financial statements and reports as it shall send to its public stockholders and copies of all financial statements and all reports which it files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission);

(v) promptly after the Company obtains knowledge thereof, written notice of the occurrence of (i) any addition of or change to a Creditor (as defined in the Sharing Agreement) under the Sharing Agreement, other than any holder of Notes, and (ii) any other material addition or material change to the Sharing Agreement;

(vi) prompt written notice of the occurrence of any of the following:

(A) any (1) default or event of default under any Contractual Obligation of the Company or any Subsidiary or (2) litigation, investigation or proceeding of which, in each case, the Company has knowledge, and that may exist at any time between the Company or any Subsidiary and any Governmental Authority, that in either case, would reasonably be expected to have a Material Adverse Effect;

(B) any litigation or proceeding affecting the Company or any Subsidiary (1) which has had, or would reasonably be expected to have, a Material Adverse Effect, (2) in which injunctive or similar relief is sought by any Governmental Authority, (3) in which injunctive or similar relief is sought by any Person (other than a Governmental Authority) unless such relief has not had or would not reasonably be expected to have a Material Adverse Effect or (4) which relates to any Financing Document;

(C) any of the following events, as soon as possible and in any event within 30 days after the Company knows or has reason to know thereof: (1) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (2) the institution of proceedings or the taking of any other action by the PBGC or the Company or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and

(D) any development or event that has had or could reasonably be expected to have a Material Adverse Effect; and

(vii) with reasonable promptness, such other financial and other information as such holder may reasonably request.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to each holder of any Notes an Officer’s Certificate demonstrating (with computations in reasonable detail) compliance by the Company and its Subsidiaries with the provisions of paragraphs 7A, 7B(2) and 7B(3) (and any financial covenant contained in any Most Favored Covenants incorporated herein pursuant to paragraph 7P that require computation to determine compliance) and stating that there exists no Event of Default or Default, or, if any Event of Default or Default exists, specifying the nature and period of existence thereof and what action the Company proposes to take with respect thereto.

The Company also covenants that promptly after any Responsible Officer obtains knowledge of an Event of Default or Default, it will deliver to Prudential and each holder of any Notes an Officer's Certificate specifying the nature and period of existence thereof and what action the Company proposes to take with respect thereto.

6B. **Information Required by Rule 144A**. The Company covenants that it will, upon the request of the holder of any Note, provide such holder, and any qualified institutional buyer designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to and in compliance with the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this paragraph 6B, the term "**qualified institutional buyer**" shall have the meaning specified in Rule 144A under the Securities Act.

6C. **Inspection of Property**. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary with reasonable prior notice but no more than once per calendar year; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

6D. **[Reserved.]**

6E**. Compliance with Law; Contractual Obligations**. The Company covenants that it will, and will cause each of its Subsidiaries to, comply (a) with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, environmental laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the conduct of their respective businesses, except as otherwise permitted under paragraph 7D, and (b) with all Contractual Obligations, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances, governmental rules, regulations or Contractual Obligations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

6F. **Insurance**. The Company covenants that it will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties against such risks (but including in any event public liability, product liability and business interruption),

and in such amounts as is customary in the case of entities engaged in the same or a similar business and similarly situated.

6G. **Maintenance of Existence**. The Company will, and will cause each of the Subsidiary Guarantors to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate existence, material rights, licenses, permits and franchises, except to the extent permitted under paragraphs 7D; provided that nothing in this paragraph shall prevent the abandonment, the failure to preserve, renew or maintain in full force in effect or the termination of the existence of any Subsidiary, or the rights, licenses, permits or franchises of any Subsidiary or the Company if such abandonment, failure or termination would not reasonably be expected to have a Material Adverse Effect.

6H. **Maintenance of Property**. The Company covenants that it will, and will cause each of its Subsidiaries to, at all times maintain and preserve all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

6I. **Payment of Obligations**. The Company covenants that it will, and will cause each of its Subsidiaries to, pay or discharge at or prior to maturity or before they become delinquent all of its respective taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property provided, however, that neither the Company nor any Subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such obligation (a) so long as the validity or amount thereof shall be subject to a Good Faith Contest or (b) where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

6J. **Books and Records**. The Company covenants that it will, and will cause each of its Subsidiaries to, keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities.

6K. **Environmental Laws**. The Company covenants that it will, and will cause each of its Subsidiaries to, (a) comply with, and ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply with and maintain, and ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except, in each such case, to the extent that the failure to so comply, or to ensure compliance or to obtain and maintain would not reasonably, individually, or in the aggregate, be expected to have a Material Adverse Effect and (b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws except to the extent that the failure to so conduct, complete, remediate, remove or take any other action would not reasonably, individually, or in the aggregate, be expected to have a Material Adverse Effect and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

6L. **Additional Subsidiary Guarantors**. With respect to any new Material Domestic Subsidiary created or acquired after the Series A Closing Day by the Company or any Subsidiary or with respect to any existing Domestic Subsidiary that becomes a Material Domestic Subsidiary after the Series A Closing Day by virtue of meeting the qualifications set forth in the definition of Material Subsidiary or with respect to any Domestic Subsidiary that becomes a guarantor or borrower in respect of the obligations under the Bank Credit Agreement and related documents, promptly, but in any event within fifteen (15) days after such creation, acquisition or qualification or of becoming such a guarantor or borrower, (i) cause such

Domestic Subsidiary (A) to become a party to the Subsidiary Guaranty by executing and delivering to each holder of Notes a joinder in the form attached to the Subsidiary Guaranty as Annex B and (B) to deliver to each holder of Notes the documents described in Annex 2 to such joinder. The holders of the Notes agree that if the Subsidiary Guarantors shall be released from their obligations under or in respect of the Bank Credit Agreement and so long as no Default or Event of Default then exists, the holders of Notes, upon receipt of a written request of the Company and evidence reasonably satisfactory to the Required Holders of such release in respect of the Bank Credit Agreement, will simultaneously with the release in connection with the Bank Credit Agreement take such actions and execute such documents which are necessary to terminate, release and discharge the Subsidiary Guarantors from their obligations under the Subsidiary Guaranty provided, however, that the holders will have no obligation to release the Subsidiary Guarantors pursuant to this sentence if in connection with the release of the Subsidiary Guarantors from their obligations under or in respect of the Bank Credit Agreement the Company or any of its Subsidiaries pays any consideration to the lenders under the Bank Credit Agreement in consideration of such release unless the holders of Notes are paid equivalent consideration for the release provided for in this sentence.

6M. **Reorganization**. Subject to the limitations set forth in paragraph 7G(g), the Company and its Subsidiaries shall be permitted to reorganize the property, assets and Subsidiaries acquired pursuant to any Permitted Acquisition in any manner that it deems necessary, including by Disposing of, or contributing, such assets, property or Subsidiaries to newly created or already existing Subsidiaries of the Company.

6N. **Material Contracts**. The Company covenants that it will, and will cause each of its Subsidiaries to, perform and observe all the terms and provisions of each Material Contract required to be performed or observed by it or any of its Subsidiaries, except, in any case, where the failure to do so, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

7. **NEGATIVE COVENANTS**. During the Issuance Period and so long thereafter as any Note or other amount due hereunder is outstanding and unpaid, the Company covenants as follows:

7A. **Financial Condition Covenants**.

(a) **Consolidated Leverage Ratio**. The Company will not permit the Consolidated Leverage Ratio as at the last day of each fiscal quarter of the Company to exceed 3.75 to 1.00.

Notwithstanding the foregoing, following the delivery of a Material Acquisition Certificate (which Material Acquisition Certificate shall be delivered prior to or concurrently with the compliance certificate referenced in paragraph 6A in respect of the fiscal quarter in which the applicable Material Acquisition occurs), the maximum Consolidated Leverage Ratio shall be increased to 4.00 to 1.00 for the fiscal quarter during which a Material Acquisition occurs and for the first full three fiscal quarters thereafter (each such period, an "**Increased Leverage Period**"); provided that (i) following the end of any Increased Leverage Period, the Company must demonstrate compliance with the covenant level set forth in the first sentence of this paragraph 7A(a) for at least one full fiscal quarter before it can commence another Increased Leverage Period, and (ii) during each Increased Leverage Period, the interest rate of each outstanding Note shall be increased by an amount equal to 0.25% per annum over the otherwise applicable rate of interest in respect of such Note immediately prior to giving effect to this clause (ii).

(b) **Consolidated Interest Coverage Ratio**. The Company will not permit the Consolidated Interest Coverage Ratio as at the last day of each fiscal quarter of the Company to be less than 3.00 to 1.00.

7B. **Indebtedness**.

7B(1). **General Limitation on Indebtedness**. The Company will not, and will not permit any Subsidiary to, create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except (but subject to paragraphs 7B(2) and 7B(3):

(a) Indebtedness of any Obligor pursuant to any Financing Document;

(b) subject to paragraph 7G(g), Indebtedness of the Company owing to any Subsidiary and of any Subsidiary owing to the Company or any other Subsidiary;

(c) Investments permitted by paragraph 7G;

(d) subject to paragraph 7G(g), Guarantee Obligations by (i) the Company or any Subsidiary of obligations of any Subsidiary, and (ii) any Subsidiary of the obligations of the Company;

(e) Indebtedness outstanding on the Series A Closing Day and listed on Schedule 7B(1)(e) and any refinancings, refundings, renewals or extensions thereof;

(f) Indebtedness arising under any Swap Agreements permitted by paragraph 7J;

(g) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by paragraph 7C(h) in an aggregate principal amount that at the time of, and after giving effect to, the incurrence thereof, would not exceed 5% of Consolidated Total Assets as of the end of the fiscal quarter immediately prior to the date of such incurrence for which financial statements have been delivered (or filed on EDGAR) pursuant to paragraph 6A (or if not required to be delivered or filed thereunder, filed with the SEC) and any refinancings, refundings, renewals or extensions thereof (without increasing, or shortening the maturity of, the principal amount thereof);

(h) Indebtedness of a Person that becomes a Subsidiary after the Series A Closing Day as the result of a Permitted Acquisition; provided that such Indebtedness existed at the time such Person became a Subsidiary and was not created in anticipation of, in contemplation of or in connection with such Person becoming a Subsidiary;

(i) Indebtedness of the Company or any Subsidiary as an account party in respect of documentary trade letters of credit and/or bank guarantees;

(j) Indebtedness of the Company or any Subsidiary secured by mortgages of and/or security interests in any real property or related tangible personal property or incurred in connection with Permitted Sale Leasebacks; provided that the aggregate principal amount of Indebtedness permitted by this clause (j) and, without duplication, the outstanding amount with respect to the aggregate proceeds (whether or not capitalized) received in connection with all Permitted Sale Leasebacks consummated during the term of this Agreement shall not exceed $35,000,000 at any one time outstanding;

(k) (i) Indebtedness in respect of additional standby letter of credit and bank guarantee facilities in an aggregate amount not to exceed $50,000,000; and (ii) Indebtedness in respect of China banker acceptance drafts in an aggregate amount not to exceed $15,000,000;

(l) unsecured Indebtedness pursuant to which the holder of such Indebtedness (or a representative thereof) agrees to enter into the Sharing Agreement and which Indebtedness is subject to the sharing provisions of Section 3 of the Sharing Agreement referred to in clause (a) of the definition thereof (or any similar provisions in any Sharing Agreement executed after the date hereof);

(m) unsecured Indebtedness in an aggregate principal amount that, at the time of, and after giving effect to, the incurrence thereof, would not exceed the sum of $15,000,000 plus 10% of Consolidated Total Assets as of the end of the fiscal quarter immediately prior to the date of such incurrence for which financial statements have been delivered pursuant to paragraph 6A (or if not required to be delivered or filed thereunder, filed with the SEC), immediately prior to the date of such incurrence;

(n) additional Indebtedness of the Company or any of its Subsidiaries in an aggregate principal amount (for the Company and all Subsidiaries) not to exceed $5,000,000 at any one time outstanding;

(o) Subordinated Indebtedness of the Company or any of its Subsidiaries;

(p) Indebtedness owed in respect of any services covered by cash management agreements and any other Indebtedness in respect of netting services, business credit card programs, overdraft protection and other treasury, depository and cash management services or incurred in connection with any automated clearing-house transfers of funds or any cash pooling arrangement, and to the extent constituting Indebtedness, obligations arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; and

(q) a bilateral guidance line or other financial accommodation regarding the issuance of letters of credit with Citizens Bank, N.A. and/or an Affiliate thereof, in an original principal amount of up to $5,000,000.

The holders of Notes agree that if at any time any provision of the Bank Credit Agreement corresponding to any of subparagraphs (e), (g), (h), (j), (k), (n) or (q) of this paragraph 7B (or any definition, to the extent used therein) is amended to make such provision less restrictive on the Company and its Subsidiaries than such provision is on the Series A Closing Day, then, so long as no Default or Event of Default shall then exist and be continuing, this Agreement shall be, and shall be deemed to be, automatically amended to make such changes as are required to conform such subparagraphs (or definitions) to the corresponding provisions (or definitions) in the Bank Credit Agreement. Upon the written request of any holder of Notes or the Company, the parties hereto shall promptly enter into a written amendment to formalize such changes.

7B(2). **Limitation on Priority Indebtedness**.

The Company will not at any time permit Priority Indebtedness to exceed 25% of Consolidated Total Assets as at the end of the fiscal quarter of the Company most recently ended at such time.

7C. **Liens**. The Company will not, and will not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired (unless it makes, or causes to be made, effective provision whereby the Notes will be equally and ratably secured with any and all other obligations thereby secured, such security to be pursuant to documentation (including with respect to intercreditor arrangements) reasonably acceptable to Required Holder), except:

(a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the Company or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;

(c) pledges, deposits, preferences or priority in connection with workers' compensation, unemployment insurance and other social security or employment legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries;

(f) judgment liens in respect of judgments that do not constitute an Event of Default under clause (viii) of paragraph 8;

(g) Liens in existence on the Series A Closing Day listed on Schedule 7C(g), securing Indebtedness permitted by paragraph 7B(1)(e); provided that no such Lien is spread to cover any additional property after the Series A Closing Day and the amount of Indebtedness secured thereby is not increased;

(h) Liens securing Indebtedness of the Company or any other Subsidiary incurred pursuant to paragraph 7B(l)(g) to finance the acquisition, construction or improvement of fixed or capital assets, and any refinancing or replacement, of such Indebtedness; provided that (i) such Liens initially shall be created substantially simultaneously with the acquisition, construction or improvement of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased from the amount outstanding at the time of any refinancing or replacement of such Indebtedness;

(i) (x) any interest or title of a lessor under any lease entered into by the Company or any other Subsidiary in the ordinary course of its business and covering only the assets so leased, and (y) the filing of any Uniform Commercial Code financing statement or similar filing to evidence or perfect the sale or assignment of accounts receivables pursuant to a Permitted Disposition;

(j) Liens securing Indebtedness of the Company or any other Subsidiary incurred pursuant to paragraph 7B(1)(j); provided that no such Lien at any time encumber any property other than the assets so financed by such Indebtedness and the amount of such Indebtedness secured thereunder is not increased;

(k) any Lien existing on any property or asset prior to the acquisition thereof pursuant to a Permitted Acquisition by the Company or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary pursuant to a Permitted Acquisition after the Series A Closing Day and prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition, (ii) such Lien shall not apply to any other property or assets of the

Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(l) Liens secured by Indebtedness of the Company or any other Subsidiary incurred pursuant to paragraph 7B(1)(n);

(m) Liens (i) of a collection bank arising under Section 4-208 of the UCC (or other applicable law) on the items in the course of collection, (ii) in connection with any cash pooling arrangement or in connection with any arrangements described in paragraph 7B(1)(p), and (iii) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(n) (i) rights of pledge and set-off arising pursuant to the general banking conditions declared applicable to Dutch bank accounts, (ii) statutory and customary rights of pledge, charge and set-off upon deposits of cash in favor of banks or other depository institutions in the UK, (iii) Liens in favor of a banking institution or other depository institution arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the applicable banking industry, and (iv) Liens (including the right of set-off) in favor of a banking institution or other depository institution encumbering deposits, securities and similar property that (x) are within the general parameters customary in the banking industry and (y) arise under deposit, custodial and similar agreements entered into in the ordinary course of business, provided that such Liens do not at any time secure Indebtedness; and

(o) Liens up to an aggregate amount of $5,000,000 from time to time outstanding, to cash collateralize Indebtedness for reimbursement obligations permitted under paragraph 7B(1)(k) for letters of credit or bank guarantees.

Notwithstanding anything to the contrary in the foregoing, the Company will not, and will not permit any of its Subsidiaries to, grant a Lien to the lenders (or any agent acting on their behalf) under the Bank Credit Agreement or any facility that replaces the Bank Credit Agreement unless the Notes and the obligations under this Agreement and the other Financing Documents are also concurrently equally and ratably secured pursuant to documentation in form and substance reasonably satisfactory to the Required Holders (including, but not limited to, documentation such as security agreements and other necessary or desirable collateral agreements, an intercreditor agreement and a customary opinion of nationally recognized outside counsel) provided that this provision shall not apply to the provision of any cash collateral by the Company or any of its Subsidiaries to or for the benefit of a letter of credit issuer or swingline lender under the Bank Credit Agreement to secure any exposure resulting from one or more of the lenders becoming a Defaulting Lender (as defined in the Bank Credit Agreement) not to exceed such Defaulting Lender's or Defaulting Lenders', as the case may be, participating interest or participating interests, which has not or have not been allocated to other lenders, in the letters of credit or the swingline loans outstanding at the time such cash collateral is to be provided.

7D. **Fundamental Changes**. The Company will not, and will not permit any Subsidiary to, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its property or business, except that:

(a) any Subsidiary may be merged or consolidated with or into (i) the Company provided that the Company shall be the continuing or surviving corporation or (ii) any Subsidiary Guarantor or any

Wholly-Owned Subsidiary provided that a Subsidiary Guarantor or Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) any Subsidiary that is not a Subsidiary Guarantor may be merged or consolidated with or into any other Subsidiary;

(c) subject to paragraph 7G(g), any Subsidiary may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Company or any Subsidiary; and

(d) any Investment expressly permitted by paragraph 7G may be structured as a merger, consolidation or amalgamation; and

(e) subject to paragraph 7E, the Company or any Subsidiary may make any Disposition of assets.

7E. **Disposition of Property**. The Company will not, and will not permit any Subsidiary to, Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) Dispositions permitted by paragraph 7D(c) or paragraph 7I;

(d) subject to paragraphs 7D and 7G, the sale or issuance of any Subsidiary's Capital Stock to the Company or any Subsidiary;

(e) Dispositions of Cash Equivalents; and

(f) the Disposition of other property for fair value; provided that the aggregate consideration for all Dispositions made in reliance on this clause (f) shall not exceed 10% of the Consolidated Total Assets (determined at the time of each such Disposition on a pro forma basis as of the most recently completed fiscal year) for all transactions consummated after the Series A Closing Day.

7F. **Restricted Payments**. The Company will not, and will not permit any Subsidiary to, declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of the Company or any Subsidiary, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Company or any Subsidiary (collectively, "**Restricted Payments**"), except that:

(a) subject to paragraph 7G(g), any Subsidiary may make Restricted Payments to the Company or any other Subsidiary and any non-Wholly-Owned Subsidiary may make Restricted Payments, pro rata, to any other Person owning such Subsidiary;

(b) [reserved;]

(c) so long as no Default or Event of Default shall have occurred and be continuing, the Company may pay dividends and repurchase its Capital Stock or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of its Capital Stock; provided that at the time of the payment of such dividends or the making of such repurchase, and after giving effect thereto, the Company's Consolidated Leverage Ratio for the most recent Reference Period ended prior to the date of such payment of dividends or the making of such repurchase and calculated as if such payment of dividends or making of such repurchase had occurred on the first day of such Reference Period, shall be equal to or less than the maximum permitted Consolidated Leverage Ratio then in effect under paragraph 7A(a); and

(d) the Company may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Company and its Subsidiaries.

7G. Investments. The Company will not, and will not permit any Subsidiary to, make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "**Investments**"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Indebtedness and Guarantee Obligations permitted by paragraph 7B;

(d) subject to paragraph 7G(g), Investments by the Company and any of its Subsidiaries in any Subsidiary;

(e) Investments by the Company and/or any Subsidiary in existence on the Series A Closing Day listed on Schedule 7G(e); provided that the aggregate amount of all such Investments is not increased at any time above the amount of such Investment existing on the Series A Closing Day;

(f) loans and advances to employees of the Company or any Subsidiary in the ordinary course of business (including for travel, entertainment and relocation expenses);

(g) Investments by the Company or any Subsidiary to, on behalf of, or in any way related to claims or litigation involving, or arising out of, the Discontinued Operations (including all settlement and judgment payments and legal costs and expenses, but excluding the legal costs and expenses of the Company and its Subsidiaries (other than the Discontinued Operations) expended in defending such persons from liability related to, or arising out of, the Discontinued Operations), whether made directly or indirectly by the Company or any of its other Subsidiaries, in an amount not to exceed $5,500,000 during the term of this Agreement;

(h) Investments constituting Permitted Acquisitions;

(i) subject to paragraph 7G(g), intercompany Investments by any Subsidiary in the Company or any Person that, prior to such investment, is a Subsidiary of the Company; and

(j) Investments by the Company or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed, during any fiscal year of the Company, an amount equal to the greater of (x) $5,000,000

or (y) the amount permitted pursuant to Section 7.7(j) of the Bank Credit Agreement (or other comparable provision in the Bank Credit Agreement), but in no event more than $25,000,000.

7H. **Transactions with Affiliates**. Except as permitted by paragraph 7G(g) and paragraph 7N, enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate of the Company or any Subsidiary (other than the Company or any Subsidiary Guarantor or pursuant to any transaction that is otherwise permitted pursuant to this Agreement or is otherwise listed on Schedule 7H) unless such transaction is (a) in the ordinary course of business of the Company or such Subsidiary, as the case may be, and (b) upon fair and reasonable terms no less favorable to the Company or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

7I. **Sales and Leasebacks**. The Company will not, and will not permit any Subsidiary to, enter into any Sale Leasebacks, other than Permitted Sale Leasebacks.

7J. **Swap Agreements**. The Company will not, and will not permit any Subsidiary to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Company or any Subsidiary has actual exposure (other than those in respect of Capital Stock) and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates with respect to any interest-bearing liability or investment of the Company or any Subsidiary.

7K. **Changes in Fiscal Periods**. The Company will not permit the fiscal year of the Company to end on a day other than the Saturday nearest December 31 or change the Company's method of determining fiscal quarters.

7L. **Clauses Restricting Subsidiary Distributions**. The Company will not, and will not permit any Subsidiary to, enter into with, or suffer to exist or become effective on behalf of, any Person other than (a) a Bank Lender or an Affiliate of a Bank Lender and (b) the holder of any Indebtedness permitted under paragraphs 7B(1)(a), (d)(ii), (d)(iii), (e), (g), (h), (j), (k), (l), (m), (n) or (o) any consensual encumbrance or restriction on the ability of any Subsidiary of the Company to: (i) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Company or any other Subsidiary of the Company, (ii) make loans or advances to, or other Investments in, the Company or any other Subsidiary of the Company or (iii) transfer any of its assets to the Company or any other Subsidiary of the Company, except for such encumbrances or restrictions existing under or by reason of (A) any restrictions existing under the Financing Documents, (B) any restrictions existing under the Bank Credit Agreement, (C) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (D) any restrictions with respect to a Subsidiary acquired by the Company or any of its Subsidiaries imposed by any agreement existing prior to the acquisition thereof; provided that such agreement is not entered into in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, and (E) any restrictions contained in the certificate of incorporation or other organizational documents of any Subsidiary which is not a Wholly Owned Subsidiary.

