

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

FORM 10-K

(mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 1, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-11406

KADANT INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-1762325
(I.R.S. Employer Identification No.)

One Technology Park Drive
Westford, Massachusetts 01886
(Address of principal executive offices, including zip code)
(978) 776-2000
(Registrant's telephone number, including area code)

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

Title of each class
Common Stock, \$0.01 par value

Trading Symbol(s)
KAI

Name of each exchange on which registered
New York Stock Exchange

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

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

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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
Non-accelerated filer

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

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

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the Registrant as of July 3, 2021 (based on the closing price per share as reported on the New York Stock Exchange on the last business day of the Registrant's most recently completed second fiscal quarter), was approximately \$2,020,422,000. For purposes of the immediately preceding sentence, the term "affiliate" consists of each director and executive officer of the Registrant.

As of February 18, 2022, the Registrant had 11,621,092 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 2022 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 January 1, 2022
Table of Contents

| | <u>Page</u> |
|-----------------|---|
| PART I | |
| Item 1. | Business |
| Item 1A. | Risk Factors |
| Item 1B. | Unresolved Staff Comments |
| Item 2. | Properties |
| Item 3. | Legal Proceedings |
| Item 4. | Mine Safety Disclosures |
| PART II | |
| Item 5. | Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities |
| Item 6. | [Reserved] |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk |
| Item 8. | Financial Statements and Supplementary Data |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure |
| Item 9A. | Controls and Procedures |
| Item 9B. | Other Information |
| Item 9C. | Disclosure Regarding Foreign Jurisdictions that Prevent Inspections |
| PART III | |
| Item 10. | Directors, Executive Officers, and Corporate Governance |
| Item 11. | Executive Compensation |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence |
| Item 14. | Principal Accountant Fees and Services |
| PART IV | |
| Item 15. | Exhibits and Financial Statement Schedules |
| Item 16. | Form 10-K Summary |

PART I

Forward-Looking Statements

This Annual Report on Form 10-K and the documents 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., and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates. Kadant Inc. trades on the New York Stock Exchange under the ticker symbol "KAL."

Unless otherwise noted, references to 2021, 2020, and 2019 in this Annual Report on Form 10-K are to our fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively.

Description of Our Business

We are a global supplier of technologies and engineered systems that drive Sustainable Industrial Processing. Our products and services play an integral role in enhancing efficiency, optimizing energy utilization, and maximizing productivity in process industries while helping our customers advance their sustainability initiatives with products that reduce waste or generate more yield with fewer inputs, particularly fiber, energy, and water. Producing more while consuming less is a core aspect of Sustainable Industrial Processing and a major element of the strategic focus of our three reportable operating segments: Flow Control, Industrial Processing, and Material Handling.

We have a long and well-established history of developing, manufacturing, and servicing a range of products and equipment used in process industries such as paper, packaging, and tissue; wood products; mining; metals; food processing; and recycling and waste management, among others. Some of our businesses or their predecessor companies have been in operation for more than 100 years. Our diverse customer base includes global and regional industrial manufacturers and distributors who participate in the broader resource transformation sector. We believe we have one of the largest installed bases of equipment in the markets we serve around the globe.

We expect that a significant driver of our growth over the next several years will be the acquisition of businesses and technologies that complement or augment our existing products and services or may involve entry into a new process industry. We continue to pursue acquisition opportunities. In 2021, we acquired all partnership interests and shares in The Clouth Group of Companies (Clouth) for \$92.9 million, net of cash acquired plus debt assumed. The majority of the Clouth companies were acquired on July 19, 2021 and the acquisition of the last legal entity occurred on August 10, 2021. Clouth, which is included in our Flow Control segment, is a leading European manufacturer of doctor blades and related equipment used in the production of paper, packaging, and tissue. On August 23, 2021, we acquired all the outstanding equity securities in East Chicago Machine Tool Corporation (Balemaster) and certain assets of affiliated companies for \$53.7 million, net of cash acquired. Balemaster, which is included in our Material Handling segment, is a leading U.S. manufacturer of horizontal balers and related equipment used primarily for recycling packaging waste at corrugated box plants and large retail and distribution centers. See [Note 2](#), Acquisitions, in the accompanying consolidated financial statements for further details regarding our recent acquisitions.

Business Segments and Products

We report our financial results by combining operating entities into three reportable operating segments: Flow Control, Industrial Processing, and Material Handling. The Flow Control segment consists of our fluid-handling and doctoring, cleaning, & filtration product lines; the Industrial Processing segment consists of our wood processing and stock-preparation product lines; and the Material Handling segment consists of our conveying and vibratory, baling, and fiber-based product lines. See

[Note 12](#), Business Segment and Geographical Information, in the accompanying consolidated financial statements for financial information regarding our segments.

Flow Control Segment

Through our Flow Control segment, we provide custom-engineered products, systems, and technologies that control the flow of fluids used in industrial and commercial applications to keep critical processes running efficiently in the packaging, tissue, food, metals, and other industrial sectors. The Flow Control segment consists of our fluid-handling and doctoring, cleaning, & filtration product lines.

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 are 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 steam-heated rolls or processing machinery, collect condensed steam, and return it to the boiler to improve energy efficiency during the manufacturing 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. 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.
- 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.

Industrial Processing Segment

Through our Industrial Processing segment, we provide equipment, machinery, and technologies used to recycle paper and paperboard and process timber for use in the packaging, tissue, wood products and alternative fuel industries, among others. In addition, we provide industrial automation and digitization solutions to process industries. The Industrial Processing segment consists of our wood processing and stock-preparation product lines.

Wood Processing

We develop, manufacture, and market debarkers, stranders, chippers, logging machinery, and related equipment used in the harvesting and production of lumber and oriented strand board (OSB). In addition, we provide industrial automation and digitization solutions to process industries. 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 and tree-length logs into strands for OSB production and are used to manage strands in real time using our proprietary 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 log loaders and swing yarders are used to gather timber for lumber production.
- Industrial Automation and Control: We provide industrial automation, process technology, and project management services to help industrial companies digitally transform their operations.

Stock-Preparation

We develop, manufacture, and market custom-engineered systems and equipment, as well as standard individual components, for 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 principal stock-preparation products include:

- Recycling and approach flow systems: Our equipment includes pulping, screening, cleaning, and de-inking systems that process fiber 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 washers, evaporators, and recausticizing and condensate treatment systems used to remove lignin, concentrate and recycle process chemicals, and remove condensate gases.

Material Handling Segment

Through our Material Handling segment, we provide products and engineered systems used to handle bulk and discrete materials for secondary processing or transport in the aggregates, mining, food, and waste management industries, among others. In addition, we manufacture and sell biodegradable, absorbent granules used as carriers in agricultural applications and for oil and grease absorption. The Material Handling segment consists of our conveying and vibratory, baling, and fiber-based product lines.

Conveying and Vibratory Equipment

We develop, manufacture, and market conveying and vibratory equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper. Our principal conveying and vibratory products include:

- Vibratory equipment: feeders, screens, and flow aides utilized in the feeding of rugged and non-rugged materials as well as in mixing, blending, and packaging of fragile materials with speed and precision.