7M. **Lines of Business**. The Company will not, and will not permit any Subsidiary to, enter into any material business, either directly or through any Subsidiary, except for those businesses of the same general type in which the Company and its Subsidiaries, taken as a whole, are engaged on the Series A Closing Day or that are reasonably incidental or related thereto.

7N. **Discontinued Operations**. Notwithstanding anything to the contrary in this Agreement or any other Financing Document, the Company will not permit the Discontinued Operations to conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to (a) the prosecution or defense in litigation or otherwise of claims asserted against the Discontinued Operations arising out of retained liabilities, the conduct of activities required in compliance with applicable law or in adjudication or administration of claims (whether by court order or negotiated settlement or otherwise), the maintenance of its corporate existence and financial record-keeping, or the engagement of personnel, counsel or third parties to conduct such activities on its behalf, and (b) the winding-up, dissolution, liquidation or other similar actions relating to the Discontinued Operations.

7O. **Terrorism Sanctions Regulations**. The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

7P. **Additional Covenants**. If at any time any Obligor shall enter into, be a party to or otherwise be bound by the provisions of the Bank Credit Agreement or enters into or modifies any Material Indebtedness Agreement that refinances, restates or replaces (including after the repayment in full of the Bank Credit Agreement) at any time, or extends the Bank Credit Agreement (in each case, a "**Most Favored Lender Agreement**") and such Most Favored Lender Agreement contains negative covenants (or any affirmative covenants that pertain to any matter governed by this paragraph 7 or any events of default or other type of restriction that would have the practical effect of any negative business or financial covenant, including, without limitation, any "put" or mandatory prepayment of such Indebtedness upon the occurrence of a "change of control") that either are not provided for in this Agreement, or are more favorable to the lenders or other creditors thereunder or are more onerous to the Obligors than the covenants or events of default provided for in this Agreement, then (a) the Company shall provide prompt written notice of such fact to each holder of Notes and (b) this Agreement shall be, and shall be deemed to be, automatically amended to include such covenants or events of default (with such modifications thereof as would be necessary to give the holders of Notes substantially the same benefits and protections afforded the lenders or other creditors under such Most Favored Lender Agreement). The Company agrees, upon written request therefor delivered by the Required Holders, promptly (and in any event within thirty (30) days of such request) to enter into one or more written amendments of this Agreement to evidence the inclusion herein of such covenants and provisions (as such covenants or other provisions may be amended from time to time in accordance with paragraph 12C, the "**Most Favored Covenants**") (with such modifications thereof as may be necessary to give the holders of Notes substantially the same benefits and protections afforded the lenders or other creditors under such Most Favored Lender Agreement) to the extent required by the Required Holders in their sole and absolute discretion.

7Q. **Amendments of Organization Documents**. The Company will not and will not permit any Subsidiary to amend any of its Organizational Documents which amendment would be materially adverse to the holders of Notes.

8. **EVENTS OF DEFAULT**.

8A. **Acceleration**. If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Company defaults in the payment of any principal of, or Yield-Maintenance Amount payable with respect to, any Note when the same shall become due, either by the terms thereof or otherwise as herein provided; or

(ii) the Company defaults in the payment of any interest on any Note for more than five days after the date due; or

(iii) the Company or any Subsidiary shall (i) default in making any payment of any principal of any Material Indebtedness (including any Guarantee Obligation, but excluding the Notes) on the scheduled due date with respect thereto (beyond any applicable grace period, if any provided in the instrument or agreement under which such Material Indebtedness was created); or (ii) default in making any payment of any interest on any such Material Indebtedness beyond the period of grace, if any provided in the instrument or agreement under which such Material Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Material Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition (if not cured or waived) is to cause, or to permit the holder or beneficiary of such Material Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Material Indebtedness to become due (or to be repurchased by the Company or any Subsidiary) prior to its stated maturity or (in the case of any such Material Indebtedness constituting a Guarantee Obligation) to become payable; or

(iv) any representation or warranty made by the Company or any Subsidiary in any Financing Document or by the Company or any Subsidiary in any writing furnished in connection with or pursuant to the Financing Documents shall be false in any material respect on the date as of which made; or

(v) the Company fails to perform or observe (i) any agreement contained in the last sentence of paragraph 6A, in paragraph 6G (with respect to the Company only) or paragraph 7, or (ii) any Most Favored Covenant incorporated into this Agreement pursuant to paragraph 7P (beyond any grace and cure period associated with the covenant in the original document); or

(vi) the Company fails to perform or observe any other agreement, term or condition contained herein and such failure shall not be remedied within 30 days after any Responsible Officer obtains actual knowledge thereof; or

(vii) (a) the Company or any Material Subsidiary shall commence any case, proceeding or other action (x) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (y) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Company or any Material Subsidiary shall make a general assignment for the benefit of its creditors; (b) there shall be commenced against the Company or any Material Subsidiary any case, proceeding or other

action of a nature referred to in clause (a) above that (x) results in the entry of an order for relief or any such adjudication or appointment or (y) remains undismissed or undischarged for a period of 60 days; (c) there shall be commenced against any of the Company or any Material Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; (d) the Company or any Material Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in sub-clause (a), (b) or (c) above; or (e) the Company or any Material Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(viii) one or more final judgments in an aggregate amount in excess of $10,000,000 (which has not been paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) is rendered against the Company or any Subsidiary and, within 30 days after entry thereof, any such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged; or

(ix) (i) the Company or any of its Subsidiaries shall engage in any "**prohibited transaction**" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "**accumulated funding deficiency**" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Company or any Subsidiary or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Holders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) any of the Company or any Subsidiary or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Holders is likely to, incur any liability in connection with a withdrawal from or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could reasonably be expected to have a Material Adverse Effect;

(x) any of the Financing Documents shall for any reason cease to be, or shall be asserted by any Person obligated thereunder not to be, a legal, valid and binding obligation of such Person; or

(xi) a Change of Control shall occur;

then (a) if such event is an Event of Default specified in clause (i) or (ii) of this paragraph 8A, any holder of any Note affected by such Event of Default may at its option during the continuance of such Event of Default, by notice in writing to the Company, declare all of the Notes held by such holder to be, and all of the Notes held by such holder shall thereupon be and become, immediately due and payable at par together with interest accrued thereon, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, (b) if such event is an Event of Default specified in subclauses (a) and (b) of clause (vii) of this paragraph 8A with respect to the Company, all of the Notes at the time outstanding shall automatically become immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note, without presentment, demand, protest or notice of

any kind, all of which are hereby waived by the Company, and (c) with respect to any event constituting an Event of Default (including any event described in clause (a), above), the Required Holder(s) of the Notes of any Series may at its or their option during the continuance of such Event of Default, by notice in writing to the Company, declare all of the Notes of such Series to be, and all of the Notes of such Series shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note of such Series, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company.

8B. **Rescission of Acceleration**. At any time after any or all of the Notes of any Series shall have been declared immediately due and payable pursuant to paragraph 8A, the Required Holder(s) of the Notes of such Series may, by notice in writing to the Company, rescind and annul such declaration and its consequences if (i) the Company shall have paid all overdue interest on the Notes of such Series, the principal of and Yield-Maintenance Amount, if any, payable with respect to any Notes of such Series which have become due otherwise than by reason of such declaration, and interest on such overdue interest and overdue principal and Yield-Maintenance Amount at the rate specified in the Notes of such Series, (ii) the Company shall not have paid any amounts which have become due solely by reason of such declaration, (iii) all Events of Default and Defaults, other than non-payment of amounts which have become due solely by reason of such declaration, shall have been cured or waived pursuant to paragraph 12C, and (iv) no judgment or decree shall have been entered for the payment of any amounts due pursuant to the Notes of such Series or this Agreement. No such rescission or annulment shall extend to or affect any subsequent Event of Default or Default or impair any right arising therefrom.

8C. **Notice of Acceleration or Rescission**. Whenever any Note shall be declared immediately due and payable pursuant to paragraph 8A or any such declaration shall be rescinded and annulled pursuant to paragraph 8B, the Company shall forthwith give written notice thereof to the holder of each Note of each Series at the time outstanding.

8D. **Other Remedies**. If any Event of Default or Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement. No remedy conferred in this Agreement upon the holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

9. **REPRESENTATIONS, COVENANTS AND WARRANTIES**.

The Company represents, covenants and warrants as follows:

9A. **Organization**. Each of the Company, each other Obligor and each other Material Subsidiary is duly organized, validly existing and in good standing (or the equivalent of such standing, if any, under the laws of any jurisdiction outside of the United States) under the jurisdiction of its organization, (b) each Subsidiary (other than an Obligor and each Material Subsidiary) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (c) the Company and each Subsidiary has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, and (d) the Company and each Subsidiary is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business

requires such qualification, except in the case of clause (b), (c) or (d) above, to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

9B. **Organization and Ownership of Shares of Subsidiaries**.

(a) Schedule 9B contains (except as noted therein) complete and correct lists of (i) as of the Series A Closing Day the Company's Subsidiaries and (ii) as of the relevant Closing Day, each Subsidiary Guarantor and Material Subsidiary, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its Capital Stock outstanding owned by the Company and each other Subsidiary.

(b) All of the outstanding shares of Capital Stock of each Subsidiary shown in Schedule 9B as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 9B).

9C. **Authorization**. The Financing Documents have been duly authorized by all necessary action on the part of the Obligors party thereto, and each Financing Document constitutes a legal, valid and binding obligation of each Obligor party thereto, enforceable against such Obligor in accordance with its terms (and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms), except, in each case, as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

9D. **Financial Statements**. The Company has furnished each Purchaser of Notes and any Accepted Notes with the following financial statements: the audited consolidated balance sheets of the Company and its consolidated Subsidiaries as at December 31, 2015, December 31, 2016 and December 31, 2017, and the related consolidated statements of income, cash flows and shareholders equity for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from KPMG LLP. Such financial statements (including any related schedules and/or notes) fairly present the consolidated financial condition of the Company and its consolidated Subsidiaries at such dates and the consolidated results of operations and the consolidated cash flows for the respective fiscal years then ended and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein). There has been no material adverse change in the business, property or assets, condition (financial or otherwise), or operations of the Company and its Subsidiaries taken as a whole since the end of the most recent fiscal year for which such audited financial statements have been furnished. The Company and its Subsidiaries do not have any material liabilities that are not disclosed in the financial statements described above or in the documents described in paragraph 9R.

9E. **Actions Pending**. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any properties or rights of the Company or any of its Subsidiaries, by or before any court, arbitrator or administrative or governmental body which would reasonably be expected to result in any Material Adverse Effect.

9F. **Outstanding Indebtedness**. Neither the Company nor any of its Subsidiaries has outstanding any Indebtedness except as permitted by paragraph 7B. There exists no default under the

provisions of any instrument evidencing such Indebtedness or of any agreement relating thereto which would reasonably be expected to have a Material Adverse Effect.

9G. **Compliance with Laws; Court Orders**. Neither the Company nor any Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

9H. **Foreign Assets Control Regulations, Etc.**

(a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Notes hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established policies and procedures designed to promote and achieve compliance by the Company, each of the Subsidiaries of the Company and each of their or the Company's respective Controlled Affiliates with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

9I. **Title to Properties**. The Company has and each of its Subsidiaries has title in fee simple to its respective real properties (other than properties which it leases) and good title to, a valid leasehold interest in or a valid license to use all of its other respective properties, except for such defects in title that would not reasonably be expected to result in a Material Adverse Effect and such properties are subject to no Lien of any kind except Liens permitted by paragraph 7C.

9J. **Licenses, Permits, Etc.**

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, except to the extent any failure to own or possess would not reasonably be expected to result in a Material Adverse Effect.

(b) To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person, expect to the extent as would not reasonably be expected to result in a Material Adverse Effect.

(c) To the best knowledge of the Company, there is no material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries, except to the extent as would not reasonably be expected to result in a Material Adverse Effect.

9K. **Taxes**. The Company has and each of its Subsidiaries has filed or caused to be filed all foreign, federal, state and other income tax returns which, to the best knowledge of the officers of the Company and its Subsidiaries, are required to be filed, and each has paid all taxes as shown on such returns and on all assessments received by it to the extent that such taxes have become due, except (a) such taxes as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with generally accepted accounting principles, or (b) where the failure to file or pay would not reasonably be expected to result in a Material Adverse Effect.

9L. **Conflicting Agreements and Other Matters**. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement or subject to any charter or other organizational restriction which materially and adversely affects the business, property or assets, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole. Neither the execution nor delivery of the Financing Documents, nor the offering, issuance and sale of the Notes, nor fulfillment of nor compliance with the terms and provisions of the Financing Documents will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any Material Subsidiary pursuant to any material Requirement of Law or material Contractual Obligation.

9M. **Offering of Notes**. Neither the Company nor any Subsidiary nor any agent acting on any of their behalf has, directly or indirectly, offered the Notes or any similar security of the Company for sale to, or solicited any offers to buy the Notes or ‘any similar security of the Company from, or otherwise approached or negotiated with respect thereto with, any Person other than institutional investors, and neither the Company nor any agent acting on its behalf has taken or will take any action which would reasonably be expected to subject the issuance or sale of the Notes to the provisions of Section 5 of the Securities Act or to the provisions of any securities or Blue Sky law of any applicable jurisdiction.

9N. **Use of Proceeds**. The proceeds of the Series A Notes will be used for general corporate purposes. The proceeds of each other Series of Notes will be used as set forth in the Request For Purchase with respect to such Series. No part of the proceeds of any Notes, and no other extensions of credit hereunder, will be used (a) for “**buying**” or “**carrying**” any “**margin stock**” within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect for any purpose that violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System or (b)

for any purpose that violates the provisions of the Regulations of the Board of Governors of the Federal Reserve System.

9O. **ERISA**. Neither a Reportable Event nor an "**accumulated funding deficiency**" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred which would result in a Lien in favor of the PBGC or a Plan, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual Valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Company nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Company nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Company or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent. The execution and delivery of this Agreement and the issuance and sale of the Notes will be exempt from or will not involve any transaction which is subject to the prohibitions of section 406 of ERISA and will not involve any transaction in connection with which a penalty could be imposed under section 502(i) of ERISA or a tax could be imposed pursuant to section 4975 of the Code. The representation by the Company in the next preceding sentence is made in reliance upon and subject to the accuracy of the representation of each Purchaser in paragraph 10B as to the source of funds to be used by it to purchase any Notes.

9P. **Governmental Consent**. No authorization, consent, approval, exemption or any action by or notice to or filing with any court or administrative or governmental body (other than routine filings after the Closing Day for any Notes with the Securities and Exchange Commission and/or state Blue Sky authorities) is required by the Company or its Subsidiaries in connection with the execution and delivery of this Agreement, the offering, issuance, sale or delivery of the Notes or fulfillment of or compliance with the terms and provisions of any of the Financing Documents.

9Q. **Environmental Compliance**. The Company and its Subsidiaries and all of their respective properties and facilities have complied at all times within the last five years and in all respects with all applicable foreign, federal, state, and local statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations relating to protection of the environment except, in any such case, where failure to comply would not reasonably be expected to result in a Material Adverse Effect.

9R. **Disclosure**. Neither this Agreement nor any other document, certificate or statement furnished to any Purchaser by or on behalf of the Company in connection herewith contained as of the date of such Agreement, document, statement or certificate any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein and therein not materially misleading in light of the circumstances under which such statements were made. There is no fact known to the Company or any of the Obligors that would reasonably be expected to result in a Material Adverse Effect that has not been disclosed herein or in any other document, certificate or statement furnished to Prudential and the Purchasers in connection herewith. Any financial projections delivered to Prudential or any Purchaser by or on behalf of the Company are based upon good faith estimates and assumptions believed by management of the Company to be reasonable at the time made; it being recognized by Prudential and the Purchasers that such financial information as it relates to future events is not to be viewed as fact and

that the actual results during the period or periods covered by such financial information may differ from projected results set forth therein by a material amount and may not be achieved.

9S. **Hostile Tender Offers**. None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

9T. **Investment Company Act**. Neither the Company nor any other Obligor is an "**investment company**" as defined under the Investment Company Act of 1940, as amended.

9U. **Solvency**. The Company and its Subsidiaries, taken as a whole, are, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith will be and will continue to be, Solvent.

10. **REPRESENTATIONS OF THE PURCHASERS**.

Each Purchaser severally represents as follows:

10A. **Nature of Purchase**. Such Purchaser is not acquiring the Notes purchased by it hereunder with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act, provided that the disposition of such Purchaser's property shall at all times be and remain within its control.

10B. **Source of Funds**. At least one of the following statements is an accurate representation as to each source of funds (a "**Source**") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(i) the Source is an "**insurance company general account**" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("**PTE**") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners **(the** "**NAIC Annual Statement**"**))** for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(ii) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(iii) the Source is either (a) an insurance company pooled separate account, within the meaning of PTE 90-1 or (b) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (iii), no employee benefit plan or group of plans maintained by the same employer or employee

organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iv) the Source constitutes assets of an "**investment fund**" (within the meaning of Part V of PTE 84-14 (the "**QPAM Exemption**")) managed by a "**qualified professional asset manager**" or "**QPAM**" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(l) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "**control**" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (a) the identity of such QPAM and (b) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (iv); or

(v) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "**INHAM Exemption**")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(h) of the INHAM Exemption) owns a 5% or more interest in the Company and (a) the identity of such INHAM and (b) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (v); or

(vi) the Source is a governmental plan; or

(vii) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (vii); or

(viii) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this paragraph 10B, the terms "**employee benefit plan,**" "**governmental plan,**" and "**separate account**" shall have the respective meanings assigned to such terms in. Section 3 of ERISA.

11. **DEFINITIONS; ACCOUNTING**. For the purpose of this Agreement, the terms defined in paragraphs 11A and 11B (or within the text of any other paragraph) shall have the respective meanings specified therein and all accounting matters shall be subject to determination as provided in paragraph 11C.

11A. **Yield-Maintenance Terms.**

"**Called Principal**" shall mean, with respect to any Note, the principal of such Note that is to be prepaid pursuant to paragraph 5B or has become or is declared to be immediately due and payable pursuant to paragraph 8A, as the context requires.

"**Discounted Value**" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (as converted to reflect the periodic basis on which interest on such Note is payable, if interest is payable other than on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"**Implied British Pound Yield**" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page O#GBBMK" on the Reuters Screen (or such other display as may replace "Page O#GBBMK" on the Reuters Screen) for actively traded benchmark gilt-edged securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported shall not be ascertainable, the average of the yields for such securities as determined by Recognized British Government Bond Market Makers. Such implied yield will be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively benchmark traded gilt-edged securities with the maturity closest to and greater than the Remaining Average Life of such Called Principal and (2) the actively traded benchmark gilt-edged securities with the maturity closest to and less than the Remaining Average Life of such Called Principal.

"**Implied Dollar Yield**" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York City local time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, on the Treasury Yield Monitor page of Standard & Poor's MMS - Treasury Market Insight (or, if Standard & Poor's shall cease to report such yields in MMS - Treasury Market Insight or shall cease to be Prudential Capital Group's customary source of information for calculating yield-maintenance amounts on privately placed notes, then such source as is then Prudential Capital Group's customary source of such information), or (ii) if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H. 15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life of such Called Principal and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life of such Called Principal.

"**Implied Euro Yield**" shall mean, with respect to the Called Principal of any Note, the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page O#DEBMK" on the Reuters Screen (or such other display as may replace "Page O#DEBMK" on the Reuters Screen) for the actively traded benchmark German Bunds having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported shall not be ascertainable, the average of the yields for such securities as determined by Recognized German Bund Market Makers. Such implied yield will be determined, if necessary, by (a) converting quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded benchmark German Bunds with the maturity closest to

and greater than the Remaining Average Life of such Called Principal and (2) the actively traded benchmark German Bunds with the maturity closest to and less than the Remaining Average Life of such Called Principal. Note: for Euro denominated notes the Yield-Maintenance Amount may be calculated using any Euro Zone country's government bonds.

"**Recognized British Government Bond Market Makers**" shall mean two internally recognized dealers of gilt edged securities reasonably selected by Prudential.

"**Recognized German Bund Market Makers**" shall mean two internationally recognized dealers of German Bunds reasonably selected by Prudential.

"**Reinvestment Yield**" shall mean, with respect to the Called Principal of any Note denominated in (i) Dollars, 50 basis points plus the Implied Dollar Yield, (ii) Euros, 50 basis points plus the Implied Euro Yield, (iii) British Pounds, 50 basis points plus the Implied British Pound Yield and (iv) with respect to any other Available Currency, the Reinvestment Yield with respect to such Notes as set forth in the applicable Confirmation of Acceptance. The Reinvestment Yield will be rounded to that number of decimals as appears in the coupon for the applicable Note.

"**Remaining Average Life**" shall mean, with respect to the Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"**Settlement Date**" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to paragraph 5B or has become or is declared to be immediately due and payable pursuant to paragraph 8A, as the context requires.

"**Yield-Maintenance Amount**" shall mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal, provided that the Yield-Maintenance Amount may in no event be less than zero.

11B. **Other Terms**.

"**Acceptance**" shall have the meaning specified in paragraph 2B(5).

"**Acceptance Day**" shall have the meaning specified in paragraph 2B(5).

"**Accepted Note**" shall have the meaning specified in paragraph 2B(5).

"**Acceptance Window**" shall have the meaning specified in paragraph 2B(4).

"**Affiliate**" as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by, or is under common Control with, such Person.

"**Agreement**" means this Multi-Currency Note Purchase and Private Shelf Agreement, as amended, restated or otherwise modified or supplemented from time to time.

"**Anti-Corruption Laws**" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"**Anti-Money Laundering Laws**" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

"**Authorized Officer**" shall mean (i) in the case of the Company, its chief executive officer, its chief financial officer, its treasurer, its chief accounting officer or any vice president of the Company designated as an "**Authorized Officer**" of the Company for the purpose of this Agreement in an Officer's Certificate executed by the Company's chief executive officer or chief financial officer and delivered to Prudential, and (ii) in the case of Prudential, any officer of Prudential designated as its "**Authorized Officer**" in the Information Schedule or any officer of Prudential designated as its "**Authorized Officer**" for the purpose of this Agreement in a certificate executed by one of its Authorized Officers or any other officer which has been delegated the authority to act by the Board of Directors of Prudential. Any action taken under this Agreement on behalf of the Company by any individual who on or after the date of this Agreement shall have been an Authorized Officer of the Company and whom Prudential in good faith believes to be an Authorized Officer of the Company at the time of such action shall be binding on the Company even though such individual shall have ceased to be an Authorized Officer of the Company, and any action taken under this Agreement on behalf of Prudential by any individual who on or after the date of this Agreement shall have been an Authorized Officer of Prudential and whom the Company in good faith believes to be an Authorized Officer of Prudential at the time of such action shall be binding on Prudential even though such individual shall have ceased to be an Authorized Officer of Prudential.

"**Available Currencies**" shall mean Dollars, Euros and each other currency requested pursuant to a Request for Purchase and accepted pursuant to the Confirmation of Acceptance with respect thereto.

"**Available Facility Amount**" shall have the meaning specified in paragraph 2B(1).

"**Bank Credit Agreement**" shall mean that certain Amended and Restated Credit Agreement, dated as of March 1, 2017, among the Company, certain of its Foreign Subsidiaries, as borrowers, Citizens Bank, N.A., as administrative agent, Citizens Bank, N.A., as multicurrency administrative agent, and the lenders party thereto, as amended, supplemented, replaced or restated from time to time.

"**Bank Lender**" shall mean any bank or other financial institution party to the Bank Credit Agreement as a "Lender."