- Conveying equipment: transport idlers, power terminal units, and electric controls, used to transport bulk materials in harsh above- and below-ground mining environments; and screw conveyors and bucket elevators used for material handling operations in agricultural, food, and paper markets.

Baling

We develop, manufacture, and market individual components and equipment for baling recyclable and waste materials to prepare them for secondary processing, transport, or storage. Our principal baling products include:

- 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.

Fiber-based Products

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

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 Flow Control, Industrial Processing, and Material Handling segments, no customer accounted for more than 10% of each of the respective segment's revenue.

Approximately 58% in 2021, 55% in 2020, and 56% in 2019, of our consolidated revenue were to customers outside the United States, principally in Europe, Asia and Canada.

Backlog

Our backlog of firm orders by segment are as follows:

| (In millions) | January 1, 2022 | January 2, 2021 |
|-----------------------|-----------------|-----------------|
| Flow Control | \$ 73.1 | \$ 48.7 |
| Industrial Processing | 185.2 | 115.0 |
| Material Handling | 51.6 | 29.3 |
| | <u>\$ 309.9</u> | <u>\$ 193.0</u> |

We anticipate that the majority of the backlog at year-end 2021 will be shipped or completed during 2022, with the remainder expected to be shipped or completed within 15 months after year-end 2022. Some of our capital orders can be canceled by the customer upon payment of a cancellation fee.

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 \$11.4 million in 2021, \$11.3 million in 2020, and \$10.9 million in 2019.

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 complemented 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 Flow Control segment and there are several global and numerous local competitors in each market. In our Industrial Processing segment, we compete with a limited number of global and regional competitors in the forest products markets and fiber processing equipment markets. In

our Material Handling segment, we compete with numerous global, regional, and local competitors for our conveying and vibratory equipment, and strong regional competitors for our baling equipment and fiber-based granules offerings. 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 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.

Raw Materials

The primary raw materials used by our businesses are: Flow Control segment – steel, stainless steel, ductile iron, brass, bronze, aluminum, and elastomers; Industrial Processing segment – steel and stainless steel; and Material Handling segment – steel, aluminum, and composites. 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 to meet 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, trademarks, and know-how. No particular patent, or related group of patents, is so important that its expiration or loss would significantly affect our operations.

Flow Control Segment

We have numerous U.S. and foreign patents, including foreign counterparts to our U.S. patents, expiring on various dates ranging from 2022 to 2050, related to fluid handling and doctoring, cleaning, and filtration equipment. From time to time, we enter into licenses with other companies for products that serve the pulp, papermaking, converting, and paper recycling industries.

Industrial Processing Segment

We have numerous U.S. and foreign patents, including foreign counterparts to our U.S. patents, expiring on various dates ranging from 2022 to 2040, related to stock-preparation and wood processing systems and equipment.

Material Handling Segment

We have numerous U.S. and foreign patents, including foreign counterparts to our U.S. patents, expiring on various dates ranging from 2022 to 2027, related to various aspects of conveyor belt systems and conveying apparatus, and baling equipment. We license one of our two significant product brand names, Link-Belt®, from a third party pursuant to a trademark license agreement. More than a quarter of our Material Handling segment revenue in 2021 was generated by sales of conveying equipment under the Link-Belt® name. Under the terms of the license agreement, we have a worldwide, exclusive, royalty-free, perpetual license to use the Link-Belt® trademark in connection with such products.

We also currently hold several U.S. patents, expiring on various dates ranging from 2027 to 2034, related to various aspects of the processing of fiber-based granules and the use of these materials in agricultural, home lawn and garden, professional lawn, turf and ornamental applications, and for oil and grease absorption.

Government Regulations

We are subject to a variety of U.S. and international governmental regulations, including environmental regulations. We believe that our operations comply in all material respects with applicable laws and regulations. Our compliance with these requirements did not change during the past year, and is not expected to have a material adverse effect on our cash flows, earnings, or competitive position. For more information on risks related to government regulations, please see [Part I, Item 1A](#), “Risk Factors.”

Seasonal Influences*Flow Control Segment*

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

Industrial Processing Segment

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

Material Handling Segment

Our Material Handling segment may experience minor seasonal fluctuations in sales, with demand for our 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 our customers. 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.

Human Capital Resources*Talent, Development, Diversity and Inclusion*

The attraction, retention and development of exceptional employees is critical to our continued success. As part of these efforts, we strive to offer a competitive compensation and benefits program and to foster a safe and inclusive work environment where everyone feels respected, valued and empowered to do their best work. We embrace the diversity of our employees, including their unique backgrounds, experiences, and talents. Everyone is valued and appreciated for their distinct contributions to the growth and sustainability of our business. We strive to cultivate a culture of diversity and inclusion that supports and enhances our ability to recruit, develop and retain talent at every level.

As of January 1, 2022, we had approximately 2,900 full-time employees worldwide. Of our full-time employees, approximately 45% were in North America, 32% were in Europe and 20% were in Asia. Other than certain of our Canadian employees and typical work councils outside of the U.S., none of our employees are represented by labor unions or covered by a collective bargaining agreement.

Our management team places significant focus and attention on matters concerning our human capital, particularly their diversity, capability development, and succession planning. Accordingly, we regularly review talent development and succession plans for each of our functions and operating segments, to identify and develop a pipeline of talent to maintain business operations. We have numerous programs to attract and retain our talent, including leadership and executive development programs as well as technical and other training. We partner with vocational schools, community colleges, universities and associations to promote future careers in manufacturing through training and apprenticeship programs. We also have a well-established performance management and talent development process in which managers provide regular feedback and coaching to develop employees.

Compensation and Benefits

As part of these efforts, we strive to offer a competitive compensation and benefits program. Our compensation and benefits program is designed to attract and retain talented individuals who possess the skills necessary to support our business objectives, assist in the achievement of our strategic goals and create long-term value for our stockholders. We offer comprehensive, locally relevant benefits to all eligible employees which include, among other benefits:

- Comprehensive health insurance coverage;
- Retirement benefits;
- Life insurance and disability benefits; and
- Leave and wellness benefits.

Safety

We maintain a safety-first culture grounded on the premise of eliminating workplace incidents, risks and hazards. We have created and implemented processes to help eliminate safety events by reducing their frequency and severity. Our commitment to safety is reinforced by our robust safety program and training.

Throughout the COVID-19 pandemic, we have remained focused on protecting the health and safety of our employees while meeting the needs of our customers. We have adopted enhanced safety measures and practices across our facilities to protect employee health and safety and ensure a reliable supply of essential products to our customers. These enhanced safety measures and practices include encouraging vaccinations and the use of face coverings, adding safety and hygiene protocols within our facilities, and other safeguards. We monitor and track the impact of COVID-19 on our employees and within our operations, and proactively modify or adopt new practices to promote their health and safety.

We believe that our employees are the core of our business, and we intend to continue building upon our culture to drive sustainable performance across the business. For more information, please reference our Corporate Sustainability Report, which is available at www.kadant.com.

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 that are filed electronically by issuers 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.