"**Blocked Person**" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

"**Business Day**" shall mean (i) other than as provided in clauses (ii) and (iii) below, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City or Boston, MA are authorized or required to be closed, (ii) for purposes of paragraph 2B(3) only, any day which is both a New York Business Day and a day on which Prudential is open for business and (iii) for purposes of paragraph 11A only, (a) if with respect to Notes denominated in Dollars, a New York Business Day, (b) if with respect to Notes denominated in Euros, any day which is both a New York Business Day and a day on which commercial banks are not required or authorized to be closed in Frankfurt and Brussels, (c) if with respect to Notes denominated in British Pounds, any day which is both a New York Business Day and a day on which commercial banks are not required or authorized to be closed in London, and (d) with respect to any other Available Currency, "**Business Day**" as set forth in the applicable Confirmation of Acceptance.

"**Cancellation Date**" shall have the meaning specified in paragraph 2B(7)(c).

"**Cancellation Fee**" shall have the meaning specified in paragraph 2B(7)(c).

"**Capital Expenditures**" for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition, construction or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"**Capital Lease Obligations**" as to any Person, means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"**Capital Stock**" any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"**Cash Equivalents**" (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurocurrency time deposits or overnight bank deposits having maturities of eighteen months or less from the date of acquisition issued by any commercial bank organized under the laws of the United States or any state thereof or by any financial institution organized in any foreign country recognized by the United States, in each case, having combined capital and surplus of not less than $500,000,000 (or the U.S. Dollar Equivalent thereof); (c) commercial paper of an issuer rated at least A-1 by Standard & Poor's Ratings Services ("**S&P**") or P-1 by Moody's Investors Service, Inc. ("**Moody's**"), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's;

(f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; or (h) money market funds that (i) are rated A by S&P and A-2 by Moody's and (ii) have portfolio assets of at least $5,000,000,000.

"**Change of Control**" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act), of Capital Stock representing 50% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Company or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated, appointed or approved by the board of directors of the Company nor (ii) nominated, appointed or approved by directors so nominated, nor (iii) nominated, appointed or approved by the Persons described in (b)(i), (ii) or (iii) of this definition (in each case, such nomination, appointment or approval by specific vote or by approval of the Company's proxy statement).

"**Closing**" shall have the meaning specified in paragraph 3A.

"**Closing Day**" shall mean, (a) with respect to the Series A Notes, the Series A Closing Date, and (b) with respect to any Accepted Note, the Business Day specified for the closing of the purchase and sale of such Accepted Note in the Confirmation of Acceptance with respect to such Accepted Note, provided that (i) if the Company and the Purchaser which is obligated to purchase such Accepted Note agree on an earlier Business Day for such closing, the "**Closing Day**" for such Accepted Note shall be such earlier Business Day, and (ii) if the closing of the purchase and sale of such Accepted Note is rescheduled pursuant to paragraph 3C, the Closing Day for such Accepted Note, for all purposes of this Agreement except references to "**original Closing Day**" in paragraph 2B(7)(b), shall mean the Rescheduled Closing Day with respect to such Accepted Note.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Commonly Controlled Entity**" an entity, whether or not incorporated, that is under common control with the Company within the meaning of Section 4001 of ERISA or is part of a group that includes the Company and that is treated as a single employer under Section 414 of the Code.

"**Company**" shall have the meaning specified in the introductory paragraph hereof.

"**Confidential Information**" is defined in paragraph 12V.

"**Confirmation of Acceptance**" shall have the meaning specified in paragraph 2B(5).

"**Confirmation of Subsidiary Guaranty**" shall have the meaning provided in paragraph 4B(l).

"**Consolidated EBITDA**" shall mean, for any period; Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Notes), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) non-cash charges and expenses, not described in (f) immediately following, whether or not extraordinary and/or non-recurring (excluding any such charges or expenses that represent an accrual or reserve for a cash expenditure for a future period),

(f) non-cash charges on account of any settlements or curtailments in connection with any defined benefit plan, provided that, at any time the Company is required to increase its contribution to any defined benefit plan in connection with or on account of such settlements or curtailments, to the extent such payment did not reduce Consolidated Net Income, Consolidated Net Income will be reduced by such payments up to the amount that has previously been added under this clause (f) in the fiscal quarter paid, (g) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary deducted (and not added back in such period to Consolidated Net Income), (h) non-recurring cash restructuring charges in an aggregate amount of up to $1,000,000 during any fiscal year and (i) restructuring charges resulting from or on account of any Permitted Acquisition and the closure or consolidation of any business lines or facilities up to an amount reasonably acceptable to the Required Holders, provided that the Company has demonstrated to the reasonable satisfaction of the Required Holders that such Permitted Acquisition and such closure or consolidation will result in a measurable increase to Consolidated Net Income after giving effect thereto minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income, (b) any non-cash gains, whether or not extraordinary and/or non-recurring, (excluding, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, any non-cash gain derived from the reversal of an accrual or reserve taken in any prior period), or gains on the sales of assets outside of the ordinary course of business, (c) income tax credits (to the extent not netted from income tax expense) and (d) the amount of any minority interest income consisting of Subsidiary loss attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary added (and not deducted in such period to Consolidated Net Income). For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "**Reference Period**") pursuant to any determination of the Consolidated Leverage Ratio, (i) if at any time during such Reference Period the Company or any Subsidiary shall have made any Pro Formable Disposition, the Consolidated EBITDA for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the property that is the subject of such Pro Formable Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such Reference Period and (ii) if during such Reference Period the Company or any Subsidiary shall have made a Pro Formable Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto as if such Pro Formable Acquisition occurred on the first day of such Reference Period. As used in this definition, "**Pro Formable Acquisition**" means any acquisition of property or series of related acquisitions of property that (a) constitutes assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the common stock of a Person and (b) involves the payment of consideration by the Company and its Subsidiaries and "**Pro Formable Disposition**" means any Disposition of property outside of the ordinary course of business or series of related Dispositions of property that yields gross proceeds to the Company or any of its Subsidiaries.

"**Consolidated Interest Coverage Ratio**" means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the relevant Reference Period to (b) Consolidated Interest Expense for such Reference Period.

"**Consolidated Interest Expense**" means, for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of the Company and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Company and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (a) Consolidated Total Debt minus Permitted Unrestricted Cash as of the last day of the relevant Reference Period to (b) Consolidated EBITDA for the Reference Period then ended.

"**Consolidated Net Income**" means, for any period, the consolidated net income (or loss) of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Company or is merged into or consolidated with the Company or any of its Subsidiaries.

"**Consolidated Tangible Assets**" means, with respect to any Person, the total assets of such Person and its consolidated Subsidiaries less their consolidated Intangible Assets. For purposes of this definition, "**Intangible Assets**" means, with respect to any Person, the amount of (i) all write-ups in the book value of any asset owned by such Person or a consolidated Subsidiary of such Person and (ii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks and servicemarks of such Person and its consolidated Subsidiaries.

"**Consolidated Total Assets**" means, as of any date of determination, the total amount of all assets of the Company and its consolidated Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Total Debt**" means, as of any date of determination, the aggregate principal amount of all Indebtedness (other than any Indebtedness described in clauses (f) (to the extent paid on a current basis only), (h) and (i) of the definition thereof) of the Company and its Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP; provided, (i) to the extent the PAAL Lease is treated, for United States GAAP accounting purposes (as in effect on the Effective Date), as a capital lease), the PAAL Lease Obligations will be excluded from Indebtedness in such calculation up to an aggregate amount of €4,000,000, and (ii) to the extent the Syntron Leases are treated, for United States GAAP accounting purposes (as in effect on the Effective Date), as a capital lease, the Syntron Lease Obligations will be excluded from Indebtedness in such calculation up to an aggregate amount of $17,000,000.

"**Contractual Obligation**" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"**Control**" means the possession of the power, directly or indirectly, to direct or cause the direction of the management and policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "**Controlling**" and "**Controlled**" have meanings correlative thereto.

"**Controlled Entity**" means (a) any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

"**Delayed Delivery Fee**" shall have the meaning specified in paragraph 2B(7)(b).

"**Discontinued Operations**" shall mean the operations described on Schedule 11B.

"**Disposition**" means with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms "**Dispose**" and "**Disposed of**" shall have correlative meanings.

"**Dollars**" and "**$**"and shall mean lawful currency of the United States of America. Each reference in paragraphs 7, 8 and 9 hereof (and in any defined term to the extent used therein) to an amount in Dollars shall include a reference to the U.S. Dollar Equivalent of such amount in other currencies.

"**Domestic Subsidiary**" means any Subsidiary of the Company organized under the laws of any jurisdiction within the United States.

"**EDGAR**" the Electronic Data Gathering, Analysis and Retrieval computer system for the receipt, acceptance, review and dissemination of documents submitted to the SEC in electronic format.

"**Environmental Laws**" means any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"**Euros**" shall mean the single currency of participating member states of the European Union.

"**Event of Default**" shall mean any of the events specified in paragraph 8A, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "**Default**" shall mean any of such events, whether or not any such requirement has been satisfied.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Facility**" shall have the meaning specified in paragraph 2B(1).

"**Financing Documents**" shall mean this Agreement, the Notes, the Subsidiary Guaranty and the Sharing Agreement.

"**Foreign Subsidiary**" shall mean any Subsidiary of the Company that is not a Domestic Subsidiary.

"**Foreign Subsidiary Borrower**" shall mean each Foreign Subsidiary of the Company that is a party to the Bank Credit Agreement as a "**Foreign Subsidiary Borrower**" from time to time.

"**GAAP**" means generally accepted accounting principles in the United States as in effect from time to time.

"**Good Faith Contest**" shall mean appropriate proceedings initiated in good faith for which adequate reserves have been established in accordance with generally accepted accounting principles.

"**Governmental Authority**" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

"**Governmental Official**" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"**Guarantee Obligation**" means, as to any Person (the "***guaranteeing person***"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit or bank guarantee) that guarantees or in effect guarantees, any Indebtedness, leases, dividends or other payment obligations (the "***primary obligations***") of any other third Person (the "***primary obligor***") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, further, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Company in good faith.

"**Hedge Treasury Note(s)**" shall mean, with respect to any Accepted Note, the United States Treasury Note or Notes whose duration (as determined by Prudential and designated (a) in the case of any Accepted Note denominated in Dollars, the date the interest rate for such Note is fixed and (b) in the case of any Accepted Note denominated in any other Available Currency, on the date the Dollar interest rate relevant to the determination of the interest rate on such Note is fixed) most closely matches the duration of such Accepted Note. The price and/or yield of the Hedge Treasury Note(s) will be determined by Prudential by reference to such price and/or yield as reported by TradeWeb Group LLC (or, if such data for any reason ceases to be available through TradeWeb Group LLC, any publicly available source of similar market data), on the date of determination.

"**Hostile Tender Offer**" shall mean, with respect to the use of proceeds of any Note, any offer to purchase, or any purchase of, shares of capital stock of any corporation or equity interests in any other entity, or securities convertible into or representing the beneficial ownership of, or rights to acquire, any such shares or equity interests, if such shares, equity interests, securities or rights are of a class which is publicly traded on any securities exchange or in any over-the-counter market, other than purchases of such shares, equity interests, securities or rights representing less than 5% of the equity interests or beneficial ownership of such corporation or other entity for portfolio investment purposes, and such offer or purchase has not been duly approved by the board of directors of such corporation or the equivalent governing body of such other entity prior to the date on which the Company makes the Request for Purchase of such Note.

"**including**" shall mean, unless the context clearly requires otherwise, "**including without limitation**".

"**Increased Leverage Period**" shall have the meaning specified in paragraph 7A(a).

"**Indebtedness**" of any Person at any date, means without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, bank guarantees, surety bonds or similar arrangements or Chinese bankers acceptance drafts, (g) the liquidation value of all (1) mandatorily redeemable Capital Stock of such Person or (2) all Capital Stock of such Person redeemable at the option of the holder thereof, in whole or in part, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, and (j) for the purposes of paragraph 8A(iii) only, all obligations of such Person in respect of Swap Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"**Information Schedule**" means the Information Schedule attached hereto.

"**INHAM Exemption**" shall have the meaning specified in paragraph 10B(v).

"**Insolvency**" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"**Institutional Investor**" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"**Investments**" shall have the meaning specified in paragraph 7G.

"**Issuance Period**" shall have the meaning specified in paragraph 2B(2).

"**Lien**" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"**Material Acquisition**" means any Permitted Acquisition for total consideration (including any assumed Indebtedness) in excess of $60,000,000.

"**Material Acquisition Certificate**" means a certificate executed by a Responsible Officer designating an Acquisition as a Material Acquisition for purposes of paragraph 7A(a).

"**Material Adverse Effect**" means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole or (b) the validity or enforceability of this Agreement or any of the other Financing Documents or a material impairment of the rights and remedies of the holders of Notes hereunder or thereunder.

"**Material Contract**" means, with respect to any Person, each contract to which such Person is a party involving aggregate consideration payable to or by such Person of $10,000,000 or more in any year.

"**Material Domestic Subsidiary**" means each Domestic Subsidiary that is also a Material Subsidiary.

"**Material Indebtedness**" means, as to the Company or any of its Subsidiaries, any Indebtedness of the Company or such Subsidiary in excess of the aggregate outstanding principal amount of $10,000,000.

"**Material Indebtedness Agreement**" means any agreement or document governing, evidencing or executed in connection with any Material Indebtedness, as amended, modified or supplemented from time to time.

"**Material Subsidiary**" means any (a) Foreign Subsidiary Borrower and (b) any other Subsidiary of the Company (i) the Consolidated Tangible Assets of which exceed 10% of the Consolidated Tangible Assets of the Company and its consolidated Subsidiaries as of the end of the most recently completed fiscal year or (ii) the Net Revenue of which exceeds 10% of the Net Revenue of the Company and its consolidated Subsidiaries for the most recently completed fiscal year; provided that (A) any Subsidiary that directly or indirectly owns a Material Subsidiary shall itself be a Material Subsidiary and (B) in the event Subsidiaries that would otherwise not be Material Subsidiaries shall in the aggregate account for a percentage in excess of 30% of the Consolidated Tangible Assets or 30% of the Net Revenue of the Company and its consolidated Subsidiaries as of the end of and for the most recently completed fiscal year, then one or more of such Subsidiaries designated by the Company (or, if the Company shall make no designation, one or more of such Subsidiaries in descending order based on their respective contributions to Consolidated Tangible Assets), shall be included as Material Subsidiaries to the extent necessary to eliminate such excess. The holders of Notes agree that if the provision in the definition of Material Subsidiary in the Bank Credit Agreement corresponding to clause (b) above is amended to make such provision less restrictive on the Company and its Subsidiaries than such provision is on the Series A Closing Day, then, so long as no Default or Event of Default shall then exist and be continuing, this Agreement shall be, and shall be deemed to be, automatically amended to make such changes as are required to conform such clause (b) to the corresponding provision in the Bank Credit Agreement. Upon the written request of any holder of Notes or the Company, the parties hereto shall promptly enter into a written amendment to formalize such changes.

"**Maturity Date**" is defined in the first paragraph of each Note.

"**Most Favored Lender Agreement**" shall have the meaning specified in paragraph 7P.

"**Most Favored Covenants**" shall have the meaning specified in paragraph 7P.

"**Multiemployer Plan**" shall mean any Plan which is a "**multiemployer plan**" (as such term is defined in section 4001 (a)(3) of ERISA).

"**NAIC**" means the National Association of Insurance Commissioners or any successor thereto.

"**NAIC Annual Statement**" shall have the meaning specified in paragraph 10B(i).

"**Net Revenue**" means, with respect to any Person for any period, the net revenue of such Person and its consolidated subsidiaries, determined on a consolidated basis in accordance with GAAP for such period.

"**New York Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York are required or authorized to be closed.

"**Notes**" shall have the meaning specified in paragraph lB.

"**Obligors**" shall mean the Company and the Subsidiary Guarantors.

"**OFAC**" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"**OFAC Sanctions Program**" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx.

"**Officer's Certificate**" shall mean a certificate signed in the name of the Company by an Authorized Officer of the Company.

"**Organization Documents**" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"**Overnight Interest Rate**" means with respect to an Accepted Note denominated in a currency other than Dollars, the actual rate of interest, if any, received by the Purchaser which intends to purchase such Accepted Note on the overnight deposit of the funds intended to be used for the purchase of such Accepted Note, it being understood that reasonable efforts will be made by or on behalf of the Purchaser to make any such deposit in an interest bearing account.

"**PAAL Lease**" means that certain sale and lease contract dated on or about February 17, 2000, as amended, restated and supplemented from time to time, regarding the production and administrative building in Raiffeneisenstrasse 15-17 in 49124 Georgsmarienhutte and certain sales of equipment related to Equilibrium Finance Limited.

"**PAAL Lease Obligations**" means all obligations of the Company and its Subsidiaries arising under or in connection with the PAAL Lease.

"**PBGC**" shall mean the Pension Benefit Guaranty Corporation.

"**Permitted Acquisition**" means any acquisition, by merger or otherwise, by the Company or any of its Subsidiaries of assets or Capital Stock, so long as (a) such acquisition and all transactions related thereto shall be consummated in accordance with all Requirements of Law, (b) such acquisition shall result in the issuer of such Capital Stock becoming a Subsidiary and, to the extent required by paragraph 6L, a Subsidiary Guarantor or such acquisition is of the Capital Stock of an entity that is already a Subsidiary, (c) immediately prior to and after giving effect to such acquisition, no Default or Event of Default shall have occurred and be continuing, (d) the Company shall be in compliance, on a pro forma basis after giving effect to such acquisition (including any Indebtedness assumed or permitted to exist or incurred pursuant to paragraph 7B), with the covenants set forth in paragraph 7A, as such covenants are recomputed as at the last day of the most recently ended Reference Period under such section as if such acquisition had occurred on the first day of such Reference Period, (e) if such acquisition is a Material Acquisition, (i) the Company's Consolidated Leverage Ratio for the most recent Reference Period ended prior to the date of such acquisition and calculated to the extent applicable (after giving effect to any proforma adjustment made pursuant to the second sentence of the definition of Consolidated EBITDA) as if such acquisition had occurred on the first day of such Reference Period, shall not exceed 0.25 to 1.00 below the otherwise applicable maximum permitted Consolidated Leverage Ratio (after giving effect to any increase under paragraph 7A(a)); and (ii) the Company shall have demonstrated the holders of Notes (as determined by the Required Holders) compliance with clause (i) above, together with such supporting documentation as the Required Holders may reasonably request, no later than five (5) days prior to the consummation of any such acquisition and the assumption and/or incurrence of any Indebtedness in connection therewith; provided however that such acquisition will be a Permitted Acquisition hereunder if the Company shall have complied with clauses (d) and (e)(i) of the definition of "**Permitted Acquisitions**" (or other comparable provision) in the Bank Credit Agreement if such provisions are the same or less restrictive than clause (d) and (e)(i) above so long as the Consolidated Leverage Ratio, computed in accordance with clause (e)(i) above, is no greater than the maximum ratio permitted by paragraph 7A(a) at such time, (f) such acquisition is not hostile, (g) such acquisition is of a Person or the assets of such Person which is in the business in which the Company or its Subsidiaries are engaged on the Series A Closing Day which is the industrial processing equipment or services business or businesses reasonably related thereto, and (h) the holders of Notes receive at least 5 days prior written notice of such acquisition and satisfactory evidence demonstrating pro forma compliance with the financial covenants contained in paragraph 7A(a) and (b) at the time of such acquisition after giving effect thereto.

"**Permitted Dispositions**" shall mean any Dispositions permitted by paragraph 7E.

"**Permitted Sale Leaseback**" means any Sale Leaseback consummated by the Company or any of its Subsidiaries; provided that any such Sale Leaseback not between the Company and any Subsidiary or any Subsidiary and another Subsidiary is consummated for fair value as determined at the time of consummation in good faith by the Company or any such Subsidiary and, in the case of all such Sale Leasebacks during the term of this Agreement, the aggregate proceeds of which do not exceed an amount equal to the greater of (x) $35,000,000 and (y) the amount permitted pursuant to the Bank Credit Agreement but in no event more than $50,000,000, in each case less, without duplication, the aggregate principal amount of any Indebtedness incurred pursuant to paragraph 7B(l)(j).

"**Permitted Unrestricted Cash**" means 100% of unrestricted cash and Cash Equivalents of the Company or any of its Subsidiaries on deposit or invested in a country where the Company or any of its Subsidiaries has business operations which the Company or any of its Subsidiaries may withdraw without restriction, up to an aggregate amount of $30,000,000.

"**Person**" shall mean and include an individual, a limited liability company, a partnership, a joint venture, a corporation, a business trust, a trust, an unincorporated organization and a government or any department or agency thereof or any other entity of whatever nature.

"**Plan**" shall mean, at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Company or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "**employer**" as defined in section 3(5) of ERISA.

"**Priority Indebtedness**" means, without duplication, the sum of (a) all Indebtedness of the Company and its Subsidiaries secured by any Lien with respect to any property owned by the Company or any Subsidiary and (b) all Indebtedness of Subsidiaries (other than Indebtedness owed to the Company or a Subsidiary Guarantor) whose obligations are not subject to sharing pursuant to the terms of the Sharing Agreement.

"**Prudential**" shall mean PGIM, Inc.

"**Prudential Affiliate**" shall mean (i) any corporation or other entity controlling, controlled by, or under common control with, Prudential and (ii) any managed account or investment fund which is managed by Prudential or a Prudential Affiliate described in clause (i) of this definition. For purposes of this definition the terms "**control**", "**controlling**" and "**controlled**" shall mean the ownership, directly or through subsidiaries, of a majority of a corporation's or other Person's Voting Stock or equivalent voting securities or interests.

"**PTE**" shall have the meaning specified in paragraph 10B(i).

"**Purchaser**" or "**Purchasers**" shall have the meaning specified in the introduction hereto.

"**QPAM Exemption**" shall have the meaning specified in paragraph 10B(iv).

"**Quotation**" shall have the meaning provided in paragraph 2B(4).

"**Reference Period**" shall have the meaning provided in the definition of Consolidated EBITDA.

"**Related Fund**" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"**Reorganization**" shall mean, with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"**Reportable Event**" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

"**Request for Purchase**" shall have the meaning specified in paragraph 2B(3).

"**Required Holder(s)**" shall mean the holder or holders of at least 51% of the aggregate principal amount of the Notes or of a Series of Notes, as the context may require, from time to time outstanding. In determining the "**Required Holders**" of all of the Notes at any time, the principal amount of any Note of

any Series denominated in a currency other than Dollars shall be deemed to be the U.S. Dollar Equivalent of the principal amount thereof at any time.

"**Requirement of Law**" means, as to any Person, the Organizational Documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Rescheduled Closing Day**" shall have the meaning specified in paragraph 3C.

"**Restricted Payments**" shall have the meaning specified in paragraph 7F.

"**Responsible Officer**" shall mean the chief executive officer, chief operating officer, chief financial officer or chief accounting officer of the Company, general counsel of the Company or any other officer of the Company involved principally in its financial administration or its controllership function.

"**Sale Leaseback**" shall mean any transaction or series of related transactions pursuant to which the Company or any of its Subsidiaries (a) Disposes of any property, real or personal, whether now owned or hereafter acquired, and (b) as part of such transaction, thereafter rents or leases such property or other property that it intends to use for substantially the same purpose or purposes as the property being Disposed.

"**Securities Act**" shall mean the Securities Act of 1933, as amended.

"**Series**" shall have the meaning specified in paragraph lB.

"**Series A Closing**" shall have the meaning specified in paragraph 3A.

"**Series A Closing Day**" shall have the meaning specified in paragraph 3A.

"**Series A Notes**" shall have the meaning specified in paragraph 1A.

"**Series A Purchasers**" shall have the meaning specified in the introduction hereto.

"**Sharing Agreement**" shall mean, collectively, (a) that certain Sharing Agreement, in the form attached hereto as Exhibit E, dated the date hereof, by and among Citizens Bank, N.A. as Administrative Agent, Citizens Bank, N.A., as Multicurrency Administrative Agent, PGIM, Inc. and the Series A Purchasers, and (b) any other agreement, in form and substance reasonably acceptable to the Required Holders, entered into among the holders of the Notes and the holder of any Material Indebtedness (or such holder's representative) which contains agreements regarding the sharing of distributions or realizations in any action or proceeding against the Company and/or any of its Subsidiaries, in each case as amended, restated, supplemented or otherwise modified from time to time.