Information about our Executive Officers

The following table summarizes certain information concerning our executive officers as of February 18, 2022:

| Name | Age | Present Title (Fiscal Year First Became Executive Officer) |
|-------------------------|-----|--|
| Jeffrey L. Powell | 63 | President and Chief Executive Officer (2009) |
| Eric T. Langevin | 59 | Executive Vice President and Chief Operating Officer (2006) |
| Michael J. McKenney | 60 | Executive Vice President and Chief Financial Officer (2002) |
| Stacy D. Krause | 45 | Senior Vice President, General Counsel, and Secretary (2018) |
| Dara F. Mitchell | 53 | Senior Vice President, Corporate Development (2021) |
| Deborah S. Selwood | 53 | Senior Vice President and Chief Accounting Officer (2015) |
| Thomas Andrew Blanchard | 63 | Vice President (2021) |
| Michael C. Colwell | 56 | Vice President (2019) |
| Peter J. Flynn | 71 | Vice President (2019) |
| Fredrik H. Westerhout | 57 | Vice President (2021) |

Mr. Powell has been our chief executive officer and a director since July 2019 and our president since April 2019. He served as an executive vice president and a co-chief operating officer from March 2018 to March 2019. 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. Langevin, who will retire on March 31, 2022, has been an executive vice president and chief operating officer since April 2019 and has supervisory responsibility for our fluid-handling, doctoring, cleaning, & filtration, and conveying and vibratory businesses. From March 2018 to April 2019, he served as executive vice president and co-chief operating officer. From January 2010 to March 2018, he served as executive vice president and 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,

Kadant Inc.

Mr. Langevin managed several product groups and departments within Kadant Web Systems after joining us in 1986 as a product development engineer.

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 and Coopers & Lybrand LLP.

Ms. Krause has been our senior vice president, general counsel, and secretary since November 2021 and served as our vice president, general counsel and secretary from July 2018 to November 2021. She served as our deputy general counsel from December 2017 to June 2018. Prior to joining us, Ms. Krause was head of commerce cloud commercial legal at salesforce.com, inc., a global SAAS software company, from July 2016 to December 2017. She previously served as assistant general counsel of Demandware, Inc., a global SAAS software company, from January 2014 to July 2016, prior to its acquisition by salesforce.com, and as assistant general counsel of Entegris, Inc., a provider of advanced materials and materials handling solutions, 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. Mitchell has been our senior vice president, corporate development, since May 2019 and served as our vice president, corporate development from 2016 to 2019 and our director of corporate development from 2013 to 2016. Prior to joining Kadant, Ms. Mitchell was a principal at NewDelta Partners, an investment banking and strategic advisory firm, and investment director at 3i, a global private equity firm where she was responsible for investing in technology companies.

Ms. Selwood has been our senior vice president and chief accounting officer since May 2019 and served as our vice president and chief accounting officer from 2015 to 2019. Prior to that, 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.

Mr. Blanchard has been our vice president since November 2021 with supervisory responsibility for portions of our Material Handling segment. Mr. Blanchard previously served as the president of our Syntron Material Handling subsidiaries (SMH) since January 2019 when we acquired SMH. He also served as the president of SMH from June 2014 to January 2019 prior to our acquisition. SMH, which is part of our Material Handling segment, designs and manufactures conveyors and vibratory feeders for bulk material handling in the aggregates, mining and food industries.

Mr. Colwell has been our vice president since July 2019 with supervisory responsibility for our wood processing business, which is part of our Industrial Processing segment. He previously had responsibility for our fiber-based products business from July 2019 to November 2021. Mr. Colwell previously served as the president of Kadant Carmanah Design, a division of our subsidiary Kadant Canada Corp., from 2013 to 2019. Carmanah, which is part of our wood processing business, designs and manufactures equipment for the oriented strand board industry. Mr. Colwell previously served as the president and chief executive officer of Carmanah Design and Manufacturing Inc. from April 2010 until its acquisition by us in November 2013.

Mr. Flynn has been our vice president since July 2019 with supervisory responsibility for our stock-preparation business, which is part of our Industrial Processing segment, and our baling product line, which is part of our Material Handling segment. Prior to July 2019, Mr. Flynn served as the president of our Kadant Black Clawson LLC subsidiary from 2003 to 2019. Kadant Black Clawson manufactures stock-preparation equipment primarily for the pulp and paper industry.

Mr. Westerhout has been our vice president since November 2021 with supervisory responsibilities for our Flow Control segment. Mr. Westerhout previously served as the vice president of our flow control subsidiaries in Europe since April 2014. These businesses are part of our Flow Control segment.

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. The COVID-19 pandemic continues to produce a level of general uncertainty and, in some cases, adverse changes in global economic conditions and has heightened, and in some cases manifested, certain of the risks we normally face in operating our business, including those disclosed herein. Additional risks and uncertainties not currently known to us or that we currently believe are not material may also impair our business, consolidated financial condition and results of operations.

Risks Related to our Business and Industry

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 and suppliers 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 paper, fluid handling, wood processing and material handling industries. Approximately 35% of our revenue in 2021 was from the sale of capital equipment to be used in process industries. 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. Expansion of bulk material handling capacity and infrastructure spending are factors that affect demand for material handling equipment. Reductions in demand levels in any of these areas 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 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.

We have significant international sales and operations and face risks related to health epidemics and pandemics, including the COVID-19 pandemic, which has and continues to present challenges to our business and results of operations.

Our business and operations have been and may continue to be challenged by the effects of the COVID-19 pandemic and may be challenged by other adverse public health developments, including disruptions or restrictions on our employees' and other service providers' ability to travel, reductions in our workforce, temporary closures of our facilities or the facilities of our customers, suppliers or other vendors in our supply chain, potentially including single source suppliers, and other disruptions in the supply chain. In addition, the COVID-19 pandemic has impacted and other disease outbreaks could impact global trade and reduce demand for our products, and adversely affect the U.S. or global economy and capital markets.

The COVID-19 pandemic has negatively affected the global economy, disrupted global supply chains, resulted in significant travel and transport restrictions, including mandated closures and orders to "shelter-in-place," and initially created significant disruption of the financial markets. The COVID-19 pandemic has adversely affected, and may adversely affect in the

future, our business and results of operations, as government authorities have imposed, and may in the future impose, temporary mandatory closures of our facilities, travel restrictions, work-from-home orders, vaccine or testing mandates and social distancing protocols and other restrictions that have impacted our ability to adequately staff and maintain our operations at normal levels. Additionally, our financial results have been adversely impacted and may be adversely impacted in the future by decreased levels of bookings, customer-requested delays on certain capital projects and service work, customer downtime and shutdowns, and visitation restrictions at many customer facilities, all of which have affected and may adversely affect in the future our ability to recognize revenue for sales of our products and services. We may also incur future costs related to COVID-19, such as increased employee benefit costs if a significant number of our employees contract COVID-19 and require hospitalization or other costly medical treatment, or expenses related to repeated cleaning and sanitizing of our facilities, which may also adversely affect our financial results. In March 2020, we experienced a significant decrease in market capitalization due to a decline in our stock price, and the overall U.S. stock market also declined significantly amid market volatility driven by the uncertainty surrounding the outbreak of COVID-19. The future impact of the COVID-19 pandemic could include further disruption and volatility in the global capital markets, which, depending on future developments, could impact our capital resources and liquidity in the future.