"**Shelf Notes**" shall have the meaning specified in paragraph 1B.

"**Single Employer Plan**" shall mean any Plan that is covered by Title IV or ERISA, but that is not a Multiemployer Plan.

"**Solvent**" when used with respect to any Person, shall mean that, as of any date of determination, (a) the amount of the "**present fair saleable value**" of the assets of such Person will, as of such date, exceed the amount of all "**liabilities of such Person, contingent or otherwise**", as of such date,

as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature.

"**Source**" shall have the meaning specified in paragraph 10B.

"**Spot Rate**" shall mean, at any time, with respect to a currency, the rate determined in good faith by the Required Holders as the spot rate for the purchase of such currency with another currency at such time.

"**State Sanctions List**" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"**Subordinated Indebtedness**" means Indebtedness of the Company or any of its Subsidiaries (a) that does not require the issuer thereof or any other obligor thereon or any Subsidiary thereof to maintain any specified financial condition or performance (other than as a condition to the taking of certain actions) that is as restrictive or more restrictive than the financial conditions or performance covenants contained herein, (b) which is unsecured, (c) which contains no mandatory prepayments other than customary asset sale and change of control prepayments (the terms of which provide that the obligations of the Company and its Subsidiaries under the Financing Documents shall be paid prior to any such prepayment of such Indebtedness), and (d) which contains subordination provisions reasonably satisfactory to the Required Holders. Subordinated Indebtedness may be issued only if no Default or Event of Default has occurred or will result therefrom.

"**Subsidiary**" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "**Subsidiary**" or to "**Subsidiaries**" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company and, unless otherwise expressly noted, shall not include the Discontinued Operations.

"**Subsidiary Guarantor**" shall mean each existing and future direct and indirect Material Domestic Subsidiary of the Company and each other Domestic Subsidiary of the Company from time to time party to the Subsidiary Guaranty as a Subsidiary Guarantor; provided that the Discontinued Operations shall not be a Subsidiary Guarantor.

"**Subsidiary Guaranty**" shall have the meaning provided in paragraph 4A(1).

"**SVO**" means the Securities Valuation Office of the National Association of Insurance Commissioners or any successor to such Office.

"**Swap Agreement**" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates,

currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or any of its Subsidiaries shall be a "**Swap Agreement**".

"**Syntron Leases**" means that certain Lease Agreement dated June 5, 2014 between Store Capital Acquisitions, LLC, a Delaware limited liability company, and Syntron Material Handling, LLC, a Delaware limited liability company, for the lease of property at 2730 Highway 145 South, Saltillo, Mississippi 38866, and any other lease agreement to which Syntron Material Handling or its subsidiaries is a party at the time it or the applicable subsidiary becomes a Subsidiary of Kadant.

"**Syntron Lease Obligations**" means all obligations of the Company and its Subsidiaries arising under or in connection with the Syntron Leases.

"**Taxes**" means all income, stamp, documentary and other taxes and duties, and all other levies, imposts, charges, fees, deductions and withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any jurisdiction (except net income taxes and franchise taxes in lieu of net income taxes imposed on any holder of any Note by its jurisdiction of incorporation or the jurisdiction in which its applicable lending office is located).

"**Taxing Jurisdiction**" is defined in paragraph 12R.

"**Transferee**" shall mean any direct or indirect transferee of all or any part of any Note purchased by any Purchaser under this Agreement.

"**United States**" means the United States of America.

"**U.S. Dollar Equivalent**" (a) for purposes of paragraph 2 of this Agreement, shall have the meaning provided in paragraph 2B(1), and (b) for all other purposes of this Agreement, shall mean, on any day, with respect to any currency, the rate (the "**Exchange Rate**") at which such currency may be exchanged into any other currency, as set forth at approximately 11:00 A.M., London time, on such date on the Reuters World Currency Page for such currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be selected by the Required Holders, or, in the event no such service is selected, such exchange rate shall instead be as determined by the Required Holders at such time on the basis of the Spot Rate for the purchase of Dollars with such currency.

"**U.S. Economic Sanctions Laws**" means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

"**USA PATRIOT Act**" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 and the rules and regulations promulgated thereunder from time to time in effect.

"**Voting Stock**" shall mean, with respect to any corporation, any shares of stock of such corporation whose holders are entitled under ordinary circumstances to vote for the election of directors of

such corporation (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"**Wholly-Owned Subsidiary**" shall mean, at any time, as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly-Owned Subsidiaries.

11C. **Accounting Terms; Rounding**.

11C(1). **Generally**. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the most recent audited financial statements delivered pursuant to clause (ii) of paragraph 7A or, if no such statements have been so delivered, the most recent audited financial statements referred to in clause (i) of paragraph 9B, except as otherwise specifically prescribed herein.

11C(2). **Changes in GAAP**. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Financing Document, and either the Company or the Required Holders shall so request, the holders of Notes and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Holders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Company shall provide to Prudential and the holders of Notes financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding the foregoing or the definition of GAAP, operating and capital leases will be classified and accounted for in accordance with GAAP in effect on the Series A Closing Day.

11C(3). **IAS 39**. For purposes of determining compliance with the financial covenants contained in this Agreement, any election by the Company or any Subsidiary to measure any portion of a non-derivative financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 - *Fair Value Option*, International Accounting Standard 39 - *Financial Instruments: Recognition and Measurement* or any similar accounting standard), other than to reflect any hedging of such non-derivative financial liability (including both interest rate and foreign currency hedges), shall be disregarded and such determination shall be made as if such election had not been made.

11C(4). **Rounding**. Any financial ratios required to be maintained by the Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

11D. **Currency Equivalents.**. For purposes of determining compliance under paragraphs 7B, 7C, 7E, 7F, 7G and 7I with respect to any amount denominated in any currency other than Dollars, compliance will be determined at the time of the consummation of any transaction contemplated therein using the U.S. Dollar Equivalent thereof at the Exchange Rate in effect at the time of such incurrence or advancement. For purposes of determining compliance under paragraph 7A with respect to any amount denominated in any currency other than Dollars, compliance will be determined by converting any amount

denominated in any currency other than Dollars into Dollars using the average of the foreign Exchange Rates quoted on each day on the so-called Bloomberg screen or similar reporting service reasonably determined by Prudential during the most recently ended three month period.

12. **MISCELLANEOUS.**

12A. **Note Payments**. The Company agrees that, so long as any Purchaser shall hold any Note, it will make payments of principal of, interest on, and any Yield-Maintenance Amount payable with respect to, such Note, which comply with the terms of this Agreement, by wire transfer of immediately available funds for credit (not later than 12:00 noon, New York City local time, on the date due) (i) to the account or accounts of such Purchaser specified in (a) the Purchaser Schedule (in the case of the Series A Notes) or (b) such Purchaser's the Confirmation of Acceptance (in the case of Shelf Notes) with respect to such Note or (ii) such other account or accounts in the United States as such Purchaser may from time to time designate in writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment. Each Purchaser agrees that, before disposing of any Note, it will make a notation thereon (or on a schedule attached thereto) of all principal payments previously made thereon and of the date to which interest thereon has been paid. The Company agrees to afford the benefits of this paragraph 12A to any Transferee which shall have made the same agreement as the Purchasers have made in this paragraph 12A.

12B. **Expenses**. The Company agrees, whether or not the transactions contemplated hereby shall be consummated, to pay, and save Prudential, each Purchaser and any Transferee harmless against liability for the payment of, all out-of-pocket expenses arising in connection with such transactions and the administration of the Financing Documents, including (i) all document production and duplication charges and the fees and expenses of any special counsel engaged by the Purchasers or any Transferee in connection with the Financing Documents, the transactions contemplated hereby and any subsequent proposed modification of, or proposed consent under, such Financing Documents, whether or not such proposed modification shall be effected or proposed consent granted, (ii) the costs and expenses, including reasonable attorneys' fees, incurred by any Purchaser or any Transferee in enforcing (or determining whether or how to enforce) any rights under the Financing Documents or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the transactions contemplated hereby or by reason of any Purchaser's or any Transferee's having acquired any Note, including without limitation costs and expenses incurred in any bankruptcy case, and (iii) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO up to $5,000. The obligations of the Company under this paragraph 12B shall survive the transfer of any Note or portion thereof or interest therein by any Purchaser or any Transferee and the payment of any Note.

12C. **Consent to Amendments**. This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent to such amendment, action or omission to act, of the Company and the Required Holder(s) of the Notes of each Series except that, (i) subject to the provisions of paragraph 8B, with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended or the provisions thereof waived to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Yield-Maintenance Amount payable with respect to the Notes of such Series, (ii) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to or waiver of the provisions of this Agreement shall change or affect the provisions of paragraph 8A or this paragraph 12C insofar as such provisions relate to proportions of the principal amount of the Notes

of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration, (iii) with the written consent of Prudential (and not without the written consent of Prudential) the provisions of paragraph 2 may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (iv) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions of paragraphs 2 and 3 may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this paragraph 12C, whether or not such Note shall have been marked to indicate such consent, but any Notes issued thereafter may bear a notation referring to any such consent. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note.

12D. **Form, Registration, Transfer and Exchange of Notes; Lost Notes**. The Notes are issuable as registered notes without coupons in denominations of at least $1,000,000 (or its equivalent if denominated in another currency), except as may be necessary to reflect any principal amount not evenly divisible by $1,000,000 (or its equivalent if denominated in another currency). The Company shall keep at its principal office a register in which the Company shall provide for the registration of Notes and of transfers of Notes. Upon surrender for registration of transfer of any Note at the principal office of the Company, the Company shall, at its expense, execute and deliver one or more new Notes of like tenor and of a like aggregate principal amount, registered in the name of such transferee or transferees. At the option of the holder of any Note, such Note may be exchanged for other Notes of like tenor and of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the principal office of the Company. Whenever any Notes are so surrendered for exchange, the Company shall, at its expense, execute and deliver the Notes which the holder making the exchange is entitled to receive. No reference need be made in any such new Note to any prepayment or prepayments of principal previously due and paid upon the Note surrendered for registration of transfer or exchange. Every Note surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the holder of such Note or such holder’s attorney duly authorized in writing. Any Note or Notes issued in exchange for any Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, so that neither gain nor loss of interest shall result from any such transfer or exchange. Upon receipt of written notice from the holder of any Note of the loss, theft, destruction or mutilation of such Note and, in the case of any such loss, theft or destruction, of indemnity reasonably satisfactory to the Company (provided that, if the holder of such Note is an original Purchaser or has a minimum net worth of at least $50,000,000, such holder’s own unsecured agreement of indemnity shall be deemed to be satisfactory), or in the case of any such mutilation upon surrender and cancellation of such Note, the Company will make and deliver a new Note, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note.

12E. **Persons Deemed Owners; Participations**. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on, and any Yield-Maintenance Amount payable with respect to, such Note and for all other purposes whatsoever, whether or not such Note shall be overdue, and the Company shall not be affected by notice to the contrary. Subject to the preceding sentence, the holder of any Note may from time to time grant participations in all or any part of such Note

to any Person on such terms and conditions as may be determined by such holder in its sole and absolute discretion.

12F. **Survival of Representations and Warranties; Entire Agreement**. All representations and warranties contained herein or made in writing by or on behalf of the Company in connection herewith shall survive the execution and delivery of this Agreement and the Notes, the transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any Transferee, regardless of any investigation made at any time by or on behalf of any Purchaser or any Transferee. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings relating to such subject matter.

12G. **Successors and Assigns**. All covenants and other agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including, without limitation, any Transferee) whether so expressed or not.

12H. **Independence of Covenants**. All covenants hereunder shall be given independent effect so that if a particular action or condition is prohibited by any one of such covenants, the fact that it would be permitted by an exception to, or otherwise be in compliance within the limitations of, another covenant shall. not avoid the occurrence of a Default or Event of Default if such action is taken or such condition exists.

12I. **Notices**. All written communications provided for hereunder (other than communications provided for under paragraph 2) shall be sent by certified or registered mail with return receipt requested (postage prepaid), recognized nationwide overnight delivery service (with charges prepaid) or by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized nationwide overnight delivery service, and (i) if to Prudential, to the address specified for Prudential in the Information Schedule, (ii) if to any Purchaser, addressed as specified for such communications in the Purchaser Schedule attached to this Agreement (in the case of the Series A Notes) or in the Purchaser Schedule attached to the applicable Confirmation of Acceptance (in the case of Shelf Notes) or at such other address as any such Purchaser shall have specified to the Company in writing, (iii) if to any other holder of any Note, addressed to it at such address as it shall have specified in writing to the Company or, if any such holder shall not have so specified an address, then addressed to such holder in care of the last holder of such Note which shall have so specified an address to the Company and (iv) if to the Company, addressed to it at the address specified for the Company in the Information Schedule. Any communication pursuant to paragraph 2 shall be made by the method specified for such communication in paragraph 2, and in the case of a telefacsimile communication, the communication is signed by an Authorized Officer of the party conveying the information, addressed to the attention of an Authorized Officer of the party receiving the information, and in fact received at the telefacsimile terminal the number of which is listed for the party receiving the communication in the Information Schedule or at such other telefacsimile terminal as the party receiving the information shall have specified in writing to the party sending such information.

12J. **Payments Due on Non-Business Days**. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest on, or Yield-Maintenance Amount payable with respect to, any Note that is due on a date other than a New York Business Day shall be made on the next succeeding New York Business Day. If the date for any payment is extended to the next succeeding New York Business Day by reason of the preceding sentence, the period of such extension shall not be

included in the computation of the interest payable on such New York Business Day (other than with respect to any payment on the maturity date of such Note, in which case interest shall be included).

12K. **Severability**. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12L. **Descriptive Headings**. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

12M. **Satisfaction Requirement**. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to any Purchaser, to any holder of Notes or to the Required Holder(s), the determination of such satisfaction shall be made by such Purchaser, such holder or the Required Holder(s), as the case may be, in the sole and exclusive judgment (exercised in good faith) of the Person or Persons making such determination.

12N. **Governing Law; Consent to Jurisdiction, etc.**. (a) IN ACCORDANCE WITH THE PROVISIONS OF §5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE INTERNAL LAW OF THE STATE OF NEW YORK.

(b) THE COMPANY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN, THE CITY OF NEW YORK, OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE FINANCING DOCUMENTS. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY IRREVOCABLY WAIVES AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT IT IS NOT SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING IN THIS PARAGRAPH 12N(b) SHALL LIMIT ANY RIGHT THAT PRUDENTIAL OR ANY HOLDER OF A NOTE MAY HAVE TO BRING PROCEEDINGS AGAINST THE COMPANY IN THE COURTS OF ANY APPROPRIATE JURISDICTION OR TO ENFORCE IN ANY LAWFUL MANNER A JUDGMENT OBTAINED IN ONE JURISDICTION IN ANY OTHER JURISDICTION.

12O. **Waiver of Jury Trial**. THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER FINANCING DOCUMENT OR THE VALIDITY, PROTECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT HEREOF OR THEREOF.

12P. **Limitation of Liability**. NEITHER PRUDENTIAL NOR ANY HOLDER OF NOTES SHALL HAVE ANY LIABILITY WITH RESPECT TO, AND THE COMPANY HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, INDIRECT OR

CONSEQUENTIAL DAMAGES SUFFERED BY THE COMPANY IN CONNECTION WITH ANY CLAIM RELATED TO THIS AGREEMENT.

12Q. **Payment Currency**. All payments on account of the Notes (including principal, interest and Yield-Maintenance Amounts) shall be made in the currency in which such Notes are denominated. The obligation of the Company to make payment on account of any Notes in the applicable denominated currency shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any currency other than such applicable denominated currency, except to the extent the holder of the applicable Note actually receives the full amount of the currency in which the underlying obligation is denominated. The obligation of the Company to make payment in the applicable denominated currency as required by the first sentence of this paragraph shall be enforceable as an alternative or additional cause of action for the purpose of recovery in such currency, of the amount, if any, by which such actual receipt shall fall short of the full amount of such currency expressed to be payable in respect of any such obligation, and shall not be affected by judgment being obtained for any other sums due under the Notes or this Agreement, as the case may be.

12R. **Payments Free and Clear of Taxes**. Subject to the further limitations in this paragraph 12R, all payments whatsoever under this Agreement and the Notes will be made by or on behalf of the Company free and clear of, and without liability for withholding or deduction for or on account of, any present or future Taxes of whatever nature imposed or levied by or on behalf of any jurisdiction other than the United States (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a "**Taxing Jurisdiction**"), unless the withholding or deduction of such Tax is compelled by law. Notwithstanding, and without duplication of the foregoing, if any Taxes are required to be withheld from any amounts payable to a holder of any Notes in respect of the Notes or this Agreement, the Company shall withhold and pay (or cause to be withheld and paid) such Taxes and the amounts so payable to such holder shall be increased to the extent necessary to yield such holder (after payment of all Taxes) interest on any such amounts payable hereunder or under the Notes at the rates or in the amounts specified in this Agreement and the Notes provided that no payment to holders of Notes of any additional amounts shall be required to be made for or on account of:

(a) any Tax that would not have been imposed but for the existence of any present or former connection between such holder (or a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation or any Person other than the holder to whom the Notes or any amount payable thereon is attributable for the purposes of such Tax) and the Taxing Jurisdiction, other than the mere holding of the relevant Note or the receipt of payments thereunder or in respect thereof, including, without limitation, such holder (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, or being or having been present or engaged in trade or business therein or having or having had an establishment, office, fixed base or branch therein, provided that this exclusion shall not apply with respect to a Tax that would not have been imposed but for the Company, after the Series A Closing Day, (i) opening an office in, moving an office to or reincorporating in the Taxing Jurisdiction imposing the relevant Tax or (ii) making payment in respect of the Notes or on account of this Agreement from any jurisdiction other than the United States;

(b) any Tax that would not have been imposed but for the delay or failure by such holder (following a written request by the Company) in the filing with the Company or the relevant Taxing Jurisdiction of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes (including for such purpose any refilings or renewals of filings that may from time to time be required by the relevant Taxing Jurisdiction), provided that the filing of such Forms would not (in such holder's reasonable judgment) impose any unreasonable burden (in time, resources or otherwise) on such holder or

result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person and such delay or failure could have been lawfully avoided by such holder, and provided further that such holder shall be deemed to have satisfied the requirements of this clause (b) upon the good faith completion and submission of such Forms (including refilings or renewals of filings) as may be specified in a written request of the Company no later than 60 days after receipt by such holder of such written request (accompanied by copies of such Forms and related instructions, if any, all in the English language or with an English translation thereof); or

(c) any combination of clauses (a) and (b) above;

and provided further that (i) in no event shall the Company be obligated to pay such additional amounts to any holder of a Note not resident in the United States of America or any other jurisdiction in which an original Purchaser is resident for tax purposes on the applicable Closing Date in excess of the amounts that the Company would be obligated to pay if such holder had been a resident of the United States of America or such other jurisdiction, as applicable, for purposes of, and eligible for the benefits of, any double taxation treaty from time to time in effect between the United States of America or such other jurisdiction and the relevant Taxing Jurisdiction and (ii) in no event shall the Company be obligated to pay such additional amounts to any holder of a Note, unless such Tax results from the Company, after the Series A Closing Day, (x) opening an office in, moving an office to or reincorporating in the Taxing Jurisdiction imposing the relevant Tax or (y) making payment in respect of the Notes or on account of this Agreement from any jurisdiction other than the United States.

By acceptance of any Note, the holder of such Note agrees, subject to the limitations of clause (b) above, that it will from time to time with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company all such forms, certificates, documents and returns provided to such holder by the Company (collectively, together with instructions for completing the same, "**Forms**") required to be filed by or on behalf of such holder in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and such Taxing Jurisdiction and (y) provide the Company with such information with respect to such holder as the Company may reasonably request in order to complete any such Forms, provided that nothing in this paragraph 12R shall require any holder to provide information with respect to any such Form or otherwise if in the opinion of such holder such Form or disclosure of information would involve the disclosure of tax return or other information that is confidential or proprietary to such holder, and provided further that each such holder shall be deemed to have complied with its obligation under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such holder to the Company or mailed to the appropriate taxing authority, whichever is applicable, within 60 days following a written request of the Company (which request shall be accompanied by copies of such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least 90 days prior to the relevant interest payment date.

Whenever any Taxes are payable by the Company, as promptly as possible thereafter, the Company shall send to each holder of the Notes, a certified copy of an original official receipt received by the Company (or other reasonably satisfactory evidence of payment) showing payment thereof. If the Company fails to pay any Taxes, that it is obligated to pay, when due to the appropriate taxing authority or fails to remit to each holder of the Notes the required receipts or other required documentary evidence, the Company shall indemnify each holder of the Notes for any Taxes (including interest or penalties) that may become payable by such holder as a result of any such failure.

The obligations of the Company under this paragraph 12R shall survive the payment and performance of the Notes and the termination of this Agreement.

12S. **Severalty of Obligations**. The sales of Notes to the Purchasers are to be several sales, and the obligations of Prudential and the Purchasers under this Agreement are several obligations. No failure by Prudential or any Purchaser to perform its obligations under this Agreement shall relieve any other Purchaser or the Company of any of its obligations hereunder, and neither Prudential nor any Purchaser shall be responsible for the obligations of, or any action taken or omitted by, any other such Person hereunder.

12T. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

12U. **Binding Agreement**. When this Agreement is executed and delivered by the Company, Prudential and the Series A Purchasers, it shall become a binding agreement among the Company, Prudential and the Series A Purchasers. This Agreement shall also inure to the benefit of each Purchaser which shall have executed and delivered a Confirmation of Acceptance, and each such Purchaser shall be bound by this Agreement to the extent provided in such Confirmation of Acceptance.

12V. **Confidential Information**. For the purposes of this paragraph 12V, "**Confidential Information**" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under paragraph 6A that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this paragraph 12V, (iii) any. other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this paragraph 12V), (v) any federal or state regulatory authority having jurisdiction over such Purchaser, (vi) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (vii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this paragraph 12V as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested

by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this paragraph 12V. Without limitation of the foregoing, each Holder and any Transferee agrees that it will not trade any securities (other than the Notes) of the Company based on any material non-public information it receives in connection with this Agreement and the Notes.

[Balance of Page Intentionally Left Blank]

Very truly yours,

KADANT INC.

By: /s/ Daniel J. Walsh
Name: Daniel J. Walsh
Title: Treasurer

The foregoing Agreement is
hereby accepted as of the
date first above written.

PGIM, INC.

By: /s/ Engin Okaya
Name: Engin Okaya
Title: Vice President

The Prudential Insurance Company of America

By: /s/ Engin Okaya
Name: Engin Okaya
Title: Vice President

HIGHMARK INC.

By: Prudential Private Placement Investors, L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc. (as General Partner)

By: /s/ Engin Okaya
Name: Engin Okaya
Title: Vice President

INFORMATION SCHEDULE

Information Relating to the Company and Prudential

Company:

Address/Contact Information:

Kadant Inc.
One Technology Park Drive
Westford, MA 01886
Attention: Chief Financial Officer, Treasurer and General Counsel
Fax: 978-635-1593
Tel: 978-776- 2017

Prudential:

Address/Contact Information:

PGIM, Inc.
c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036
Attention: Managing Director
Fax: 212-626-2077
Tel: 212-626-2060

PURCHASER SCHEDULE

Information as to Purchasers

SCHEDULE 3

Wiring Instructions

SCHEDULE 7B(1)(e)

Existing Indebtedness

SCHEDULE 7C(g)

Existing Liens

SCHEDULE 7G(e)

Existing Investments

SCHEDULE 7H

Transactions with Affiliates

SCHEDULE 9B

Subsidiaries

SCHEDULE 11B

Discontinued Operations

Exhibit A-1

[Form of Series A Note]

KADANT INC.

4.90% Senior Note Due December 14, 2028

No. RA-[_____] **[Date]**

$[_____] PPN: 48282T A*5

For Value Received, the undersigned, **Kadant Inc.,** a Delaware corporation (herein called the "**Company**"), hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] Dollars (or so much thereof as shall not have been prepaid) on December 14, 2028 (the "**Maturity Date**"), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.90% per annum, which interest rate is subject to adjustment in accordance with paragraph 7A(a) of the Note Purchase Agreement (as defined below), from the date hereof, payable semiannually, on the 14th day of June and December in each year, commencing with the June 14 or December 14 next succeeding the date hereof, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Yield Maintenance Amount, at a rate per annum from time to time equal to the greater of (i) 6.90%, which interest rate is subject to adjustment in accordance with paragraph 7A(a) of the Note Purchase Agreement, or (ii) 2.00% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Yield Maintenance Amount with respect to this Note are to be made in lawful money of the United States of America in New York, New York at JPMorgan Chase Bank, N.A. or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "**Notes**") issued pursuant to the Note Purchase Agreement, dated December 14, 2018 (as from time to time amended, the "**Note Purchase Agreement**"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in paragraph 12V of the Note Purchase Agreement and (ii) made the representation set forth in paragraph 10B of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal

amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

KADANT INC.

By: _____
Name:
Title:

Exhibit A-2

[Form of Shelf Note]

KADANT INC.

SERIES ____ SENIOR NOTE

NO. ____
CURRENCY:
ORIGINAL PRINCIPAL AMOUNT:
ORIGINAL ISSUE DATE:
INTEREST RATE:
INTEREST PAYMENT DATES:
FINAL MATURITY DATE:
PRINCIPAL PREPAYMENT DATES AND AMOUNTS:

FOR VALUE RECEIVED, the undersigned, **Kadant Inc.**, a Delaware corporation (herein called the "**Company**"), hereby promises to pay to _____, or registered assigns, the principal sum of _____ [**CURRENCY**] ([_____]) [on the final maturity date specified above] [, payable on the principal prepayment dates and in the amounts specified above, and on the final maturity date specified above in an amount equal to the unpaid balance of the principal hereof,] with interest (computed on the basis of a 360-day year and actual days elapsed) (a) on the unpaid balance thereof at the interest rate per annum specified above, which interest rate is subject to adjustment in accordance with paragraph 7A(a) of the Note Purchase Agreement (as defined below), payable on each interest payment date specified above and on the final maturity date specified above, commencing with the interest payment date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment of interest and any overdue payment of any Yield Maintenance Amount (as defined in the Note Purchase Agreement referred to below) and, without duplication of clause (a) hereof, during the continuance of an Event of Default, on such unpaid principal balance, payable on each interest payment date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) two percent (2%) over the interest rate specified above or (ii) two percent (2%) over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. from time to time in New York, New York as its "base" or "prime" rate with respect to [Currency].

Payments of principal of, interest on and any Yield Maintenance Amount with respect to this Note are to be made in lawful money of [Currency Jurisdiction] at the address as provided in paragraph 12 of the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "**Notes**") issued pursuant to that certain Multi-Currency Note Purchase and Private Shelf Agreement, dated as of December 14, 2018 (as from time to time amended, the "**Note Purchase Agreement**"), by and among the Company, PGIM, Inc. and the respective Purchasers (as defined therein) named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) made the representation set forth in paragraphs 10A and 10B of the Note Purchase Agreement and (ii) agreed to be bound by the provisions of the Note Purchase Agreement which are expressly applicable to a holder of Notes (and for the avoidance of doubt it is agreed and understood that no holder of this Note shall be bound by or have any obligation under paragraph

2 of the Note Purchase Agreement (other than, if such holder is a Purchaser, paragraph 2B(5) and paragraph 2B(7) thereof)).

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified above in this Note. This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Yield Maintenance Amount) and with the effect provided in the Note Purchase Agreement.

THIS NOTE AND THE NOTE PURCHASE AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

KADANT INC.

By:_____
Name:
Title:

Exhibit B

Form of Request for Purchase

KADANT INC.

Reference is made to the Multi-Currency Note Purchase and Private Shelf Agreement (as amended, restated or otherwise modified from time to time, the "**Note Purchase Agreement**"), dated as of December 14, 2018, by and among Kadant Inc., a Delaware corporation (together with its successors and assigns, the "**Company**"), PGIM, Inc., the Series A Purchasers and each Purchaser (as defined therein) party thereto. Capitalized terms used and not otherwise defined herein shall have the respective meanings specified in the Note Purchase Agreement.

Pursuant to paragraph 2B(3) of the Note Purchase Agreement, the Company hereby makes the following Request for Purchase:

1. Requested Available Currency: _____

2. Aggregate principal amount of the Notes covered hereby (the "**Notes**") _____

3. Individual specifications of the Notes[1]:

Principal Amount	Final Maturity Date	Principal Prepayment Dates and Amount	Interest Payment Period	Reinvestment Yield

4. Use of proceeds of the Notes:

5. Proposed day for the closing of the purchase and sale of the Notes:

6. The purchase price of the Notes is to be transferred to

Name, Address and ABA Routing Number of Bank	Number of Account

7. The Company certifies (a) that the representations and warranties contained in paragraph 9 of the Note Purchase Agreement are true on and as of the date of this Request for Purchase except to the extent (i) expressly set forth herein and detailed in annexes attached hereto, and (ii) of changes caused by the transactions contemplated in the Note Purchase Agreement, (b) the proceeds of such Notes will not be used for the purpose of financing a Hostile Tender Offer and (c) that there exists on the date of this Request for Purchase no Event of Default or Default.

Dated: _____, _____

KADANT INC.

By: _____
Authorized Officer

Exhibit C

Form of Confirmation of Acceptance

KADANT INC.

Reference is made to the Multi-Currency Note Purchase and Private Shelf Agreement (the "**Note Purchase Agreement**"), dated as of December 14, 2018, by and among Kadant Inc., a Delaware corporation (together with its successors and assigns, the "**Company**"), PGIM, Inc. and each Purchaser (as defined therein) party thereto. All terms used herein that are defined, in the Note Purchase Agreement have the respective meanings specified in the Note Purchase Agreement.

Each Person which is named below as a Purchaser of Notes (i) hereby confirms the representations as to such Notes set forth in paragraph 10 of the Note Purchase Agreement and agrees to be bound by the provisions of the Note Purchase Agreement which are expressly applicable to a Purchaser (and for the avoidance of doubt it is agreed and understood that no Purchaser shall be bound by or have any obligation under paragraph 2 of the Note Purchase Agreement (other than paragraph 2B(5) and paragraph 2B(7) thereof)) and (ii) agrees to execute and deliver a Creditor Joinder Agreement (as defined in the Sharing Agreement), a completed copy of which is attached hereto, pursuant to which such Purchaser becomes bound to the Sharing Agreement.

Pursuant to paragraph 2B(5) of the Note Purchase Agreement, an Acceptance with respect to the following Accepted Notes is hereby confirmed:

I. Accepted Notes

1. Requested Available Currency: _____
2. Aggregate principal amount: _____
3. Reinvestment Investment Yield _____
4. Business Day _____
5. U.S. Dollar Equivalent $_____

(A) (a) Name of Purchaser:
(b) Principal amount:
(c) Final maturity date:
(d) Principal prepayment dates and amounts:
(e) Interest rate (fixed rate only):
(f) Interest payment period:
(g) Payment and notice instructions: As set forth on attached Purchaser Schedule

(B) (a) Name of Purchaser
(b) Principal amount:
(c) Final maturity date:
(d) Principal prepayment dates and amounts:
(e) Interest rate (fixed rate only):
(f) Interest payment period:
(g) Payment and notice instructions: As set forth on attached Purchaser Schedule

[(C), (D) same information as above.]

II. Closing Day:

KADANT INC.

By: _____
Authorized Officer

PGIM, INC.

By: _____

[PRUDENTIAL AFFILIATE]

By: _____

{Purchaser Schedule and Creditor Joinder Agreement to be attached}

Exhibit D

Execution Version

GUARANTY AGREEMENT

This **GUARANTY AGREEMENT** (as the same may hereafter be amended, supplemented or otherwise modified, this "**Guaranty**"), dated as of December 14, 2018, is by each of the entities on the signature pages hereto under the heading "Initial Subsidiary Guarantors" (together with their respective successors and assigns, the "**Initial Subsidiary Guarantors**" and together with all Persons who execute a Guaranty Joinder Agreement (defined below), collectively, the "**Subsidiary Guarantors**") in favor of the Noteholders (defined below).

RECITALS:

WHEREAS, Kadant Inc., a Delaware corporation (together with its successors and assigns, the "**Company**") is entering into a certain Multi-Currency Note Purchase and Private Shelf Agreement, dated as of December 14, 2018 (as may be amended, modified, restated or replaced from time to time, the "**Note Purchase Agreement**"), with PGIM, Inc. ("**Prudential**"), the Series A Purchasers (as hereinafter defined), and each other Prudential Affiliate that becomes bound thereby (such Prudential Affiliates together with the Series A Purchasers, collectively, the "**Purchasers**", and together with their successors and assigns including, without limitation, all future holders of the Notes (defined below), herein collectively referred to as the "**Noteholders**"), pursuant to which the Company, among other things, (a) is issuing and selling to certain purchasers (the "**Series A Purchasers**") on the date hereof $10,000,000 aggregate principal amount of its 4.90% Series A Senior Notes due December 14, 2028 (together with any note issued in substitution, replacement or exchange therefor pursuant to the terms of the Note Purchase Agreement, and as the same may be amended, restated or otherwise modified from time to time, the "**Series A Notes**"), and (b) is authorizing the issuance, subject to the terms and conditions of the Note Purchase Agreement, from time to time of additional senior promissory notes in the aggregate principal amount of up to One Hundred Fifteen Million Dollars ($115,000,000), each to bear interest on the unpaid balance thereof from the date thereof at the rate per annum as shall be set forth in the Confirmation of Acceptance with respect to each such Note delivered pursuant to paragraph 2B(5) of the Note Purchase Agreement, and each to be dated the date of issuance thereof, to mature no more than twelve (12) years after the date of original issuance thereof and to have an average life of no more than ten (10) years after the date of original issuance thereof (together with any note issued in substitution, replacement or exchange therefor pursuant to the terms of the Note Purchase Agreement, and as the same may be amended, restated or otherwise modified from time to time, the "**Shelf Notes**", and together with the Series A Notes, collectively, the "**Notes**");

WHEREAS, each Subsidiary Guarantor is a member of an affiliated group of companies that include the Company and each Subsidiary Guarantor; and

WHEREAS, to induce Prudential and the Series A Purchasers to enter into the Note Purchase Agreement and to induce each Purchaser from time to time to purchase the Notes, each Subsidiary Guarantor is required pursuant to the Note Purchase Agreement to guaranty jointly and severally and unconditionally all of the obligations of the Company under and in respect of the Notes and the Note Purchase Agreement pursuant to the terms and provisions hereof.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Subsidiary Guarantor hereby agrees as follows:

1. DEFINITIONS.

All capitalized terms used herein and not defined herein have the respective meanings given them in the Note Purchase Agreement.

2. GUARANTY.

2.1 Guaranteed Obligations.

Each Subsidiary Guarantor, in consideration of the execution and delivery of the Note Purchase Agreement and the purchase of the Notes by the Purchasers, hereby irrevocably, unconditionally and absolutely guarantees, on a joint and several and continuing basis with each other Subsidiary Guarantor, to each Noteholder as and for such Subsidiary Guarantor's own debt, until final and indefeasible payment of the amounts referred to in clause (a) below has been made:

(a) the due and punctual payment by the Company of the principal of, and the Yield-Maintenance Amount, if any, and interest on, the Notes at any time outstanding and the due and punctual payment of all other amounts payable, and all other Indebtedness owing, by the Company to the Noteholders under the Note Purchase Agreement and the Notes (including, without limitation, any monetary obligations incurred during the pendency of any bankruptcy, insolvency, winding-up, receivership or other similar proceeding regardless of whether allowed or allowable in such proceeding including, without limitation, interest accrued on the Notes during any such proceeding), in each case when and as the same shall become due and payable, whether at maturity, pursuant to mandatory or optional prepayment, by acceleration or otherwise, all in accordance with the terms and provisions hereof and thereof; it being the intent of each Subsidiary Guarantor that the guarantee set forth herein shall be a continuing guarantee of payment and not a guarantee of collection; and

(b) the punctual and faithful performance, keeping, observance, and fulfillment by the Company of all duties, agreements, covenants and obligations of the Company contained in the Note Purchase Agreement and the Notes.

All of the obligations set forth in clause (a) and clause (b) of this Section 2.1 are referred to herein as the "**Guaranteed Obligations**".

2.2 Payments and Performance.

In the event that the Company fails to make, on or before the due date thereof, any payment to be made in respect of the Guaranteed Obligations or if the Company shall fail to perform, keep, observe, or fulfill any other obligation referred to in clause (a) or clause (b) of Section 2.1 in the manner provided in the Note Purchase Agreement and the Notes (after the expiration of any applicable notice or grace periods), the Subsidiary Guarantors shall cause forthwith to be paid the moneys, or to be performed, kept, observed, or fulfilled each of such obligations, in respect of which such failure has occurred in accordance with the terms and provisions of the Note Purchase Agreement and the Notes. In furtherance of the foregoing, if an Event of Default shall exist, all of the Guaranteed Obligations shall forthwith become due and payable without

notice, regardless of whether the acceleration of the Notes shall be stayed, enjoined, delayed or otherwise prevented.

Nothing shall discharge or satisfy the joint and several obligations of the Subsidiary Guarantors hereunder except the full and final performance and indefeasible payment of the Guaranteed Obligations.

2.3 Releases.

Each Subsidiary Guarantor consents and agrees that, without any notice whatsoever to or by such Subsidiary Guarantor and without impairing, releasing, abating, deferring, suspending, reducing, terminating or otherwise affecting the obligations of such Subsidiary Guarantor hereunder, each Noteholder, by action or inaction, may:

(a) compromise or settle, renew or extend the period of duration or the time for the payment, or discharge the performance of, or may refuse to, or otherwise not, enforce, or may, by action or inaction, release all or any one or more parties to, any one or more of the Note Purchase Agreement, the Notes, or any other guaranty or agreement or instrument related thereto or hereto;

(b) assign, sell or transfer, or otherwise dispose of, any one or more of the Notes;

(c) grant waivers, extensions, consents and other indulgences of any kind whatsoever to the Company, any Subsidiary Guarantor or any other Person liable in any manner in respect of all or any part of the Guaranteed Obligations;

(d) amend, modify or supplement in any manner whatsoever and at any time (or from time to time) any one or more of the Note Purchase Agreement, the Notes, any other guaranty or any agreement or instrument related thereto or hereto;

(e) release or substitute any one or more of the Subsidiary Guarantors, the endorsers or any other guarantors of the Guaranteed Obligations, whether parties hereto or not; and

(f) sell, exchange, release, accept, surrender or enforce rights in, or fail to obtain or perfect or to maintain, or cause to be obtained, perfected or maintained, the perfection of any Lien or other security interest or charge on, by action or inaction, any property at any time pledged or granted as security in respect of the Guaranteed Obligations, whether so pledged or granted by the Company, any Subsidiary Guarantor or any other Person.

Each Subsidiary Guarantor hereby ratifies and confirms any such action specified in this Section 2.3 and agrees that the same shall be binding upon such Subsidiary Guarantor, whether or not such Subsidiary Guarantor shall have consented thereto or received notice thereof. Each Subsidiary Guarantor hereby waives any and all defenses, counterclaims or offsets which such Subsidiary Guarantor might or could have by reason thereof.

2.4 Waivers.

To the fullest extent permitted by law, each Subsidiary Guarantor hereby waives:

(a) notice of acceptance of this Guaranty;

(b) notice of any purchase or acceptance of the Notes under the Note Purchase Agreement, or the creation, existence or acquisition of any of the Guaranteed Obligations, subject to such Subsidiary Guarantor's right to make inquiry of each Noteholder to ascertain the amount of the Guaranteed Obligations at any reasonable time;

(c) notice of the amount of the Guaranteed Obligations, subject to such Subsidiary Guarantor's right to make inquiry of each Noteholder to ascertain the amount of the Guaranteed Obligations at any reasonable time;

(d) notice of adverse change in the financial condition of the Company or any other guarantor or any other fact that might increase such Subsidiary Guarantor's risk hereunder;

(e) notice of presentment for payment, demand, protest, and notice thereof as to the Notes or any other instrument;

(f) notice of any Default or Event of Default;

(g) all other notices and demands to which such Subsidiary Guarantor might otherwise be entitled (except if such notice or demand is specifically otherwise required to be given to such Subsidiary Guarantor under this Guaranty);

(h) the right by statute or otherwise to require any or each Noteholder to institute suit against the Company, any Subsidiary Guarantor or any other guarantor or to exhaust the rights and remedies of any or each Noteholder against the Company, any Subsidiary Guarantor or any other guarantor, such Subsidiary Guarantor being bound to the payment of each and all Guaranteed Obligations, whether now existing or hereafter accruing, as fully as if such Guaranteed Obligations were directly owing to each Noteholder by such Subsidiary Guarantor;

(i) any defense arising by reason of any disability or other defense (other than the defense that the Guaranteed Obligations shall have been fully and finally performed and indefeasibly paid) of the Company or by reason of the cessation from any cause whatsoever of the liability of the Company in respect thereof;

(j) any stay (except in connection with a pending appeal), valuation, appraisal, redemption or extension law now or at any time hereafter in force that, but for this waiver, might be applicable to any sale of property of such Subsidiary Guarantor made under any judgment, order or decree based on the Note Purchase Agreement, the Notes or this Guaranty, and such Subsidiary Guarantor covenants that it will not at any time insist upon or plead, or in any manner claim or take the benefit or advantage of, any such law; and

(k) at all times prior to the full and final performance and indefeasible payment of the Guaranteed Obligations, any claim of any nature arising out of any right of indemnity, contribution, reimbursement, indemnification or any similar right or any claim of subrogation (whether such right or claim arises under contract, common law or statutory or civil law) arising in respect of any payment made under this Guaranty or in connection with this Guaranty, against the Company or any Subsidiary Guarantor or the estate of the Company (including Liens on the property of the Company or the estate of the Company or any Subsidiary Guarantor), in each case whether or not the Company or any Subsidiary Guarantor at any time shall be the subject of any proceeding brought under any bankruptcy law, and such Subsidiary Guarantor further agrees that it will not file any claims against the Company

or any Subsidiary Guarantor or the estate of the Company or any Subsidiary Guarantor in due course of any such proceeding or otherwise, and further agrees that each Noteholder may specifically enforce the provisions of this clause (k).

2.5 Marshaling; Invalid Payments.

Each Subsidiary Guarantor consents and agrees:

(a) that each Noteholder, and each Person acting for the benefit of one or more of the Noteholders, shall be under no obligation to marshal any assets in favor of the Subsidiary Guarantors or against or in payment of any or all of the Guaranteed Obligations; and

(b) that, to the extent that the Company or any Subsidiary Guarantor makes a payment or payments to any Noteholder, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required, for any of the foregoing reasons or for any other reason, to be repaid or paid over to a custodian, trustee, receiver, administrative receiver, administrator or any other party or officer under any bankruptcy law, insolvency, reorganization, recapitalization or other debtor relief law, other common or civil law, or equitable cause or judgment, order or decision thereunder, then, to the extent of such payment or repayment, the obligation or part thereof intended to be satisfied thereby shall be revived and continued in full force and effect as if such payment or payments had not been made and the Subsidiary Guarantors shall be primarily liable for such obligation.

2.6 Immediate Liability.

Each Subsidiary Guarantor agrees that the liability of such Subsidiary Guarantor in respect of this Guaranty shall be immediate and shall not be contingent upon the exercise or enforcement by any Noteholder or any other Person of whatever remedies such Noteholder or other Person may have against the Company, any Subsidiary Guarantor or any other guarantor or the enforcement of any Lien or realization upon any security such Noteholder or other Person may at any time possess.

2.7 Primary Obligation

This Guaranty is a primary and original obligation of each Subsidiary Guarantor and is an absolute, unconditional, continuing and irrevocable joint and several guaranty of payment and performance and shall remain in full force and effect regardless of any action by any Noteholder specified in Sections 2.3 or 2.8 hereof or any future changes in conditions, including, without limitation, change of law or any invalidity or irregularity with respect to the issuance or assumption of any obligations (including, without limitation, the Notes) of or by the Company, any Subsidiary Guarantor or any other guarantor, or with respect to the execution and delivery of any agreement (including, without limitation, the Notes and the Note Purchase Agreement) of the Company or any other Person.

2.8 No Reduction or Defense.

The obligations of each Subsidiary Guarantor under this Guaranty, and the rights of any Noteholder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination, whether by reason of any claim of any character whatsoever or otherwise, including, without limitation, claims of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense (other than any defense based upon the

irrevocable payment and performance in full of the obligations of the Company under the Note Purchase Agreement and the Notes), set-off, counterclaim, recoupment or termination whatsoever.

Without limiting the generality of the foregoing, no obligations of any Subsidiary Guarantor shall be discharged or impaired by:

(a) any default (including, without limitation, any Default or Event of Default), failure or delay, willful or otherwise, in the performance of any obligations by any Subsidiary Guarantor, the Company, any Subsidiary or any of their respective Affiliates;

(b) any proceeding of, or involving, the Company, any other Subsidiary Guarantor or any other Subsidiary under any bankruptcy law, or any merger, consolidation, reorganization, dissolution, liquidation, sale of assets or winding-up or change in corporate constitution or corporate identity or loss of corporate identity of the Company, any Subsidiary Guarantor, any Subsidiary or any of their respective Affiliates;

(c) any incapacity or lack of power, authority or legal personality of, or dissolution or change in the members or status of, the Company or any other Person;

(d) impossibility or illegality of performance on the part of the Company under the Notes, the Note Purchase Agreement or any other instruments or agreements;

(e) the invalidity, irregularity or unenforceability of the Notes, the Note Purchase Agreement or any other instruments or agreements;

(f) in respect of the Company or any other Person, any change in law or change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Company or any other Person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), terrorist activities, civil commotions, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials or any other causes affecting performance, or any other force majeure, whether or not beyond the control of the Company or any other Person and whether or not of the kind hereinbefore specified;

(g) any attachment, claim, demand, charge, Lien, order, process or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, indebtedness, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against any Person, corporation or entity, or any claims, demands, charges or Liens of any nature, foreseen or unforeseen, incurred by any Person, or against any sums payable under the Note Purchase Agreement or the Notes, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(h) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any Governmental Authority, or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Company of any of its obligations under the Note Purchase Agreement or the Notes.

2.9 No Election.

Each Noteholder shall, individually or collectively, have the right to seek recourse against each and every Subsidiary Guarantor to the fullest extent provided for herein for its joint and several obligations under this Guaranty. No election to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of such Noteholder's right to proceed in any other form of action or proceeding or against other parties unless such Noteholder has expressly waived such right in writing. Specifically, but without limiting the generality of the foregoing, no action or proceeding by or on behalf of any Noteholder against the Company, any Subsidiary Guarantor or any other Person under any document or instrument evidencing obligations of the Company or such other Person to or for the benefit of such Noteholder shall serve to diminish the liability of any Subsidiary Guarantor under this Guaranty except to the extent that such Noteholder unconditionally shall have realized payment by such action or proceeding.

2.10 Individual Noteholder Rights.

Each of the rights and remedies granted under this Guaranty to each Noteholder in respect of the Notes held by such Noteholder may be exercised by such Noteholder without notice to, or the consent of or any other action by, any other Noteholder, subject to the right of the Required Holders to rescind any acceleration of the Notes of any Series on the terms and conditions contained in the Note Purchase Agreement.