The COVID-19 pandemic has evolved and continues to evolve rapidly. As a result, we cannot reasonably estimate the scope of the impact of the COVID-19 pandemic, including the potential impact of emerging variants or the response of government authorities to any such variants or other developments, on our business and the adverse effect and impact the COVID-19 pandemic may ultimately have on our business and our stock price. For instance, we may face additional requests from customers to delay the production or delivery of our products, particularly capital equipment products, which would affect our ability to recognize revenue for sales of such products. Other customers may decide not to proceed with large capital equipment orders in order to conserve their cash. A delay on our part of the production of our products may lead to liquidated damages owed to our customers. Further implementation, extension or renewal of government-mandated closures, “shelter-in-place” orders or vaccine or testing mandates related to the COVID-19 pandemic may create further disruption to our operations, our workforce, the supply chain, and our customer and vendor operations. The evolving effects of the COVID-19 pandemic on the global economy are uncertain, and we may be further adversely affected by general economic conditions, even if government mandates are repealed. The impact of COVID-19 could worsen if new and more virulent or transmissible variants emerge which result in a resurgence of COVID-19 infection in affected regions.

In addition, travel, commercial and other similar restrictions put in place by various government authorities in response to COVID-19 have contributed to global supply disruptions and we have, and may in the future, incur costs to mitigate such disruptions, which could be significant. New information may emerge concerning the severity of COVID-19 or any of its variants, the pace and method through which it is transmitted, contained and/or treated, and the nature of the approach of the local governments in the jurisdictions in which we operate to handling the outbreak, any of which could impact our employees, operations, suppliers, customers and/or operating and financial results, including our ability to determine our quarterly results. We operate in 20 countries and the government responses in each of those countries have differed and resulted in varying levels of containment of COVID-19, degree and duration of closures, and nature of safety precautions, all of which we have and will continue to manage. Although we have worked and continue to work diligently to ensure that our global facilities can operate with minimal disruption, mitigate the impact of the outbreak on our employees’ health and safety, and address the supply chain impact on ourselves and our customers, the full extent to which COVID-19 has affected and will affect the global economy and our results will depend on future developments and factors that cannot be predicted.

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. We continue to actively pursue 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, including our ability to conduct and complete due diligence, difficulties in negotiations with the counterparty, and inability to obtain regulatory and antitrust approvals;
- 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;
- 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 expected cost savings and synergies;
- assumption of significant liabilities, some of which may be unknown at the time of acquisition; and
- identification of internal control deficiencies of the acquired business.

We are required to record 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.

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. Our customers produce these products principally for new residential construction, home repair and remodeling activities. As such, the operating results for our Industrial Processing 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 on the deductibility of mortgage interest, tightened lending standards, high unemployment rates and other factors that reduce the level of residential construction activity could have a negative 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 Industrial Processing segment revenues, the two largest OSB customers accounted for 11% in 2021 and 9% in both 2020 and 2019. 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.

Our Wood Processing product line can be materially impacted by changes to the global timber supply.

Changes in the environment that affect natural resources such as timber may have significant effects on the sales of wood processing equipment by our Industrial Processing segment. Approximately 23% of our revenue in 2021 was from our Wood Processing product line. Changes in the environment like wildfires and damage from pests such as the mountain pine beetle have affected tracts of land in Western Canada that could have otherwise been logged by the forestry industry. Reduction in availability of timber can result in decreased logging activity, mill closures, and lower operating rates at mills, as well as reduced capital expenditures. A reduction in capital expenditures by mills would likely lead to a decrease in demand for new wood processing equipment, which would in turn affect demand for parts, as our wood processing customers are likely to reduce utilization of equipment, reduce inventories, redistribute parts from closed mills and delay rebuilds and other maintenance during industry downturns. In addition to declining orders for wood processing products, adverse economic

conditions for our wood processing customers may make it more difficult for us to collect accounts receivable in a timely manner, or at all, which may adversely affect our working capital.

The development and increasing use of digital media has had, and will continue to have, an adverse impact on our Flow Control and Industrial Processing segments.

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 8% of our revenue in 2021 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 Material Handling segment 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 subsidiary, SMH, which comprises a substantial portion of our Material Handling segment. Approximately 4% of our revenue in 2021 was from SMH's mining customers. Cyclicity 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, and 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 our working capital. As a result of this cyclicity 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 our Material Handling segment is dependent on continued demand for coal, which is subject to economic and environmental risks.

Approximately 4% and 2% of the Material Handling segment's 2021 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 energy 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.

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. We also rely on information technology (IT), including IT services from third parties, in certain of our solutions, products, and services for customers as well as our enterprise infrastructure. Despite our security measures and internal controls, our information technology and infrastructure may be vulnerable to unauthorized access or attacks by nation states, hackers or cyber criminals or breaches due to employee error, malfeasance or other disruptions, such as business email compromises, phishing and other cyber-related fraud. Our systems could be compromised by malware (including ransomware), cyberattacks,

and other events, ranging from widespread, non-targeted, global cyber threats to targeted advanced persistent threats. These threats could be indicators of an increased risk to our products, solutions, services, manufacturing, and IT infrastructure. Recent global cyberattacks have been perpetuated by the compromise of software updates to widely used software products, including some products that we use, which increases the risk that vulnerabilities or malicious content could be inserted into our products or IT infrastructure. We maintain a cybersecurity insurance policy that provides limited coverage for some, but not all potential risks and liabilities associated with cyberattacks and other events, which may not be fully insurable. While we continuously seek to improve the security attributes of our products, solutions, services and IT infrastructure, we cannot eliminate risk or ensure that we will not be harmed by cyberattacks or disruptions.

In some global cyberattacks, malware has been spread from one party to another via network connections that the parties had previously authorized. Our business uses IT resources on a dispersed, global basis for a wide variety of functions including development, engineering, manufacturing, sales, accounting, and human resources. Our vendors, partners, employees and customers have access to, and share, information across multiple locations via various digital technologies. In addition, we rely on partners and vendors for a wide range of outsourced activities, including cloud providers, as part of our internal IT infrastructure and our commercial offerings. Secure connectivity is important to these ongoing operations. To a significant extent, the security of systems to which we connect depends on how such systems are designed, installed, protected, configured, updated and monitored, much of which is typically outside of our control. Also, our partners and vendors frequently have access to our confidential information as well as confidential information about our customers, employees, and others. We design our security architecture to reduce the risk that a compromise of our partners' infrastructure, for example a cloud platform, could lead to a compromise of our internal systems or customer networks, but this risk cannot be eliminated and vulnerabilities at third parties could result in unknown risk exposure to our business.

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, or various similar U.S. federal and state laws, could be significant.