2.11 Enforcement; Application of Moneys Received.

Until all amounts which may be or become payable by the Company under or in connection with the Note Purchase Agreement and the Notes, or by the Subsidiary Guarantors under or in connection with this Guaranty, have been irrevocably paid in full, any Noteholder (or any trustee or agent on its behalf), may refrain from applying or enforcing any other moneys, security or rights held or received by such Noteholder (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Subsidiary Guarantors shall not be entitled to the benefit of the same.

2.12 Other Enforcement Rights.

Each Noteholder may proceed to protect and enforce its rights pursuant to this Guaranty by suit or suits or proceedings in equity, at law or in bankruptcy or insolvency, and whether for the specific performance of any covenant or agreement contained herein or in execution or aid of any power herein granted; or for the recovery of judgment for the obligations hereby guaranteed or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

2.13 Restoration of Rights and Remedies.

If any Noteholder shall have instituted any proceeding to enforce any right or remedy against any or all Subsidiary Guarantors under this Guaranty or otherwise and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Noteholder, then and in every such case each such Noteholder, the Company and the Subsidiary Guarantors shall, except as may be limited or affected by any determination in such proceeding, be restored severally and respectively to its respective former position hereunder, and thereafter the rights and remedies of such Noteholder shall continue as though no such proceeding had been instituted.

2.14 Survival.

So long as the Guaranteed Obligations shall not have been fully and finally performed and indefeasibly paid, the obligations of the Subsidiary Guarantors under this Guaranty shall survive the transfer and payment of any Note and the payment in full of all the Notes.

2.15 Subordination.

The payment of any amounts due with respect to any Indebtedness of the Company or any other Person obligated in respect of the Guaranteed Obligations for money borrowed or credit received now or hereafter owed to the Subsidiary Guarantors is hereby subordinated to the prior payment in full of all of the Guaranteed Obligations. Each Subsidiary Guarantor agrees that, after the occurrence and during the continuance of any Event of Default, no Subsidiary Guarantor will demand, sue for or otherwise attempt to collect any such Indebtedness of the Company or any other such Person to any Subsidiary Guarantor until all of the Guaranteed Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, any Subsidiary Guarantor shall collect, enforce or receive any amounts in respect of such Indebtedness while any Guaranteed Obligations are still outstanding, such amounts shall be collected, enforced and received by such Subsidiary Guarantor as trustee for the Noteholders and be paid over to the Noteholders on account of the Guaranteed Obligations without affecting in any manner the liability of any Subsidiary Guarantor under the other provisions of this Guaranty.

3. REPRESENTATIONS AND WARRANTIES.

Each Subsidiary Guarantor hereby represents and warrants to the Noteholders that:

3.1 Affirmation of Representations and Warranties in Note Purchase Agreement.

Each Subsidiary Guarantor hereby represents and warrants that each of the representations and warranties made by the Company as to the Company's Subsidiaries in the Note Purchase Agreement is true and correct as to such Subsidiary Guarantor.

3.2 Economic Benefit.

The Company and each Subsidiary Guarantor operate as separate businesses but are considered a single consolidated business group of companies for purposes of GAAP and are dependent upon each other for and in connection with their respective business activities and financial resources. The execution and delivery by the Noteholders of the Note Purchase Agreement and the maintenance of certain financial accommodations thereunder constitute an economic benefit to the Subsidiary Guarantors and the incurrence by the Company of the Indebtedness under the Note Purchase Agreement and the Notes is in the best interests of the Subsidiary Guarantors. The board of directors or other management board of each Subsidiary Guarantor has deemed it advisable and in the best interest of such Subsidiary Guarantor that the transactions provided for in the Note Purchase Agreement and this Guaranty be consummated.

3.3 Solvency.

The fair value of the business and assets of each Subsidiary Guarantor after taking into account the likelihood of any payment being required in respect of any contingent liability (including, without limitation, the Guaranteed Obligations), is in excess of the amount that will be required to pay its liabilities (including, without limitation, contingent, subordinated, unmatured and unliquidated liabilities on existing debts, as such liabilities may become absolute and matured), in each case both before and after giving effect to the

transactions contemplated by this Guaranty, the Note Purchase Agreement and the Notes and including any rights of contribution from other parties. After giving effect to the transactions contemplated by this Guaranty and the other Financing Documents, no Subsidiary Guarantor will be insolvent or will be engaged in any business or transaction, or about to engage in any business or transaction, for which it has unreasonably small capital, and no Subsidiary Guarantor has any intent to hinder, delay or defraud any entity to which it is, or will become, on or after the Series A Closing Day, indebted or to incur debts that would be beyond its ability to pay as they mature.

3.4 Independent Credit Evaluation.

Each Subsidiary Guarantor has independently, and without reliance on any information supplied by any one or more of the Noteholders, taken, and will continue to take, whatever steps such Subsidiary Guarantor deems necessary to evaluate the financial condition and affairs of the Company, and the Noteholders shall have no duty to advise any Subsidiary Guarantor of information at any time known to the Noteholders regarding such financial condition or affairs.

3.5 No Representation By Noteholders.

None of the Noteholders nor any trustee or agent acting on its behalf has made any representation, warranty or statement to any Subsidiary Guarantor to induce any Subsidiary Guarantor to execute this Guaranty.

3.6 Survival.

All representations and warranties made by each Subsidiary Guarantor herein shall survive the execution hereof and may be relied upon by the Noteholders as being true and accurate until the Guaranteed Obligations are fully and irrevocably paid, except any such representations and warranties that relate to a date certain and as updated pursuant to a Request for Purchase,

4. COVENANTS.

Each Subsidiary Guarantor hereby covenants and agrees that, so long as any part of the Guaranteed Obligations shall remain unpaid, such Subsidiary Guarantor will perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Note Purchase Agreement on its or their part to be performed or observed or that the Company has agreed to cause any Subsidiary Guarantor or such Subsidiaries to perform or observe.

5. SUBSIDIARY GUARANTORS' AGREEMENT TO PAY ENFORCEMENT COSTS, ETC.

Each Subsidiary Guarantor further agrees, as the primary guarantor and not merely as a surety, to pay to the Noteholders, on demand, all costs and expenses (including court costs and reasonable legal expenses) incurred or expended by the Noteholders in connection with the Guaranteed Obligations, this Guaranty and the enforcement thereof, together with interest on amounts recoverable under this Section 5 from the time when such amounts become due until payment, whether before or after judgment, at the rate of interest for overdue principal set forth in the Note Purchase Agreement, *provided* that if such interest exceeds the maximum amount permitted to be paid under applicable law, then such interest shall be reduced to such maximum permitted amount.

6. SUCCESSORS AND ASSIGNS.

This Guaranty shall bind the successors, assignees, trustees, and administrators of each Subsidiary Guarantor and shall inure to the benefit of the Noteholders, and each of their respective successors, transferees, participants and assignees.

7. AMENDMENTS AND WAIVERS.

No amendment to, waiver of, or departure from full compliance with any provision of this Guaranty, or consent to any departure by any Subsidiary Guarantor herefrom, shall be effective against any Noteholder directly affected thereby unless it is in writing and signed by authorized officers of such Subsidiary Guarantor and such Noteholder; *provided*, *however*, that any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No failure by the Noteholders to exercise, and no delay by the Noteholders in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Noteholders of any right, remedy, power or privilege hereunder preclude any other exercise thereof, or the exercise of any other right, remedy, power or privilege,

8. RIGHTS CUMULATIVE.

Each of the rights and remedies of the Noteholders under this Guaranty shall be in addition to all of their other rights and remedies under the Note Purchase Agreement and applicable law, and nothing in this Guaranty shall be construed as limiting any such rights or remedies.

9. GOVERNING LAW; CONSENT TO JURISDICTION, ETC.

(a) THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

(b) EACH OF THE SUBSIDIARY GUARANTORS IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN, THE CITY OF NEW YORK, OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH SUBSIDIARY GUARANTOR IRREVOCABLY WAIVES AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT IT IS NOT SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING IN THIS SECTION 9(b) SHALL LIMIT ANY RIGHT THAT ANY NOTEHOLDER MAY HAVE TO BRING PROCEEDINGS AGAINST ANY SUBSIDIARY GUARANTOR IN THE COURTS OF ANY APPROPRIATE JURISDICTION OR TO ENFORCE IN ANY LAWFUL MANNER A JUDGMENT OBTAINED IN ONE JURISDICTION IN ANY OTHER JURISDICTION.

10. WAIVER OF JURY TRIAL.

EACH OF THE SUBSIDIARY GUARANTORS, AND BY ITS ACCEPTANCE HEREOF, EACH OF THE NOTEHOLDERS, IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS GUARANTY, THE NOTE PURCHASE AGREEMENT AND THE NOTES, OR THE VALIDITY, PROTECTION, INTERPRETATION, COLLECTION OR ENFORCEMENT HEREOF OR THEREOF.

11. FURTHER ASSURANCES.

Each Subsidiary Guarantor agrees that it will from time to time, at the request of any Noteholder, do all such things and execute all such documents as is reasonably necessary or desirable to give frill effect to this Guaranty and to perfect and preserve the rights and powers of all Noteholders hereunder. Each Subsidiary Guarantor acknowledges and confirms that the Subsidiary Guarantor itself has established its own adequate means of obtaining from the Company on a continuing basis all information desired by such Subsidiary Guarantor concerning the financial condition of the Company and that such Subsidiary Guarantor will look to the Company and not to the Noteholders in order for such Subsidiary Guarantor to keep adequately informed of changes in the Company's financial condition.

12. SEVERABILITY.

Any provision of this Guaranty which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

13. SECTION HEADINGS.

Section headings are for convenience only and shall not affect the interpretation of this Guaranty.

14. LIMITATION OF LIABILITY.

NO NOTEHOLDER SHALL HAVE ANY LIABILITY WITH RESPECT TO, AND EACH SUBSIDIARY GUARANTOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR, (a) ANY LOSS OR DAMAGE SUSTAINED BY SUCH SUBSIDIARY GUARANTOR THAT MAY OCCUR AS A RESULT OF, IN CONNECTION WITH, OR THAT IS IN ANY WAY RELATED TO, ANY ACT OR FAILURE TO ACT REFERRED TO IN SECTION 2.3 OR SECTION 2.4 OR (b) ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES SUFFERED BY SUCH SUBSIDIARY GUARANTOR IN CONNECTION WITH ANY CLAIM RELATED TO THIS GUARANTY.

15. ENTIRE AGREEMENT.

This Guaranty, together with the Note Purchase Agreement and the Notes, embodies the entire agreement among the Subsidiary Guarantors and the Noteholders relating to the subject matter hereof and supersedes all prior agreements, representations and understandings, if any, relating to the subject matter hereof.

16. COMMUNICATIONS.

All notices and other communications to the Noteholders or any Subsidiary Guarantor hereunder shall be in writing, shall be delivered in the manner and with the effect, as provided by the Note Purchase Agreement, and shall be addressed (a) if to an Initial Subsidiary Guarantor to such Initial Subsidiary Guarantor as set forth in Annex A hereto, (b) if to any other Subsidiary Guarantor, to the address that such Subsidiary Guarantor shall have provided to the Noteholders in writing, and (c) to the Noteholders as set forth in the Note Purchase Agreement.

17. ADDITIONAL SUBSIDIARY GUARANTORS.

Upon the execution and delivery by any Person of a joinder agreement in substantially the form of Annex B hereto (each, a "**Guaranty Joinder Agreement**"), (a) such Person shall be referred to as an "**Additional Subsidiary Guarantor**" and shall become and be a Subsidiary Guarantor hereunder, and each reference in this Guaranty to a "**Subsidiary Guarantor**" shall also mean and be a reference to such Additional Subsidiary Guarantor, and each reference in any other Financing Document to a "**Subsidiary Guarantor**" shall also mean and be a reference to such Additional Subsidiary Guarantor, and (b) each reference herein to "this Guaranty", "hereunder", "hereof" or words of like import referring to this Guaranty, and each reference in any other Financing Document to the "Guaranty", "thereunder", "thereof" or words of like import referring to this Guaranty, shall mean and be a reference to this Guaranty as supplemented by such Guaranty Joinder Agreement.

18. DUPLICATE ORIGINALS.

Two or more duplicate counterpart originals hereof may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. Delivery of any executed signature page to this Guaranty by any Subsidiary Guarantor by facsimile transmission shall be as effective as delivery of a manually executed copy of this Guaranty by such Subsidiary Guarantor.

19. COMPROMISES AND ARRANGEMENTS.

Notwithstanding anything contained in the certificate of incorporation or other charter documents of any Subsidiary Guarantor, each Subsidiary Guarantor acknowledges and agrees that no Noteholder is waiving any of its rights and remedies under this Guaranty, including, without limitation, the right to file a bankruptcy petition or petitions under the United States Bankruptcy Code (11 U.S.C. § 101 et seq.) or the right to take advantage of any other bankruptcy or insolvency law of any jurisdiction, and the right to settle its claims in such fashion as it shall determine, regardless of the settlement. or other arrangements that may be made by any stockholder or other creditor.

20. PAYMENT CURRENCY; TAXES.

201.1 Payment Currency.

All payments whatsoever by any Subsidiary Guarantor on account of any Notes denominated in any Available Currency other than Dollars (including principal, interest and Yield-Maintenance Amounts) shall be made in such other Available Currency. The obligation of the Subsidiary Guarantors to make payment on account of any Notes in the applicable currency specified in the preceding sentence shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any currency other than such applicable currency, except to the extent the holder of the applicable Note actually receives the full amount of the currency in which the underlying obligation is denominated. The

obligation of the Subsidiary Guarantors to make payment in any given currency as required by the first sentence of this paragraph shall be enforceable as an alternative or additional cause of action for the purpose of recovery in such currency of the amount, if any, by which such actual receipt shall fall short of the full amount of such currency expressed to be payable in respect of any such obligation, and shall not be affected by judgment being obtained for any other sums due under the Notes, the Note Purchase Agreement or this Guaranty, as the case may be.

20.2 Payments Free and Clear of Taxes.

Subject to the further limitations in this Section 20.2, all payments whatsoever under this Guaranty will be made by or on behalf of the Guarantor free and clear of, and without liability for withholding or deduction for or on account of, any present or future Taxes (as defined in the Note Purchase Agreement) of whatever nature imposed or levied by or on behalf of any jurisdiction other than the United States (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a "**Taxing Jurisdiction**"), unless the withholding or deduction of such Tax is compelled by law. Notwithstanding, and without duplication of the foregoing, if any Taxes are required to be withheld from any amounts payable to a holder of any Notes in respect of this Guaranty, the Subsidiary Guarantors shall withhold and pay (or cause to be withheld and paid) such Taxes and the amounts so payable to such holder shall be increased to the extent necessary to yield such holder (after payment of all Taxes) interest on any such amounts payable under the Notes at the rates or in the amounts specified in the Notes provided that no payment to holders of Notes of any additional amounts shall be required to be made for or on account of:

(a) any Tax that would not have been imposed but for the existence of any present or former connection between such holder (or a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation or any Person other than the holder to whom the Notes or any amount payable thereon is attributable for the purposes of such Tax) and the Taxing Jurisdiction, other than the mere holding of the relevant Note or the receipt of payments thereunder or in respect thereof, including, without limitation, such holder (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, or being or having been present or engaged in trade or business therein or having or having had an establishment, office, fixed base or branch therein, provided that this exclusion shall not apply with respect to a Tax that would not have been imposed but for a Guarantor or the Company, after the Series A Closing Day, (i) opening an office in, moving an office to or reincorporating in the Taxing Jurisdiction imposing the relevant Tax or (ii) making payment in respect of the Notes or on account of this Guaranty from any jurisdiction other than the United States;

(b) any Tax that would not have been imposed but for the delay or failure by such holder (following a written request by the Company or a Guarantor) in the filing with the Company, such Guarantor or the relevant Taxing Jurisdiction of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes (including for such purpose any refilings or renewals of filings that may from time to time be required by the relevant Taxing Jurisdiction), provided that the filing of such Forms would not (in such holder's reasonable judgment) impose any unreasonable burden (in time, resources or otherwise) on such holder or result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person and such delay or failure could have been lawfully avoided by such holder, and provided further that such holder shall be deemed to have satisfied the requirements of this clause (b) upon the good faith completion and submission of such Forms (including refilings or renewals of filings) as may be specified in a written request of the Company or a Guarantor no later than 60 days after receipt by

such holder of such written request (accompanied by copies of such Forms and related instructions, if any, all in the English language or with an English translation thereof); or

(c) any combination of clauses (a) and (b) above;

and provided further that (i) in no event shall the Company or a Guarantor be obligated to pay such additional amounts to any holder of a Note not resident in the United States of America or any other jurisdiction in which an original Purchaser (as defined in the Note Purchase Agreement) is resident for tax purposes on the applicable Closing Day (as defined in the Note Purchase Agreement) in excess of the amounts that the Company or a Guarantor would be obligated to pay if such holder had been a resident of the United States of America or such other jurisdiction, as applicable, for purposes of, and eligible for the benefits of, any double taxation treaty from time to time in effect between the United States of America or such other jurisdiction and the relevant Taxing Jurisdiction and (ii) in no event shall the Company or a Guarantor be obligated to pay such additional amounts to any holder of a Note, unless such Tax results from the Company or a Guarantor, after the Series A Closing Day, (x) opening an office in, moving an office to or reincorporating in the Taxing Jurisdiction imposing the relevant Tax or (y) making payment in respect of the Notes or on account of this Guaranty from any jurisdiction other than the United States.

By acceptance of any Note, the holder of such Note agrees, subject to the limitations of clause (b) above, that it will from time to time with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company or a Guarantor all such forms, certificates, documents and returns provided to such holder by the Company or a Guarantor (collectively, together with instructions for completing the same, "Forms") required to be filed by or on behalf of such holder in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and such Taxing Jurisdiction and (y) provide the Company or a Guarantor with such information with respect to such holder as the Company or a Guarantor may reasonably request in order to complete any such Forms, provided that nothing in this Section 20.2 shall require any holder to provide information with respect to any such Form or otherwise if in the opinion of such holder such Form or disclosure of information would involve the disclosure of tax return or other information that is confidential or proprietary to such holder, and provided further that each such holder shall be deemed to have complied with its obligation under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such holder to the Company or a Guarantor or mailed to the appropriate taxing authority, whichever is applicable, within 60 days following a written request of the Company or a Guarantor (which request shall be accompanied by copies of such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least 90 days prior to the relevant interest payment date.

Whenever any Taxes are payable by the Guarantor, as promptly as possible thereafter, such Guarantor shall send to each holder of the Notes, a certified copy of an original official receipt received by such Guarantor (or other reasonably satisfactory evidence of payment) showing payment thereof. If such Guarantor fails to pay any Taxes, that it is obligated to pay, when due to the appropriate taxing authority or fails to remit to each holder of the Notes the required receipts or other required documentary evidence, such Guarantor shall indemnify each holder of the Notes for any Taxes (including interest or penalties) that may become payable by such holder as a result of any such failure.

The obligations of the Subsidiary Guarantors under this Section 20.2 shall survive the payment and performance of the Notes and the termination of this Guaranty.

[Remainder of page intentionally left blank. Next page is signature page.]

IN WITNESS WHEREOF, each Initial Subsidiary Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

INITIAL SUBSIDIARY GUARANTORS:

KADANT BLACK CLAWSON LLC

By:_____
Name:
Title:

KADANT INTERNATIONAL HOLDINGS LLC

By:_____
Name:
Title:

KADANT JOHNSON LLC

By:_____
Name:
Title:

ANNEX A

NOTICE ADDRESSES OF INITIAL SUBSIDIARY GUARANTORS

For all Initial Subsidiary Guarantors:

Kadant Black Clawson LLC

1425 Kingsview Drive
Lebanon, OH 45036
Attention: Treasurer
Phone: (513)229-8100
with a copy to:

Kadant Inc.

One Technology Park Drive
Westford, MA 01866
Attention: Chief Financial Officer, Treasurer
and General Counsel
Fax: (978) 635-1593
Phone: (978) 776-2000

and

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Attn: John D. Sigel, Esq.

Kadant International Holdings LLC

One Technology Park Drive
Westford, MA 01866
Attention: Chief Financial Officer, Treasurer
and General Counsel of Kadant Inc.,
its Sole Member
Fax: (978) 635-1593
Phone: (978) 776-2000

with a copy to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Attn: John D. Sigel, Esq.

Kadant Johnson LLC

805 Wood Street
Three Rivers, MI 49093
Attention: Treasurer
Fax: (269) 278-1715
Phone: (269) 279-5980

with a copy to:

Kadant Inc,
One Technology Park Drive
Westford, MA 01866
Attention: Chief Financial Officer, Treasurer
and General Counsel
Fax: (978) 635-1593
Phone: (978) 776-2000

and

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Attn: John D. Sigel, Esq.

ANNEX B

GUARANTY
JOINDER AGREEMENT
[NAME OF ADDITIONAL SUBSIDIARY GUARANTOR]

To each of the holders of Notes:

Date: [Month] [Day], 20[___]

Reference is made to:

(a) that certain Multi-Currency Note Purchase and Private Shelf Agreement dated as of December 14, 2018 (as amended from time to time, the "**Note Purchase Agreement**"), among Kadant Inc., a Delaware corporation (together with its successors and assigns, the "**Company**"), PGIM, Inc., the Series A Purchasers (as hereinafter defined) and each other Prudential Affiliate that becomes bound thereby (the "**Purchasers**", and together with their successors and assigns including, without limitation, future holders of the Notes (defined below), herein collectively referred to as the "**Noteholders**"), pursuant to which the Company, among other things, (a) issued and sold to certain purchasers (the "**Series A Purchasers**") on December 14, 2018 $10,000,000 aggregate principal amount of its 4.90% Series A Senior Notes due December 14, 2028 (together with any note issued in substitution, replacement or exchange therefor pursuant to the terms of the Note Purchase Agreement, and as the same may be amended, restated or otherwise modified from time to time, the "**Series A Notes**"), and (b) will issue from time to time additional senior promissory notes in the aggregate principal amount of up to One Hundred Fifteen Million Dollars ($115,000,000), each to bear interest on the unpaid balance thereof from the date thereof at the rate per annum as shall be set forth in the Confirmation of Acceptance with respect to each such Note delivered pursuant to paragraph 2B(5) of the Note Purchase Agreement, and each to be dated the date of issuance thereof, to mature no more than twelve (12) years after the date of original issuance thereof and to have an average life of no more than ten (10) years after the date of original issuance thereof (together with any note issued in substitution, replacement or exchange therefor pursuant to the terms of the Note Purchase Agreement, and as the same may be amended, restated or otherwise modified from time to time, the "**Shelf Notes**", and together with the Series A Notes, collectively, the "**Notes**"); and

(b) the Guaranty Agreement (as amended from time to time, the "**Guaranty**") in the form attached to the Note Purchase Agreement as Exhibit D, executed and delivered by the Initial Subsidiary Guarantors (as defined in the Guaranty) on December 14, 2018 and each Guaranty Joinder Agreement (as defined in the Guaranty) executed and delivered by one or more Persons after December 14, 2018 and identified on Annex 1 hereto.

Capitalized terms used herein and not otherwise defined herein have the meanings specified in the Note Purchase Agreement.

1. JOINDER OF ADDITIONAL SUBSIDIARY.

In accordance with the terms of paragraph 6L of the Note Purchase Agreement, [*Insert Name of Additional Subsidiary Guarantor*], a [_____ [corporation]] (the "**Additional Subsidiary Guarantor**"), by the execution and delivery of this Guaranty Joinder Agreement, does hereby agree to become, and does hereby become, (a) a party to the Guaranty and (b) bound by the terms and conditions of the Guaranty,

including, without limitation, becoming jointly and severally liable with the other Subsidiary Guarantors (as defined in the Guaranty) for the Guaranteed Obligations (as defined in the Guaranty). The Guaranty is hereby, without any further action, amended to add the Additional Subsidiary Guarantor as a "Subsidiary Guarantor" and signatory to the Guaranty.