The current cyber threat environment indicates increased risk for all companies. Like other global companies, we have experienced cyber threats and incidents, although none have been material or had a material adverse effect on our business or financial condition. Our information security efforts include major programs designed to address security governance, product security, identification and protection of critical assets, insider risk, third-party risk, and cyber defense operations. We believe these measures reduce, but cannot eliminate, the risk of an information security incident. Any significant security incidents could have an adverse impact on sales, harm our reputation and cause us to incur legal liability and increased costs to address such events and related security concerns.

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, India 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;
- continuing to develop cross-selling opportunities for our products and services to take advantage of our depth of product offerings; and
- corporate efficiency programs, such as Lean manufacturing and the "80/20" rule (the Pareto Principle).

We may not be able to successfully implement these strategies, or achieve cost savings or desired efficiencies, and these strategies may not result in the expected growth of our business.

Supply chain constraints, inflationary pressure, 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.

Some of our businesses have been and may continue to be impacted by supply chain constraints, resulting in inflationary pressure on material costs, longer lead times, port congestion, and increased freight costs. In addition, current or future governmental policies may increase the risk of inflation which could further increase the costs of raw materials and components for our businesses. If we are unable to mitigate the impact of supply chain constraints and inflationary pressure through price increases or other measures our results of operations and financial condition could be negatively impacted.

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 a limited number of suppliers to provide critical components used in the manufacture of our products. If we are unable to obtain sufficient supplies of these components or these sources of supply cease 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, we could be unable to locate such alternative sources. We believe our current 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 or if we are unable to expand supply as needed.

While our businesses are working to alleviate supply chain constraints through various measures, we are unable to predict the impact of these constraints on the timing of revenue and operating costs of our business in the future.

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, automation, 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 those related to factory digitalization, the industrial internet of things, and 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.

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; and changes in available tax credits or our ability to utilize foreign tax credits. 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.

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 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 are requiring 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 negotiated with the Chinese

government regarding the relocation of such facility. Such relocation, and any relocations required in the future, 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 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.

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. Our failure to continue to enable the effective transfer of knowledge and facilitate smooth transitions with regard to key management employees, including in connection with our succession planning, 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 and India, 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 and proprietary know-how may otherwise become known or be independently developed by our competitors, or our competitors may otherwise gain access to our intellectual property.

Others may assert intellectual property infringement claims against us or our customers. We may provide a limited intellectual property indemnity in connection with our terms and conditions of sale to our customers and in other types of contracts with third parties. Indemnification payments and legal expenses to defend claims could be costly.

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.

SMH holds numerous 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.

Effects of 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. For example, we have manufacturing locations in the southeastern United States, which region has experienced record hurricanes in recent years reportedly due to the effects of climate change. Climate change could also 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. Climate change has also been cited as contributing to the increased likelihood around the world of hot and dry conditions in which wildfires and the destructive mountain pine beetle thrive. As a result of the effects of climate change, our customers in the forestry industry may face damage to assets and losses from business interruption, which could lead to the reduced operation or closure of mills, and disruption of supply chains of which we may be a part. These risks could harm our business and 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 underinsured events, as well as by delays in the payment of insurance proceeds, or the failure by insurers to make payments.

Risks Related to our Foreign Operations

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, India 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;
- economic sanctions, trade embargoes, tariffs, currency restrictions or other adverse trade regulations;
- 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;
- changes in zoning laws that may require relocation of our manufacturing operations;
- disruption from fast-spreading health epidemics and pandemics which have and may continue to result in widespread interruption of our business operations and those of our customers, supplier and vendors;
- worsening economic conditions may result in worker unrest, labor actions, and potential work stoppages;
- political and/or civil unrest may disrupt commercial activities of ours or our customers;

- fluctuations in foreign currency exchange rates and foreign interest rates beyond our control;
- 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 various risks that may adversely affect our results of operations in the future.

Policies of the Chinese government may negatively impact our business.

We operate significant manufacturing facilities in China. In 2021, our sales to China were \$82.1 million, or 10%, of our revenue. Our Chinese manufacturing facilities provide low-cost sourcing to many of our subsidiaries. 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. The United States has restricted investment in certain companies with ties to the Chinese military; if such restrictions are expanded, or if investment was otherwise restricted, our business would be negatively affected.

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, the Chinese government has imposed a ban on all recovered paper imports effective as of January 1, 2021. 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 have and could in the future continue to 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 have and may in the future continue to affect the demand for our products and our operating results in China and 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 or we may not be able to retain a down payment. 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 a significant portion of the total order. As a result of these factors, our revenues recognized in China have varied, and will in the future vary from period to period and be difficult to predict.

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 has previously devalued the renminbi to boost the Chinese economy, which had a negative translation impact on our consolidated revenues and may in the future 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.

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

The United Kingdom's (U.K.) exit from the European Union (E.U.), referred to as Brexit, which was effective as of January 31, 2020, and the related transition period which ended on December 31, 2020, 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 has occurred and may continue to occur may cause our customers to closely monitor their costs and reduce their spending budgets. Our revenues to customers in the U.K. represented approximately 3% of total revenues in 2021. All of these events, should they occur, could adversely affect our business, financial condition, operating results, and cash flows.

Risks Related to Regulation of our Business and Industry

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. Non-U.S. markets contribute a substantial portion of our revenues, and we intend to continue expanding our presence in these regions. For example, we operate businesses in Mexico and Canada, and we benefited from the North American Free Trade Agreement, which has been replaced by the United States-Mexico-Canada Agreement (USMCA), from which we also benefit. If the United States were to withdraw from or materially modify the USMCA or 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.

In addition, the Office of the United States Trade Representative has imposed tariffs on a wide variety of products from China, including pulp and paper machinery equipment, pursuant to Section 301 of the Trade Act of 1974. The tariffs on pulp and paper machinery are set at 25%. In addition, the U.S. Department of Commerce has imposed tariffs of 25% on numerous categories of steel imports, and 10% on numerous categories of aluminum imports, from most countries under Section 232 of the Trade Expansion Act of 1962. While we try to 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 have and could in the future negatively affect our ability to compete against competitors who do not manufacture in China and/or are not subject to the tariffs.

The United States has tightened trade sanctions targeting countries like China and Russia. For example, since 2018 the United States has imposed various trade and economic sanctions targeting certain persons in Russia and certain types of business with Russia, and, as a result of the February 2022 Russian invasion of Ukraine, the United States, the European Union, and many other countries have imposed sanctions on Russia, individuals in Russia and Russian businesses, including several large banks. In 2021, our sales to Russia were \$10.7 million, or 1% of our revenue. The United States has continued to expand export control restrictions applicable to certain Chinese firms and continued its assessment of new controls for "emerging foundational technologies," escalating U.S.-China tension over technology competition. In response, Russia and China have begun considering and, in some cases, implementing trade sanctions that could affect U.S.-owned businesses. The imposition of trade sanctions may, and with respect to the Ukraine-related sanctions are expected to, make it generally more difficult to do business in Russia and China 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 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.

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, wastewater requirements, and energy supply and use restrictions. The Chinese government has pledged to tackle the country's hazardous smog and improve air quality conditions, which has prompted authorities to impose strict pollution control measures when certain pollution levels are detected and ahead of high-profile events. Regulators have in the past and may in the future temporarily restrict the operations of our manufacturing facilities in a particular geographic location as a result of attempts to control pollution levels, or energy supply or use restrictions in China. Environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify product designs, or incur other expenses. New regulations promulgated in reaction to climate change could result in increased manufacturing costs associated with air pollution control or energy 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. Implementation of such new regulations could increase our costs or require us to modify our operations and negatively impact 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 Material Handling segment.

SMH, which is in our Material Handling segment, 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. New legislation or regulations and the high cost of compliance with such 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. 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 and our overall business, financial condition or results of operations.

Risks Related to Indebtedness and our Credit Agreement

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. Our borrowing capacity under the Credit Agreement may decrease as a result of the impact that foreign exchange rate fluctuations could have on our foreign-denominated borrowings.

Pursuant to the Credit Agreement, we have a borrowing capacity of \$400.0 million with an uncommitted, unsecured incremental borrowing facility of \$150.0 million with a maturity date of December 14, 2023. 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 Tax Cuts and Jobs Act of 2017 (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. 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 agreement 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 may 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 Credit Agreement has variable interest tied to the London Interbank Offered Rate (LIBOR) and we could become subject to higher interest rates if the replacement rate we agree on with our banks is higher.

Borrowings under our Credit Agreement use LIBOR as a benchmark for establishing the interest rate for our LIBOR Loans, as defined in the Credit Agreement. LIBOR has been the subject of national, international and other regulatory guidance and proposals for reform. These reforms and other pressures will cause LIBOR to disappear entirely or to perform differently than in the past. In 2021, we amended the Credit Agreement to include customary provisions to provide for the replacement of LIBOR with an alternative benchmark rate when any applicable tenor of LIBOR ceases to be available. In addition, we may need to amend other financial or contractual obligations that use LIBOR, and we cannot predict what alternative benchmark would be negotiated with our counterparties. We may incur additional expenses to amend such agreements to reference the alternative benchmark, which may differ significantly from LIBOR. Accordingly, the use of an alternative benchmark could result in increased costs, including increased interest expense on our Credit Agreement borrowings and increased borrowing

costs in the future, and could adversely affect our available cash flow for general corporate requirements. At this time, we are unable to predict the effect of any such alternatives to LIBOR on our business, results of operations or financial condition.

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 agreements 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.

Risks Related to Ownership of our Capital Stock

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 or 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 and 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;
- fluctuations in foreign currency exchange rates;
- 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.

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 interest and those of our shareholders, including transactions in which shareholders might otherwise receive a premium for their shares.

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 2021 are as follows:

Flow Control Segment

We own approximately 1,449,000 square feet and lease approximately 234,000 square feet, under leases expiring on various dates ranging from 2022 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 2050 to 2062. Our principal engineering and manufacturing facilities are located in Huckeswagen, Germany; Valinhos, Brazil; Kamienna Gora, Poland; Three Rivers, Michigan, United States; Anderson, South Carolina, United States; Auburn, Massachusetts, United States; Eltmann, Germany; Weesp, The Netherlands; Wuxi, China; Moers, Germany; Guadalajara, Mexico; Bury, England and Huskvarna, Sweden.

Industrial Processing Segment

We own approximately 1,241,000 square feet and lease approximately 148,000 square feet, under leases expiring on various dates ranging from 2022 to 2025 of manufacturing, engineering, and office space. In addition, in China, we lease the land associated with our existing and future-planned facilities under long-term leases, which expire on dates ranging from 2054 to 2071. Also, 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 Vitry-le-Francois, France; Jining, China; Lebanon, Ohio, United States; Sidney, British Columbia, Canada; Lohja, Finland; Surrey, British Columbia, Canada and Pell City, Alabama, United States.

Material Handling Segment

We own approximately 105,000 square feet and lease approximately 639,000 square feet, under leases expiring on various dates ranging from 2022 to 2034. Our principal manufacturing and office space is located in Salttilo, Mississippi, United States; Georgsmarienhutte, Germany; Crown Point, Indiana, United States; Green Bay, Wisconsin, United States and Alfreton, England.

Corporate

We lease approximately 18,000 square feet in Westford, Massachusetts, United States, for our corporate headquarters under a lease expiring in 2026.

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 18, 2022 was \$199.36 per share.

Holders of Common Stock

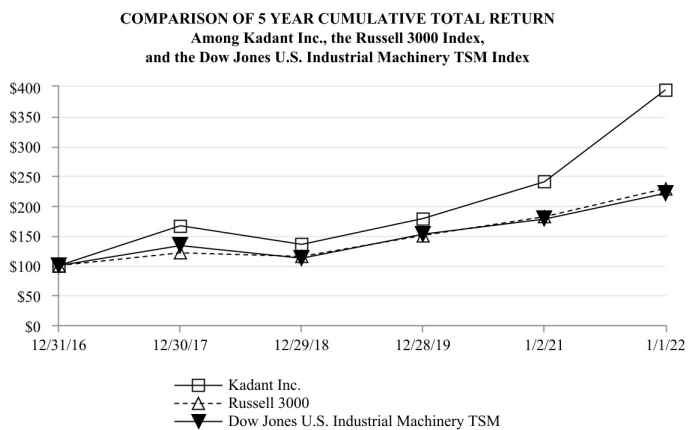
As of February 18, 2022, we had approximately 1,976 holders of record of our common stock. This does not include holdings in street or nominee name.

Issuer Purchases of Equity Securities

On May 20, 2021, our board of directors approved the repurchase of up to \$20 million of our equity securities during the period from May 20, 2021 to May 20, 2022. We did not repurchase any shares of our common stock during 2021.

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. 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.



| | 12/31/2016 | 12/30/2017 | 12/29/2018 | 12/28/2019 | 1/2/2021 | 1/1/2022 |
|---|------------|------------|------------|------------|----------|----------|
| Kadant Inc. | 100.00 | 165.94 | 135.31 | 178.28 | 239.97 | 394.55 |
| Russell 3000 | 100.00 | 121.13 | 114.78 | 150.39 | 181.80 | 228.45 |
| Dow Jones U.S. Industrial Machinery TSM | 100.00 | 132.70 | 111.92 | 152.22 | 177.61 | 220.86 |

Item 6. [Reserved]

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with the consolidated financial statements and related notes set forth in Item 8, "Financial Statements and Supplementary Data." The following discussion also contains forward-looking statements, including the outlook for our business, 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 Background*

We are a global supplier of technologies and engineered systems that drive Sustainable Industrial Processing. Our products and services play an integral role in enhancing efficiency, optimizing energy utilization, and maximizing productivity in process industries while helping our customers advance their sustainability initiatives with products that reduce waste or generate more yield with fewer inputs, particularly fiber, energy, and water. Producing more while consuming less is a core aspect of Sustainable Industrial Processing and a major element of the strategic focus of our businesses.

Our financial results are reported in three reportable operating segments: Flow Control, Industrial Processing, and Material Handling. The Flow Control segment consists of our fluid-handling and doctoring, cleaning, & filtration product lines; the Industrial Processing segment consists of our wood processing and stock-preparation product lines; and the Material Handling segment consists of our conveying and vibratory, baling, and fiber-based product lines. See [Note 12](#), Business Segment and Geographical Information, in the accompanying consolidated financial statements for a description and financial information of our reportable operating segments.