2. REPRESENTATIONS AND WARRANTIES OF THE ADDITIONAL SUBSIDIARY GUARANTOR.

The Additional Subsidiary Guarantor hereby makes, as of the date hereof and only as to itself in its capacity as a Subsidiary Guarantor under the Guaranty and/or as a Subsidiary, each of the representations and warranties set forth in paragraph 9 of the Note Purchase Agreement that is directly applicable to a Subsidiary and each of the representations and warranties set forth in Section 3 of the Guaranty made by each Subsidiary Guarantor, except in each case for any representations and warranties that are made as of a date certain and as updated pursuant to a Request for Purchase.

3. DELIVERIES BY ADDITIONAL SUBSIDIARY GUARANTOR.

The Additional Subsidiary Guarantor hereby delivers to each of the Noteholders, contemporaneously with the delivery of this Guaranty Joinder Agreement, each of the documents and certificates set forth on Annex 2 hereto.

4. MISCELLANEOUS.

4.1 Effective Date.

This Guaranty Joinder Agreement shall become effective on the date on which this Guaranty Joinder Agreement and each of the documents or certificates set forth on Annex 2 are sent to the Noteholders at the addresses and by a means stipulated in paragraph 12I of the Note Purchase Agreement.

4.2 Expenses.

The Additional Subsidiary Guarantor agrees that it will pay, on the date this Guaranty Joinder Agreement becomes effective, the statement for the reasonable fees and the disbursements of special counsel to the Noteholders presented on or prior to such date.

4.3 Section Headings, etc.

The titles of the Sections appear as a matter of convenience only, do not constitute a part hereof and shall not affect the construction hereof. The words "herein," "hereof," "hereunder" and "hereto" refer to this Guaranty Joinder Agreement as a whole and not to any particular Section or other subdivision.

4.4 Governing Law.

THIS GUARANTY JOINDER AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

4.5 Successors and Assigns.

This Guaranty Joinder Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Additional Subsidiary Guarantor.

[Remainder of page intentionally left blank; next page is signature page]

IN WITNESS WHEREOF, the Additional Subsidiary Guarantor has caused this Guaranty Joinder Agreement to be executed on its behalf by a duly authorized officer or agent thereof as of the date first above written.

Very truly yours,

Additional Subsidiary Guarantor:

[NAME OF ADDITIONAL SUBSIDIARY GUARANTOR]

By:_____
Name:
Title:

Annex 1
Guaranty Joinder Agreements
executed prior to the date of this Guaranty Joinder Agreement

Existing Guaranty Joinder Agreements:

[To be Completed]

Annex 2

Additional Documents and Instruments

(a) A certified copy of the resolutions of the board of directors (or similar governing body) of the Additional Subsidiary Guarantor approving the execution and delivery of this Guaranty Joinder Agreement and the joinder of the Additional Subsidiary Guarantor to the Guaranty and the performance of its obligations thereunder and authorizing the person or persons signing this Guaranty Joinder Agreement and any other documents to be delivered pursuant hereto to sign the same on behalf of the Additional Subsidiary Guarantor.

(b) Authenticated signatures of the person or persons specified in the board resolutions referred to in clause (a) above.

(c) The articles of incorporation, bylaws or other constitutive documents of the Additional Subsidiary Guarantor, certified as being up to date by the secretary of the Additional Subsidiary Guarantor (including, if relevant, copies of all amending resolutions or other amendments).

(d) If requested by the Required Holders, an opinion or opinions of counsel in form and substance reasonably satisfactory to the Required Holders, confirming that (i) such Additional Subsidiary Guarantor's obligations hereunder and under the Guaranty are legal, valid, binding and enforceable against such Additional Subsidiary Guarantor (except as such enforceability may be limited by (A) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (B) general principles of equity), (ii) the execution, delivery and consummation of the transactions contemplated by this Guaranty Joinder Agreement by the Additional Subsidiary Guarantor will not violate the Delaware General Corporation law statute or similar statute in its jurisdiction of organization, (iii) no government approvals, consents, registrations or filings are required in the jurisdiction of organization by such Additional Subsidiary Guarantor in connection with the execution, delivery and performance of its obligations hereunder and under the Guaranty and (iv) such other opinions as the Required Holders may reasonably request, *provided* that such opinion or opinions shall be subject to customary exceptions and qualifications.

(e) A certificate of legal existence with respect to such Additional Subsidiary Guarantor from the appropriate Guaranteed Authority of its jurisdiction of organization dated within 10 days of the this Guaranty Joinder Agreement.

Exhibit E

Execution Version

SHARING AGREEMENT

THIS SHARING AGREEMENT, dated as of December 14, 2018, is among (i) Citizens Bank, N.A., as Administrative Agent and as Multicurrency Administrative Agent for the Lenders (each as defined below) under the Credit Agreement referred to below, (ii) PGIM, Inc. ("**Prudential**"), (iii) the Series A Purchasers (as defined below), (iv) Prudential Affiliates (as defined below) who become parties hereto in the manner provided in Section 5.4(b) hereof (together with the Series A Purchasers and each of their respective successors and assigns, the "**Noteholders**") and (v) each of the Parity Debtholders (as defined below), which Parity Debtholders shall have become parties hereto in the manner provided in Section 5.4(c) hereof. Capitalized terms not otherwise defined herein shall have the meaning set forth in Section 2.1 hereof.

1. PRELIMINARY STATEMENT

1.1 Prudential and the Series A Purchasers (as defined below) are entering into a Multicurrency Note Purchase and Private Shelf Agreement, dated as of the date hereof (as amended, modified, supplemented or restated from time to time, the "**Note Agreement**"), with Kadant Inc., a Delaware corporation (the "**Company**"), pursuant to which (a) the Company is issuing and selling to certain purchasers (the "**Series A Purchasers**") on the date hereof $10,000,000 aggregate principal amount of its 4.90% Series A Senior Notes due December 14, 2028 (together with any note issued in substitution, replacement of exchange therefor pursuant to the terms of the Note Agreement, the "**Series A Notes**"), and (b) Prudential Affiliates may from time to time purchase additional Senior Notes of the Company (as amended, modified, supplemented, replaced or restated from time to time, the "**Shelf Notes**"; and together with the Series A Notes, collectively, the "**Notes**");

1.2 The Lenders and the Agent have entered into an Amended and Restated Credit Agreement, dated as of March 1, 2017, as amended by that certain First Amendment dated as of May 24, 2017 and that certain Second Amendment dated as of December 14, 2018 (as so amended, and as it may be further amended, modified, supplemented, restated or refinanced or replaced from time to time, the "**Credit Agreement**"), with the Company, certain of its Foreign Subsidiaries from time to time party thereto (the "**Foreign Subsidiary Borrowers**") and the other parties thereto pursuant to which the Lenders and the Swingline Lender are making and providing, and may continue to make and provide, revolving and swingline loans and other financial accommodations to the Company and the Foreign Subsidiary Borrowers and the Issuing Lenders are issuing, and may continue to issue, Letters of Credit for the benefit of the Company, the Foreign Subsidiary Borrowers and the other Subsidiaries of the Company;

1.3 The Loan Obligations are guarantied by certain Domestic Subsidiaries party hereto (the "**Initial Guarantors**") pursuant to that certain Amended and Restated Guarantee Agreement, dated as of March 1, 2017, in favor of the Agent for the benefit of the Lenders, and the Noteholder Obligations are guarantied by the Initial Guarantors pursuant to that certain Guaranty Agreement, dated as of the date hereof, in favor of the Noteholders;

1.4 The parties hereto wish to define their rights and obligations with respect to each other such that, after a Notice of Election to Share has been sent and so long as such notice remains in effect, any payments by an Obligor received by any Creditor on account of the Noteholder Obligations, the Loan

Obligations or any Parity Debt Agreement Obligations shall be shared among all Creditors equally and ratably in accordance with their respective Sharing Percentages, all as set forth in this Agreement.

2. INTERPRETATION OF THIS AGREEMENT

2.1 Defined Terms.

As used in this Agreement, capitalized terms have the respective meanings specified below or set forth in the section of this Agreement referred to immediately following such term (such definitions, unless otherwise expressly provided, to be equally applicable to both the singular and plural forms of the terms defined):

Additional Obligor - means each Person that becomes an issuer, borrower, obligor or guarantor under or with respect to any Company Loan Document.

Agent - means Citizens Bank, N.A., as "Administrative Agent", as such term is defined in the Credit Agreement, and "Multicurrency Administrative Agent", as such term is defined in the Credit Agreement.

Agreement - means this Sharing Agreement, as it may be amended, modified, supplemented or restated from time to time.

Bank Product Obligations - has the meaning set forth in the Credit Agreement, as in effect on the date hereof.

Clawback Period - has the meaning set forth in Section 3.2(a) of this Agreement.

Commitment - means the "Total Revolving Commitments" as defined in the Credit Agreement.

Company - has the meaning set forth in Section 1.1 of this Agreement.

Company Loan Documents - means, as applicable, the Note Agreement, the Notes, the Loan Documents and any Parity Debt Agreements.

Credit Agreement - has the meaning set forth in Section 1.2 of this Agreement.

Creditor Joinder Agreement - has the meaning set forth in Section 5.4(a) of this Agreement.

Creditors - means, collectively, the Lender Parties, the Agent, the Noteholders and the Parity Debtholders.

Distribution Agent - has the meaning set forth in Section 3.3(a) of this Agreement.

Domestic Subsidiaries - means any Subsidiary organized under the laws of a jurisdiction of the United States of America or one of its states or the District of Columbia.

Event of Default - means an "Event of Default," as defined in any of the Note Agreement, the Credit Agreement or any Parity Debt Agreement, as the case may be.

Facility - has the meaning set forth in the Note Agreement.

Foreign Subsidiaries - means any Subsidiary organized under the laws of a jurisdiction other than the United States of America or one of its states or the District of Columbia.

Foreign Subsidiary Borrowers - has the meaning set forth in Section 1.2 of this Agreement (and includes the Initial Foreign Subsidiary Borrowers).

Guarantors - means the Initial Guarantors and each other Subsidiary that from time to time guaranties any Obligations.

Initial Foreign Subsidiary Borrowers - means Kadant U.K. Limited, a company organized under the laws of England and Wales; Kadant Canada Corp., a company organized under the laws of Nova Scotia, Canada; Kadant Johnson Europe B.V., a private company with limited liability organized under the laws of The Netherlands; Kadant International Luxembourg SCS, a limited partnership organized under the laws of Luxembourg; Kadant Luxembourg S.À.R.L., a limited liability company organized under the laws of Luxembourg; and Kadant Johnson Deutschland Gmbh, a limited liability company organized under the laws of the Federal Republic of Germany.

Initial Guarantors - has the meaning set forth in Section 1.3 of this Agreement.

Issuing Lender - has the meaning set forth in the Credit Agreement.

L/C Obligations - has the meaning set forth in the Credit Agreement.

Lenders - has the meaning set forth in the Credit Agreement.

Lender Parties - means the Lenders, any Issuing Lender, any Multicurrency Lender and the Swingline Lender.

Letter of Credit - has the meaning set forth in the Credit Agreement.

Loan Documents - has the meaning set forth in the Credit Agreement.

Loan Obligations - means the "Obligations" as defined in the Credit Agreement but excluding any obligations or liabilities of any Obligor in respect of any Specified Swap Agreement or Bank Product Obligations.

Multicurrency Administrative Agent - means Citizens Bank, N.A., as "Multicurrency Administrative Agent" as such term is defined in the Credit Agreement.

Net Lender Exposure - means in connection with the sharing of any Shared Payments received by the Lender Parties with respect to the Clawback Period, the difference, if positive, of (i) the outstanding Loan Obligations on the first day of the Clawback Period *minus* (ii) the outstanding Loan Obligations on the date of the occurrence of the applicable Event of Default in respect of applicable Notice of Election to Share.

Noteholder Obligations - means, collectively, without duplication, all amounts owing by the Company and its Subsidiaries to the Noteholders, pursuant to the terms of the Note Agreement and the other documents, agreements and instruments executed in connection therewith (including any related Notes), in respect of principal, interest, Yield-Maintenance Amount (as such term is defined in the Note Agreement), fees and expenses.

Note Agreement - has the meaning set forth in Section 1.1 of this Agreement.

Noteholders - has the meaning set forth in the introductory paragraph of this Agreement.

Notes - has the meaning set forth in Section 1.1 of this Agreement.

Notice of Election to Share - a Notice in substantially the form of Exhibit A attached hereto, executed and delivered by the Requisite Noteholders, the Agent (on behalf of the Requisite Lenders) or the Requisite Parity Debtholders, as the case may be, pursuant to Section 3.1 hereof, which Notice shall invoke the sharing provisions provided for herein.

Notice of Shared Payment - means a written notification given by or on behalf of any Creditor stating that such Creditor has received a Shared Payment

Obligations - means, collectively, the Loan Obligations, the Noteholder Obligations and the Parity Debt Agreement Obligations.

Obligors - means the Company, the Initial Foreign Subsidiary Borrowers, the Initial Guarantors and each Additional Obligor.

Parity Debt Agreements - means one or more credit, loan or note agreements, indentures or other financing instruments with the Company or any Subsidiary and one or more Parity Debtholders (or a trustee or agent or similar Person acting for such Parity Debtholders) (as such agreements, indentures or instruments shall from time to time be amended).

Parity Debtholders - has the meaning set forth in the first paragraph of this Agreement.

Parity Debt Agreement Obligations - means, collectively, without duplication, all indebtedness owing by the Company and its Subsidiaries to the Parity Debtholders, pursuant to the terms of the Parity Debt Agreements and the other documents, agreements and instruments executed in connection therewith (including any related notes), in respect of principal, interest, reimbursement obligations, fees (including facility and agent fees) and expenses (including breakage costs).

Person - means an individual, partnership, corporation (including a business trust), limited liability company or partnership, joint stock company, trust, unincorporated association, joint venture, governmental agency or other authority.

Prior Sharing Agreement - has the meaning set forth in Section 5.13 of this Agreement.

Prudential - has the meaning set forth in the introductory paragraph of this Agreement.

Prudential Affiliate - has the meaning set forth in the Note Agreement

Receiving Creditor - has the meaning set forth in Section 3.2 of this Agreement.

Requisite Creditors - means the Requisite Noteholders, the Requisite Lenders and, so long as Parity Debtholders hold Obligations aggregating at least 33-1/3% of all Obligations outstanding at such time, the Requisite Parity Debtholders under each Parity Debt Agreement

Requisite Lenders - means the “Required Lenders” as set forth in the Credit Agreement.

Requisite Noteholders - means the “Required Holders” as set forth in the Note Agreement.

Requisite Parity Debtholders - means the holder or holders of at least the minimum percentage of the aggregate principal amount of the Parity Debt Agreement Obligations outstanding under any Parity Debt Agreement necessary to permit such holders to cause such principal to become due and

payable prior to its scheduled maturity date, exclusive of any such Parity Debtholder Agreement Obligations then owned by any one or more of the Obligors, any Subsidiary of any Obligor or any affiliate of any Obligor.

Reserve Account - has the meaning set forth in Section 3.2(a) of this Agreement.

Revolving Percentage - has the meaning set forth in the Credit Agreement.

Series A Notes - has the meaning set forth in Section 1.1 of this Agreement.

Series A Purchasers - has the meaning set forth in Section 1.1 of this Agreement.

Shared Payment - has the meaning set forth in Section 3.2(a) of this Agreement.

Sharing Percentage - means, with respect to any Creditor and at any date of determination, the percentage equal to (a) the sum of (i) the amount of the then outstanding Obligations owed to such Creditor (including for the avoidance of doubt, any Lender's Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding) plus (ii) with respect to any Lender, its Revolving Percentage of the L/C Obligations then outstanding divided by (b) the sum of (i) the amount of the then outstanding Obligations owed to all Creditors then outstanding plus (ii) the aggregate amount of the L/C Obligations at such time. In determining the Sharing Percentage with respect to any amounts not denominated in US Dollars, such amounts will be converted to the US Dollar Equivalent thereof. With respect to any Shared Payment received during the Clawback Period each Creditor's Sharing Percentage shall be determined as of the first day of the Clawback Period without giving effect to any payments received during such Clawback Period. With respect to any Shared Payment received after the Clawback Period, each Creditor's Sharing Percentage shall be determined as of the first day of the Event of Default after giving effect to the sharing provisions of Section 3.2 with respect to all Shared Payments received during the Clawback Period.

Shelf Notes - has the meaning set forth in Section 1.1 of this Agreement.

Specified Swap Contract - has the meaning given to "Specified Swap Agreement" as set forth in the Credit Agreement.

Subsidiary - means, as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

Swingline Lender - has the meaning set forth in the Credit Agreement.

U.S. Dollar Equivalent - means, at any time of determination, with regard to any amount designated in a currency other than U.S. Dollars, the equivalent amount in U.S. Dollars determined using the Specified Exchange Rate as of the business day immediately prior to such date of determination. For purposes hereof, "Specified Exchange Rate" means the rate at which such other currency may be exchanged into U.S. Dollars as set forth at 10:00 a.m., New York City time on the applicable date (for spot delivery) on the applicable Bloomberg Key Cross Currency Rates Page FXC

(or any successor thereto); in the event that such rate does not appear on such page, the Specified Exchange Rate shall be determined by reference to such other nationally recognized, publicly available service for displaying exchange rates selected by the Requisite Noteholders and the Agent for such purposes.

2.2 Certain Other Terms.

The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Section references are to this Agreement unless otherwise specified. All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and vice versa, unless otherwise specified.

3. PAYMENTS, ETC.; CONSENTS AND JOINDERS

3.1 ***Notice of Election to Share; Receipt of Shared Payment***

(a) Upon and during the continuance of an Event of Default,

(i) the Requisite Noteholders may invoke the sharing provisions hereof by sending to the Agent and the other Creditors (other than the Lender Parties) a Notice of Election to Share signed by the Requisite Noteholders;

(ii) the Requisite Lenders may invoke the sharing provisions hereof by having the Agent send to the Creditors (other than the Lender Parties) a Notice of Election to Share signed by the Agent on behalf of the Requisite Lenders; or

(iii) the Requisite Parity Debtholders, so long as such Parity Debtholders hold at least 33-1/3% of the then outstanding Obligations, may invoke the sharing provisions hereof by sending to the Agent and the other Creditors (other than the Lender Parties) a Notice of Election to Share signed by the Requisite Parity Debtholders.

(b) A Notice of Election to Share shall be sent by a Creditor or the Agent, as the case may be, by overnight courier for receipt the next business day at the address provided in Section 5.9.

(c) Once a Notice of Election to Share has been sent pursuant to paragraph (a) above, as the case may be, such Notice shall remain in effect until the Requisite Creditors shall agree otherwise in writing, notwithstanding that the Event of Default triggering the sending of such Notice may be waived; provided that the Person(s) sending such Notice may revoke such Notice by giving written notice to each other Creditor (other than a Lender Party) and the Agent so long as no obligation pursuant to Section 3.2 on the part of any Creditor has arisen prior to such revocation.

(d) On and after the date that a Creditor (including the Agent on behalf of the Lender Parties) shall send or receive a Notice of Election to Share in accordance with the provisions hereof, promptly upon obtaining actual knowledge of the receipt by a Creditor (or the Agent on behalf of the Lender Parties) of a Shared Payment such Creditor (or the Agent on behalf of a Lender Party) shall give a Notice of Shared Payment to each other Creditor (other than a Lender Party) and the Agent. The Agent shall promptly send any such notice to the Lender Parties.

3.2 ***Sharing of Payments.***

Each Creditor (a "**Receiving Creditor**") agrees that on and after the delivery by such Creditor (or in the case of the Lenders Parties, by the Agent on behalf of the Lender Parties) of a Notice of Election to Share or its (or, in the case of the Lenders Parties, the Agent's) receipt of a Notice of Election to Share, in each case in accordance with the provisions hereof, and so long as such Notice has not been terminated pursuant to Section 3.1(c) hereof, any payment of any kind (including, without limitation, any payment resulting from a set-off of a deposit account, any offset or any payment or distribution made in the context of any insolvency or reorganization proceeding) received by it within 90 days prior to the date of the occurrence of the applicable Event of Default (the "**Clawback Period**") and at any time thereafter on account of the Obligations (such payment, a "**Shared Payment**"), directly or indirectly, from or on behalf of any Obligor is to be shared by all Creditors equally and ratably in accordance with the respective Sharing Percentage of each Creditor without discrimination or preference; provided that the aggregate amount of Shared Payments received by the Lender Parties during the Clawback Period that shall be subject to sharing pursuant to this Section 3.2 shall not be required to exceed the Net Lender Exposure. Notwithstanding the foregoing, to the extent that any amounts available for distribution pursuant to this Section 3.2 are attributable to the Loan Obligations that relate to undrawn amounts under Letters of Credit, such amounts shall be held in a reserve or other account unavailable to the Company or any Subsidiary thereof (the "**Reserve Account**") to be established by the Agent. Amounts in the Reserve Account shall be used from time to time to pay the applicable Loan Obligations in respect of the Letters of Credit as they become due. Any amounts remaining in the Reserve Account following the expiration or satisfaction in full of the Loan Obligations in respect of the Letters of Credit for which such sums were held in reserve shall be applied against any Obligations remaining unpaid in accordance with this Section 3.2. Prior to the appointment of the Distribution Agent, as set forth in Section 3.3(a) hereof, each Receiving Creditor shall hold all Shared Payments received by it in trust for the benefit of all Creditors and pay all Shared Payments to the Distribution Agent in accordance with Section 3.3(c).

3.3 ***Distribution Agent.***

(a) ***Appointment***. Each Creditor agrees that upon the sending of a Notice of Election to Share in accordance with and pursuant to Section 3.1 hereof, the Requisite Creditors shall in good faith promptly seek to appoint an agent (the "**Distribution Agent**") to distribute Shared Payments to the Creditors. If no Distribution Agent shall have been appointed by the Requisite Creditors and accepted appointment in the manner hereinafter provided within 30 days after the sending of such Notice of Election to Share, any Creditor (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) may petition any court of competent jurisdiction in New York City for the appointment of the Distribution Agent.

(b) ***Acceptance of Appointment.*** The Distribution Agent appointed hereunder shall execute, acknowledge and deliver to each Creditor (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) an instrument accepting such appointment and agreeing to be bound by the terms of this Agreement.

(c) ***Remittance and Distribution.*** Upon the appointment of the Distribution Agent, each Receiving Creditor (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) shall remit any Shared Payment received by it to the Distribution Agent for distribution in accordance with Section 3.2 hereof. Upon receipt of any Shared Payment, the Distribution Agent shall calculate the amount of such Shared Payment distributable to each Creditor (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) pursuant to Section 3.2 hereof as of the date the Receiving Creditor received such Shared Payment and remit such amount to each Creditor (or, in the case of the Lender Parties, the Agent on behalf

of the Lender Parties), accompanied by computations in reasonable detail showing the manner of calculation of the amounts distributable to each Creditor pursuant to Section 3.2 hereof.

3.4 Invalidated Payments.

If any amount distributed by the Distribution Agent to the Creditors in accordance with the provisions of this Agreement is subsequently required to be returned or repaid to any Obligor or their representatives or successors in interest, whether by court order, settlement or otherwise, each Creditor (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) shall, promptly upon its receipt of notice thereof (together with information explaining why such amount is required to be returned or repaid) from the Distribution Agent, pay to the Distribution Agent the pro rata portion received by it of such amount (without interest) for payment to the appropriate Creditor (or, in the case of the Lender Parties, to the Agent on behalf of the Lender Parties) or Obligor or its representatives or successors in interest, as the case may be. If any such amounts are subsequently recovered by any Creditor from any Obligor or its representatives or successors in interest, such Creditor (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) shall remit such amounts to the Distribution Agent and the Distribution Agent shall redistribute such amounts to the Creditors (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) on the same basis as such amounts were originally distributed. The obligations of the Creditors and the Distribution Agent under this Section 3.4 shall survive the repayment of the Obligations and termination of the Company Loan Documents and related documents.