Industry and Business Overview

We had record consolidated bookings of \$893.2 million for 2021 as our businesses rebounded from the impact of the COVID-19 pandemic, which adversely affected our bookings and revenue for a substantial part of 2020. Our consolidated 2021 bookings included \$36.9 million attributable to acquisitions and \$27.0 million from a favorable foreign currency effect, and consisted of record orders for both parts and consumables products and capital equipment. See *Acquisitions* below for further details. We ended the year with record consolidated backlog of \$309.9 million, increasing 61% from the end of 2020. An overview of our business by segment is as follows:

- *Flow Control* – Our Flow Control segment ended a strong year with record bookings for both parts and consumables products and capital equipment. In 2021, we acquired The Clouth Group of Companies (Clouth), which contributed \$23.2 million of bookings. Orders for both parts and consumables products and capital equipment at our existing Flow Control businesses have been bolstered by growth in the industries we serve, particularly the packaging and tissue markets. Our bookings in the earlier part of 2021 were also boosted by pent-up demand from depressed levels encountered during most of 2020.
- *Industrial Processing* – Strong quarterly bookings, particularly in the latter half of 2021, contributed to record orders in 2021 for our Industrial Processing segment. Orders for our wood processing business products continue to be fueled by a robust U.S. housing market and high demand for lumber, oriented strand board and plywood, which has driven new capital equipment investment and high parts consumption by our customers. During the second half of 2021, maintenance requirements at many of our customers have augmented demand for our parts products, which we expect to continue into the first half of 2022. In the fourth quarter of 2021, wood processing capital equipment bookings were exceptionally strong, resulting in a backlog that will be fulfilled primarily through mid-2023. Bookings at our stock-preparation business increased 28% in 2021 largely due to a rebound in capital equipment orders compared with the depressed capital spending environment for most of 2020 and due to steady demand for our parts and consumables products. We expect the demand for our Industrial Processing segment products to moderate somewhat in 2022 compared to the record level in 2021.
- *Material Handling* – Our Material Handling segment also ended the year with record bookings. In August 2021, we acquired East Chicago Machine Tool Corporation (Bailemaster) and certain assets of affiliated companies, which contributed \$13.2 million of orders. Bookings for baling products at our European operations continue to be bolstered by improved business conditions, including the recovery of recycled commodity prices. Bookings for parts and consumables at our conveying and vibratory equipment business have rebounded from depressed 2020 levels due to the relaxation of pandemic-related restrictions and an increased demand from our mining customers, while bookings for capital equipment have moderated.

In 2021, many of our operations were impacted by labor availability and supply chain constraints, the latter of which resulted in inflationary pressure on material costs, longer lead times, and increased freight costs, as well as customer-requested delays in shipments. We believe these challenges will generally persist into 2022. Our businesses are alleviating supply chain constraints through various measures, including advance purchases of raw materials to prevent potential manufacturing disruptions and mitigating increased material and freight costs through price adjustments, when possible.

We believe that the fundamentals of our business will remain positive, particularly given our high backlog levels, continued strong bookings, and ongoing strength in the markets we serve as we enter 2022. Despite this optimism, we expect our operating environment to continue to be challenging as a result of the factors impacting our business discussed above and the uncertainties and risks surrounding the COVID-19 pandemic. For more information on risks related to health epidemics to our business, including COVID-19, and other factors impacting our business discussed above, please see [Part I, Item 1A](#), "Risk Factors."

International Sales

More than half of our sales are to customers outside the United States, mainly in Europe, Asia, and Canada. As a result, our financial performance can be materially affected by currency exchange rate fluctuations between the U.S. dollar and foreign currencies. To mitigate the impact of foreign currency fluctuations, we generally seek to charge our customers in the same currency in which our operating costs are incurred. Additionally, we may enter into forward currency exchange 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.

Global Trade

The United States imposes tariffs on certain imports from China, which has and will continue to increase the cost of some of the equipment that we import. Although we are working to mitigate the impact of tariffs through pricing and sourcing strategies, we cannot be sure these strategies will effectively mitigate the impact of these costs. For more information on risks associated with our global operations, including tariffs, please see [Part I, Item 1A](#), "Risk Factors."

Acquisitions

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

In the third quarter of 2021, we acquired Clouth for \$92.9 million, net of cash acquired plus debt assumed. Clouth, which is included in our Flow Control segment, is a leading manufacturer of doctor blades and related equipment used in the production of paper, packaging, and tissue. We expect several synergies in connection with this acquisition, including deepening our presence in the growing ceramic blade market and expansion of product sales at our existing businesses by leveraging Clouth's complementary global geographic footprint. Clouth has three manufacturing facilities in Germany and one in Poland and generated revenue of approximately 40.5 million euros for the trailing twelve months ended June 30, 2021 prior to its acquisition by us.

In the third quarter of 2021, we also acquired Balemaster for \$53.7 million, net of cash acquired. Balemaster, which is included in our Material Handling segment, is a leading U.S. manufacturer of horizontal balers and related equipment used primarily for recycling packaging waste at corrugated box plants and large retail and distribution centers. We expect several synergies in connection with this acquisition, including expanding our presence in the secondary material processing sector and creating new opportunities for leveraging our high-performance balers produced in Europe. Balemaster generated revenue of approximately \$22.2 million for the trailing twelve months ended June 30, 2021 prior to its acquisition by us.

In the fourth quarter of 2021, we acquired a business in India, which is included in our Industrial Processing segment, for approximately \$2.9 million.

In 2020, we acquired a business in Canada, which is included in our Industrial Processing segment, for approximately \$6.9 million, net of cash acquired.

See [Note 2](#), Acquisitions, in the accompanying consolidated financial statements for further details.

Results of Operations

2021 Compared to 2020

Revenue

The following table presents changes in revenue by segment between 2021 and 2020, and those changes excluding the effect of foreign currency translation and acquisitions which we refer to as change in organic revenue. The presentation of the change in organic revenue 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 measure.

Revenue by segment in 2021 and 2020 was as follows:

| (In thousands, except percentages) | January 1, 2022 | January 2, 2021 | Total Increase | % Change | Currency Translation | Acquisitions | (Non-GAAP) Change in Organic Revenue | |
|------------------------------------|-----------------|-----------------|----------------|----------|----------------------|--------------|--------------------------------------|----|
| | | | | | | | Increase | |
| Flow Control | \$ 288,788 | \$ 225,444 | \$ 63,344 | 28 % | \$ 6,425 | \$ 23,221 | \$ 33,698 | 15 |
| Industrial Processing | 328,762 | 261,577 | 67,185 | 26 % | 13,012 | 589 | 53,584 | 20 |
| Material Handling | 169,029 | 148,007 | 21,022 | 14 % | 2,796 | 9,038 | 9,188 | 6 |
| Consolidated Revenue | \$ 786,579 | \$ 635,028 | \$ 151,551 | 24 % | \$ 22,233 | \$ 32,848 | \$ 96,470 | 15 |

Consolidated revenue in 2021 increased 24%, while consolidated organic revenue increased 15%, driven by higher demand for both parts and consumables products and capital equipment principally at our Industrial Processing and Flow Control segments as described below.