3.5 Participation Rights of Creditors.

Each Creditor agrees that, to the extent a Receiving Creditor does not retain all or any portion of a Shared Payment due to the sharing provisions of Section 3.2, such Receiving Creditor shall be deemed to have applied the amount of such Shared Payment shared with the other Creditors to the purchase of participations in such of the Obligations owing to the other Creditors as is necessary to give effect to the provisions of Section 3.2(a); *provided that* (i) if any such participations are purchased by such Receiving Creditor and all or any part of the Shared Payment giving rise thereto is recovered or deemed a preferential or other voidable payment, whether by a trustee in bankruptcy or otherwise, such participations shall be rescinded to the extent of such recovery, without interest, in accordance with Section 3.4 and (ii) the provisions of Section 3.2 and this Section 3.5 shall not be construed to apply to any payment obtained by a Receiving Creditor as consideration for the assignment of or sale of a participation in any of the Obligations held by it to any assignee or participant, other than the Obligors (as to which the provisions of this Section 3.5 shall apply). Notwithstanding that a Receiving Creditor shall purchase participations in the Obligations of the other Creditors pursuant to the terms of this Section 3.5, (i) no Receiving Creditor shall be entitled to vote on any matter arising under any Company Loan Documents other than the Company Loan Documents to which such Receiving Creditor is a party on the date immediately prior to purchasing such participation and from which such Receiving Creditor's rights to the Obligations arise, and (ii) no Receiving Creditor shall be liable in respect of, or required to perform, any of the obligations under any Company Loan Document other than the Company Loan Documents to which such Receiving Creditor is a party on the date immediately prior to purchasing such participation and from which such Receiving Creditor's rights to the Obligations arise; *provided that*, with respect to the participations so purchased by a Receiving Creditor, the Receiving Creditor shall be entitled at all times to share in all payments made in respect of the applicable underlying Company Loan Documents in which such participation was purchased *pari passu* with the other parties party thereto. All parties hereto confirm and agree that a Shared Payment shall directly reduce the Obligations of the Obligor making such payment notwithstanding the ultimate application of such payment under Section 3.2 and Section 3.5.

4. DISTRIBUTION AGENT

4.1 Distributions and Consents.

In making the distributions to the Creditors provided for in Section 3 hereof, the Distribution Agent may rely upon information available to it or supplied by each Creditor (or the Agent on behalf of the Lender Parties) to it with respect to the amount and composition (i.e., as to principal and other amounts) of the Obligations owing to each Creditor, and the Distribution Agent shall have no liability to any Creditor for actions taken in reliance on such information in the absence of its gross negligence or willful misconduct. Each of the Creditors (or, in the case of the Lender Parties, the Agent on behalf of the Lender Parties) hereby agrees, on two business days' notice (given pursuant to Section 5.9) from the Distribution Agent, to confirm to the Distribution Agent in writing the outstanding balance of the Obligations, if any (and, if requested by the Distribution Agent, itemized as to principal, reimbursement obligations, interest, fees, premiums and other amounts, if any), owing to such Creditor as of the date or dates specified in such notice. In the event of any distribution to any Creditor (or the Agent on behalf of the Lender Parties) in lawful currency of any other jurisdiction (the "**Other Currency**") than the currency of the jurisdiction in which such Obligations are payable (the "**Contractual Currency**") shall constitute a discharge of such Creditor's Obligations only to the extent of the amount of the Contractual Currency which such Creditor could purchase in the London foreign exchange markets with the amount of the Other Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first day (other than a Saturday) on which banks in London are generally open for business following receipt of the payment first referred to above.

4.2 Appointment, Powers of Distribution Agent.

Each of the Creditors (or the Agent on behalf of the Lender Parties), by its entering into this Agreement, hereby appoints and authorizes the Distribution Agent to act as its agent hereunder with such powers as are specifically delegated to the Distribution Agent by the terms of this Agreement, together with such powers as are reasonably incidental thereto. The Distribution Agent shall not have a fiduciary relationship in respect of any Creditor by reason of this Agreement.

4.3 Liability.

The Distribution Agent shall have no duties to the Creditors under this Agreement except those expressly set forth herein. Neither the Distribution Agent nor any of its officers, directors, employees or agents shall be liable to any Creditor for any action taken or omitted by it or them hereunder or in connection herewith, unless caused by its or their gross negligence or willful misconduct.

4.4 Resignation or Removal of Distribution Agent.

The Distribution Agent may resign and be discharged of its duties hereunder by giving written notice thereof to all holders of the Obligations then outstanding. Such resignation shall take effect at such time as a successor distribution agent shall have been appointed or, if no successor is appointed before then, upon ninety (90) days prior written notice to each Creditor (or the Agent on behalf of the Lender Parties). The Distribution Agent may be removed at any time with or without cause by the Requisite Creditors. Upon any such resignation or removal, the Requisite Creditors shall have the right to appoint a successor distribution agent. Upon the acceptance of any appointment as distribution agent hereunder by a successor distribution agent, such successor distribution agent shall thereupon succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Distribution Agent. After any retiring Distribution Agent's resignation or removal hereunder as Distribution Agent, the provisions of this Section 4 shall continue in

effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Distribution Agent.

4.5 Employment of Agents and Counsel.

The Distribution Agent may execute any of its duties as Distribution Agent hereunder by or through employees, agents and attorneys-in-fact and shall not be answerable to the Creditors, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Distribution Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder.

4.6 Reliance on Documents; Counsel.

The Distribution Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, and, with respect to legal matters, upon the opinion or advice of counsel selected by the Distribution Agent, which counsel may be employees of the Distribution Agent.

4.7 Distribution Agent's Reimbursement and Indemnification.

(a) The Company shall reimburse and indemnify the Distribution Agent for expenses incurred by the Distribution Agent on behalf of the Creditors, in connection with the execution, delivery, administration and enforcement of this Agreement and for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Distribution Agent in any way relating to or arising out of this Agreement or any other document delivered in connection herewith or the transactions contemplated hereby, or the enforcement of any of the terms hereof, *provided* that the Company shall not be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Distribution Agent. The obligations of the Company under this Section 4.7 shall survive payment of the Obligations and termination of this Agreement.

(b) Without limiting the obligations of the Company, the Creditors severally agree to, in accordance with their respective Sharing Percentages (determined as of the date of delivery of the relevant request for reimbursement or indemnification), reimburse and indemnify the Distribution Agent for expenses incurred by the Distribution Agent on behalf of the Creditors, in connection with the execution, delivery, administration and enforcement of this Agreement and for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Distribution Agent in any way relating to or arising out of this Agreement or any other document delivered in connection herewith or the transactions contemplated hereby, or the enforcement of any of the terms hereof, *provided* that the Creditors shall not be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Distribution Agent. The obligations of the Creditors under this Section 4.7 shall survive payment of the Obligations and termination of this Agreement.

4.8 Rights as Creditor.

In the event the Distribution Agent, in its individual capacity, is a Creditor, the Distribution Agent shall have the same rights and powers hereunder in such capacity as any Creditor and may exercise the same as though it were not the Distribution Agent, and the term "Creditor" or "Creditors" shall, at any

time when the Distribution Agent is a Creditor, unless the context otherwise indicates, include the Distribution Agent in its individual capacity. The Distribution Agent in its individual capacity may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement, with the Company and its Subsidiaries. The Distribution Agent, in its individual capacity, is not obligated to be a Creditor.

5. MISCELLANEOUS

5.1 Governing Law.

THIS AGREEMENT SHALL BE CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH, AND GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

5.2 Creditor Credit Decision.

Each Creditor acknowledges that it has, independently and without reliance upon any other Creditor and based on the financial statements prepared by the Company and its Subsidiaries and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Creditor also acknowledges that it will, independently and without reliance upon any other Creditor and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement

5.3 Counterparts.

This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one agreement, and shall constitute a binding agreement when executed by each of the parties hereto. A facsimile or electronic copy of the signature of any party on any counterpart shall be effective as the signature of the party executing such counterpart for purposes of effectiveness of this Agreement.

5.4 Successors and Assigns; Additional Creditors.

(a) This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto including any assignees of the Obligations. Each Creditor agrees that it will not assign any of the Obligations unless the assignee agrees to become a party to and be bound by this Sharing Agreement by executing a Creditor Joinder Agreement in the form attached hereto as Exhibit B (the "**Creditor Joinder Agreement**"), *provided* that the failure of any Creditor to obtain such acknowledgment shall not affect the effectiveness of the immediately preceding sentence.

(b) Pursuant to the Note Agreement the Company may from time to time issue and sell Notes to Prudential Affiliates. In connection with, and at the time of such, issuance of Notes such Prudential Affiliates shall become a party hereto by executing and delivering to each other Creditor a Noteholder Joinder Agreement and thereby be subject to all the provisions hereof and entitled to the benefits hereof as a Noteholder.

(c) The Company may, with the prior written consent of either the Agent or the Requisite Noteholders (such consent not to be unreasonably withheld and shall be deemed to have been given unless the Agent or the Requisite Noteholders shall have notified the Creditors to the contrary within ten (10) business days of receipt of the request for such consent), cause one or more lenders, purchasers or investors in respect

of indebtedness of the Company or any Subsidiary to become a party hereto by executing and delivering to each other Creditor a Creditor Joinder Agreement (each such Person a "***Parity Debtholder***") and thereby be subject to all the provisions hereof and entitled to the benefits hereof; *provided* that the aggregate number of Parity Debtholders permitted to become a party hereto shall be limited to two (2) (it being understood that lenders party to any Parity Debt Agreement which are represented for all purposes hereunder by an agent or trustee shall be deemed to be one (1) Parity Debtholder).

5.5 Amendments.

This Agreement may be amended only in writing executed by the Requisite Creditors.

5.6 Termination.

This Agreement (except for Section 3.4 and Section 4.7) shall terminate upon (i) the payment in full in cash of all Obligations, (ii) the termination of the Commitments, (iii) the termination of the Facility and (iv) the date no Letter of Credit shall be outstanding or any outstanding Letters of Credit have been cash collateralized in accordance with the terms of the Credit Agreement.

5.7 Cooperation.

Each party hereto agrees to cooperate fully with the other parties hereto, in the exercise of its reasonable judgment, to the end that the terms and provisions of this Agreement may be promptly and fully carried out. Each party hereto also agrees, from time to time, to execute and deliver any and all other agreements, documents or instruments and to take such other actions, all as may be reasonably necessary or desirable to effectuate the terms, provisions and the intent of this Agreement.

5.8 No Waiver.

No failure or delay on the part of any Creditor in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

5.9 Notices.

All written communications provided for hereunder shall be sent by first class mail or nationwide overnight delivery service, with charges prepaid (*provided* that any Notice of Election to Share or Notice of Shared Payment or copy thereof to be sent by the Agent or a Creditor, as the case may be, shall be sent by nationwide overnight delivery service) and (i) if to any Creditor (other than a Lender Party), addressed to such Creditor at the address specified in Annex 1 hereto or in a Creditor Joinder Agreement, or at such other address as such Creditor shall have specified to the other Creditors and the Agent in writing, (ii) if to any Lender Party or the Agent, addressed to the Agent (and the Agent shall, to the extent required by the Credit Agreement, forward each such communication to each Lender Party) at the address specified in Annex 1 hereto, or at such other address as the Agent shall have specified to the Creditors (other than the Lender Parties) and (iii) if to the Distribution Agent, addressed to the Distribution Agent at such address as the Distribution Agent shall have specified to each Creditor and the Agent in writing.

5.10 Notices of Events of Default.

Each Creditor agrees to use its best efforts to promptly provide each other Creditor (other than the Lender Parties) and the Agent written notice of any Event of Default arising under the Company Loan Documents to which such Creditor is a party. The failure to provide such written notice shall not affect the rights of any Creditor hereunder.

5.11 Agent.

Pursuant to the Credit Agreement, (a) the Lender Parties have authorized the Agent to enter into, and act with respect to, this Agreement on their behalf and (b) the Lender Parties have agreed to be bound by the terms hereof. Except as to any assignment pursuant to Section 10.6 of the Credit Agreement (as in effect on the date hereof), the Agent agrees on its behalf and behalf of each Lender Party that no Lender Party shall be released from its obligations in respect of this Agreement or any Shared Payment without the prior written consent of the Requisite Noteholders and the Requisite Parity Debtholders.

5.12 Third Party Beneficiaries.

No Person, including, without limitation, the Obligors, other than the Creditors, the Agent, the Distribution Agent and their respective successors and assigns, shall have any rights under this Agreement.

5.13 Replacement Agreement.

Each party hereto acknowledges and agrees that this Agreement is being executed in replacement and substitution for that certain Sharing Agreement dated as of August 3, 2012, between Prudential and the Agent (the "**Prior Sharing Agreement**"), which Prior Sharing Agreement has terminated.

[Remainder of page intentionally blank. Next page is signature page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first written above.

CITIZENS BANK, **N.A.**, as Administrative Agent

By: _____
Name:
Title:

CITIZENS BANK, **N.A.**, as Multicurrency Administrative Agent

By: _____
Name:
Title:

Prudential:

PGIM, INC.

By: _____
Name:
Title:

Series A Purchasers:

The Prudential Insurance Company of America

By: _____
Name:
Title: Vice President

HIGHMARK INC.

By: Prudential Private Placement Investors, L.P.
(as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as General Partner)

By: _____
Name:
Title: Vice President

The Company agrees to perform its obligations under Section 4.7 and acknowledges that no consent or other action by it is necessary for any action to be taken under, or for any amendment of, this Sharing Agreement, including, without limitation, the appointment of the Distribution Agent or a successor distribution agent, except that its consent shall be necessary for any amendment to Section 4.7.

KADANT INC.

By: _____
Name:
Title:

[Signature Page to Sharing Agreement]

Annex 1

Addresses of Prudential, the Noteholders and the Agent

Prudential:

PGIM, Inc.
c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Floor
New York, NY 10036
Attention: Managing Director
Telecopy: 212-626-2077
Telephone: 212-626-2060

Noteholders:

The Prudential Insurance Company of America
c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Flr.
New York, NY 10036
Attention: Managing Director

Highmark Inc.
c/o Prudential Private Placement Investors, L.P.
c/o Prudential Capital Group
1114 Avenue of the Americas, 30th Flr.
New York, NY 10036
Attention: Managing Director

Agent:

Citizens Bank, N.A.
28 State Street
Mail Code: MS1505
Boston, MA 02109
Attention: Dwayne Nelson
Telecopy: 855-215-1525
Telephone: 617-994-7625

EXHIBIT A

Form of Notice of Election to Share

[DATE]

Re: Sharing Agreement/Notice of Election to Share

Dear Sir or Madam:

Reference is hereby made to the Sharing Agreement, dated as of December 14, 2018, among Citizens Bank, N.A. as Agent for and on behalf of the holders of the Loan Obligations (as defined therein), the holders of Noteholder Obligations party thereto, and the holders of Parity Debt Agreement Obligations, if any, party thereto (as heretofore amended, modified, supplemented or restated from time to time, the "**Sharing Agreement**"). Unless otherwise defined herein, terms defined in the Sharing Agreement are used herein as therein defined.

An Event of Default has occurred by reason of [explain cause of Event of Default and sections of the relevant agreement which have been violated]. In addition, other Events of Default may exist. In accordance with the Sharing Agreement, this Notice of Election to Share is hereby being sent to invoke the sharing provisions of the Sharing Agreement.

Very truly yours,

EXHIBIT B

Distribution List

[Insert Names and Addresses of those receiving a copy of the Notice of Election to Share]

[FORM OF CREDITOR JOINDER AGREEMENT]

CREDITOR JOINDER AGREEMENT TO SHARING AGREEMENT

Reference is hereby made to the Sharing Agreement dated as of December 14, 2018 (as it may have been amended, modified or otherwise supplemented, the "**Sharing Agreement**") among Prudential, the Noteholders, the Parity Debtholders, if any, and Citizens Bank, N.A., as agent for the Lenders under the Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meaning specified in the Sharing Agreement.

WHEREAS, the Sharing Agreement requires that any assignee of any Noteholder Obligations become a party to the Sharing Agreement contemporaneously with acquiring such Noteholder Obligations; and

WHEREAS, the Sharing Agreement also provides that, subject to the terms thereof, any Prudential Affiliate may become a party, as a Noteholder, to the Sharing Agreement by executing this Joinder Agreement; and

WHEREAS, the Sharing Agreement also provides that, subject to the terms thereof, any Parity Debtholder may become a party to the Sharing Agreement by executing this Joinder Agreement; and

WHEREAS, the undersigned has agreed to execute this Joinder Agreement in consideration of, and as a condition to, [becoming a Noteholder/becoming a Parity Debtholder].

NOW THEREFORE, in consideration thereof and for other good and valuable consideration, the receipt of which is hereby acknowledged, the undersigned agrees as follows:

Section 1. ***Agreement to be Bound***. By executing and delivering this Joinder Agreement, the undersigned hereby agrees to become a Creditor under the Sharing Agreement and be bound by, and comply with, the provisions of the Sharing Agreement in the same manner as if the undersigned were an original signatory to the Sharing Agreement. The undersigned agrees that it shall be a Creditor and [Noteholder/Parity Debtholder] under the Sharing Agreement, and that the undersigned shall have all the obligations described therein with respect to the Obligations held by the undersigned. All references to the terms "Creditor" or "[Noteholder/Parity Debtholder]"in the Sharing Agreement, or in any document or instrument executed and delivered or furnished, or to be executed and delivered or furnished, in connection therewith shall be deemed to be references to, and shall include, the undersigned.

Section 2. ***Notices.*** Notices and other communications provided for under the Sharing Agreement to be provided to the undersigned shall be sent to the addresses set forth on Schedule I attached hereto.

Section3. ***Governing Law.*** This Joinder Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to any conflicts of law provisions thereof.

IN WITNESS WHEREOF, the undersigned has caused this Joinder Agreement to be duly executed by its duly authorized officer, all as of the date and year set forth below.

[_____]

as [Noteholder] [Parity Debtholder]

By:_____
Name:
Title:

Date:_____

Schedule I

Address for Notices

Exhibit F

Form of Confirmation of Subsidiary Guaranty

Reference is made to the Multi-Currency Note Purchase and Private Shelf Agreement (as amended, otherwise modified or replaced from time to time, the "**Note Purchase Agreement**"), dated as of December 14, 2018, by and among Kadant Inc., a Delaware corporation (together with its successors and assigns, the "**Company**"), PGIM, Inc., the Series A Purchasers (as defined below) and each other Prudential Affiliate that from time to time becomes bound thereby (together with the Series A Purchasers, collectively, the "**Purchasers**", and together with their successors and assigns including, without limitation, future holders of the Notes (defined below), herein collectively referred to as the "**Noteholders**"), pursuant to which the Company (a) issued and sold to certain purchasers (the "**Series A Purchasers**") $10,000,000 aggregate principal amount of the Company's 4.90% Series A Senior Notes due December 14, 2028 (the "**Series A Notes**"), and (b) authorized the issuance, from time to time, of additional senior promissory notes in the aggregate principal amount of up to One Hundred Fifteen Million Dollars ($115,000,000), each to bear interest on the unpaid balance thereof from the date thereof at the rate per annum as shall be set forth in the Confirmation of Acceptance with respect to each such Note delivered pursuant to paragraph 2B(5) of the Note Purchase Agreement, and each to be dated the date of issuance thereof and to mature no more than twelve (12) years after the date of original issuance thereof (together with the Series A Notes, collectively, the "**Notes**"). Capitalized terms used but not defined herein shall have the meaning ascribed thereto in the Note Purchase Agreement.

The undersigned Subsidiary (the "**Guarantor**") is a party to a Guaranty Agreement entered into in connection with the execution and delivery of the Note Purchase Agreement and the issuance and sale of the Notes. The Guarantor hereby (i) consents to the issuance and sale of the Notes, (ii) acknowledges and affirms all of its obligations under the terms of the Subsidiary Guaranty to which it is a party, and (iii) acknowledges and agrees that such obligations extend to the Notes.

Dated: As of _____

IN WITNESS WHEREOF, the Guarantor has caused this Confirmation of Subsidiary Guaranty to be executed on its behalf, as of the date first above written, by one of its duly authorized officers.

[GUARANTOR]

By: _____
Name:
Title:

Exhibit G

Form of New York Opinion

Exhibit 21

Kadant Inc.
Subsidiaries of the Registrant

At February 15, 2019, the Registrant owned the following significant subsidiaries:

Name	State or Jurisdiction of Incorporation
Fibertek U.K. Limited	England
Johnson-Fluiten S.r.l.	Italy
Kadant Asia Holdings Inc.	Mauritius
Kadant Black Clawson LLC	Delaware
Kadant Canada Corp.	Nova Scotia, Canada
Kadant Cayman Ltd.	Cayman Islands
Kadant Cyprus (Canada) Limited	Cyprus
Kadant Fibergen Inc.	Delaware
Kadant Fiberline (China) Co., Ltd.	China
Kadant GranTek Inc.	Delaware
Kadant International Holdings LLC	Delaware
Kadant International Luxembourg S.C.S.	Luxembourg
Kadant Johnson (Wuxi) Technology, Ltd.	China
Kadant Johnson Deutschland GmbH	Germany
Kadant Johnson Europe B.V.	Netherlands
Kadant Johnson Holdings Inc.	Michigan
Kadant Johnson LLC	Delaware
Kadant Johnson Latin America Holding Inc.	Michigan
Kadant Lamort SAS	France
Kadant Luxembourg S.a r.l.	Luxembourg
Kadant Mexico LLC	Delaware
Kadant Mexico, S.A. de C.V.	Mexico
Kadant Nordic AB	Sweden
Kadant Northern UK Co. Ltd.	UK
Kadant PAAL	Germany
Kadant Paal Holding GmbH	Germany
Kadant PAAL Limited	England
Kadant PAAL S.A.U.	Spain
Kadant South America Ltda.	Brazil
Kadant U.K. Holdings Limited	England
Kadant U.K. Limited	England
Kadant Unaflex LLC	Delaware
Nicholson Manufacturing Ltd.	Canada
Syntron Material Handling Intermediate Holdings, LLC	Delaware
Syntron Material Handling, LLC	Deleware
Valon Kone OY	Finland
VK North America LLC	Delaware

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Kadant Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-202855, 33-67190, 333-48498, 333-102223, 333-142247, 333-176371) on Form S-8 of Kadant Inc. of our report dated February 26, 2019, with respect to the consolidated balance sheets of Kadant Inc. as of December 29, 2018 and December 30, 2017, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the fiscal years in the three-year period ended December 29, 2018, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 29, 2018, which report appears in the December 29, 2018 annual report on Form 10-K of Kadant Inc.

/s/ KPMG LLP

Boston, Massachusetts
February 26, 2019

Exhibit 31.1

CERTIFICATION

I, Jonathan W. Painter, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 29, 2018 of Kadant Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 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 26, 2019

/s/ Jonathan W. Painter

Jonathan W. Painter

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael J. McKenney, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 29, 2018 of Kadant Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 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 26, 2019

/s/ Michael J. McKenney

Michael J. McKenney

Chief Financial Officer

Exhibit 32

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

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Jonathan W. Painter, Chief Executive Officer, and Michael J. McKenney, Chief Financial Officer, of Kadant Inc., a Delaware corporation (the "Company"), do hereby certify, to our best knowledge and belief, that: The Annual Report on Form 10-K for the period ended December 29, 2018 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2019

/s/ Jonathan W. Painter

Jonathan W. Painter
Chief Executive Officer

/s/ Michael J. McKenney

Michael J. McKenney
Chief Financial Officer

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.