Revenue at our Flow Control segment increased 28% in 2021, while organic revenue increased 15% due to higher demand for parts and consumables products and, to a lesser extent, capital equipment at substantially all locations. Increased demand for parts and consumables products in 2021 was due in part to customer maintenance requirements, pent-up demand, and orders in the latter part of the year to mitigate potential supply chain disruptions. Conversely, revenue during most of 2020 was depressed as a result of customer downtimes, shutdowns, and visitation restrictions related to the COVID-19 pandemic. Higher capital equipment revenue in 2021 resulted from improved market conditions and pent-up demand, while revenue in 2020 was adversely impacted by customer reductions in capital spending and deferrals of equipment installations as a result of the pandemic.

Revenue at our Industrial Processing segment increased 26% in 2021, while organic revenue increased 20% due to higher demand for both capital equipment and parts and consumables products. Our wood processing business continues to experience high demand for its products, driven by near capacity mill rates resulting in increased capital investment and parts consumption. Additionally, demand for parts was augmented by maintenance requirements in the latter part of 2021 at many of our wood processing customers. Increased revenue at our stock-preparation business was led by increased demand for parts and consumables at our North American stock-preparation operation due to improved market conditions and pent-up demand coupled with a depressed 2020 period. Capital equipment revenue also increased as a result of large orders at our Chinese operation, offset in part by lower shipments at our North American and European operations due to the timing of orders and curtailed spending by our customers in 2020, which impacted revenue in the first half of 2021.

Revenue at our Material Handling segment increased 14% in 2021, while organic revenue increased 6%. Demand for our European baling products was bolstered by improved business conditions in Europe, including the recovery of recycled commodity prices. This improvement was partially offset by lower capital equipment revenue at our conveying and vibratory equipment business in 2021.

Gross Profit Margin

Gross profit margin by segment in 2021 and 2020 was as follows:

| | January 1, 2022 | January 2, 2021 |
|----------------------------------|-----------------|-----------------|
| Flow Control | 51.0% | 52.9% |
| Industrial Processing | 40.1% | 41.3% |
| Material Handling | 34.4% | 33.7% |
| Consolidated Gross Profit Margin | 42.9% | 43.7% |

Consolidated gross profit margin declined to 42.9% in 2021 compared with 43.7% in 2020. The 2021 period included \$4.3 million of amortization of acquired profit in inventory, which lowered consolidated gross profit margin by 0.5 percentage points, and lower benefits received from government employee retention assistance programs. Benefits received from these programs were \$0.9 million, or 0.1 percentage points of consolidated gross profit margin, in 2021 and \$3.7 million, or 0.6 percentage points of consolidated gross profit margin, in 2020.

Gross profit margin at our Flow Control segment decreased to 51.0% in 2021 compared with 52.9% in 2020 due to the inclusion of \$3.1 million of amortization of acquired profit in inventory, which lowered gross profit margin in 2021 by 1.1 percentage points, and a lower gross profit margin profile for Clouth. We expect the lower gross profit margin profile for Clouth to continue to have a negative impact on our Flow Control gross profit margin in 2022.

Gross profit margin at our Industrial Processing segment decreased to 40.1% in 2021 compared with 41.3% in 2020 due principally to lower benefits received from government employee retention assistance programs. Cost of revenue included benefits received of \$0.7 million in 2021 compared with \$2.9 million in 2020 related to these programs. The gross profit margin was also impacted by lower-margin capital equipment revenue at our Chinese stock-preparation business offset in part by a higher margin at our wood processing business.

Gross profit margin at our Material Handling segment increased to 34.4% in 2021 compared with 33.7% in 2020 due to a higher gross profit margin profile for Balemaster and an improvement in gross profit margin for capital equipment at our existing baler business. This was offset in part by \$1.2 million of amortization of acquired profit in inventory, which lowered gross profit margin by 0.7 percentage points in 2021.

Selling, General, and Administrative Expenses

Selling, general, and administrative (SG&A) expenses by segment in 2021 and 2020 were as follows:

| (In thousands, except percentages) | January 1, 2022 | % of Revenue | January 2, 2021 | % of Revenue | Increase | % Change |
|------------------------------------|--------------------|--------------|--------------------|--------------|------------------|----------|
| Flow Control | \$ 76,730 | 27 % | \$ 63,382 | 28 % | \$ 13,348 | 21 % |
| Industrial Processing | 60,802 | 18 % | 57,702 | 22 % | 3,100 | 5 % |
| Material Handling | 38,575 | 23 % | 33,526 | 23 % | 5,049 | 15 % |
| Corporate | 32,680 | N/A | 27,295 | N/A | 5,385 | 20 % |
| Consolidated SG&A Expenses | <u>\$ 208,787</u> | 27 % | <u>\$ 181,905</u> | 29 % | <u>\$ 26,882</u> | 15 % |

Consolidated SG&A expenses as a percentage of revenue decreased to 27% in 2021 compared with 29% in 2020 principally due to higher revenue. Consolidated SG&A expenses increased \$26.9 million as a result of the inclusion of \$9.7 million of SG&A expenses from acquisitions, higher incentive compensation resulting from our improved financial performance, \$5.1 million from the unfavorable effect of currency translation, and an incremental \$4.0 million of acquisition-related costs. SG&A expenses included benefits received from government employee retention assistance programs of \$1.4 million in 2021 and \$2.2 million in 2020.

SG&A expenses at our Flow Control segment increased \$13.3 million principally due to the inclusion of \$7.0 million of SG&A expenses from Clouth, \$3.1 million of acquisition-related costs, and \$1.7 million from the unfavorable effect of foreign currency translation. The remaining increase is principally attributable to higher incentive compensation in 2021.

SG&A expenses at our Industrial Processing segment increased \$3.1 million principally due to \$2.7 million from the unfavorable effect of foreign currency translation.

SG&A expenses at our Material Handling segment increased \$5.0 million principally due the inclusion of \$2.4 million of SG&A expenses from Balemaster and an incremental \$1.3 million of acquisition-related costs.

SG&A expenses at Corporate increased \$5.4 million primarily due to higher incentive compensation and, to a lesser extent, increased professional service fees.

Impairments and Other Costs, Net

Impairments and other costs, net in 2021 included an impairment charge of \$0.5 million related to the write down of an intangible asset and restructuring costs totaling \$0.5 million for severance costs and the write down of certain assets associated with the closure of a redundant business in our Flow Control segment. Impairments and other costs, net in 2021 also included a gain on the sale of a building of \$0.5 million within our Industrial Processing segment.

Impairments and other costs, net in 2020 included impairment charges of \$1.9 million related to the write down of intangible assets associated with our timber-harvesting products, which are included in our Industrial Processing segment, as a result of a continued decline in revenue and operating results for this business. Impairments and other costs, net in 2020 also included restructuring costs of \$1.1 million, which consisted of severance costs of \$0.7 million at our Flow Control segment, \$0.2 million at our Industrial Processing segment, and \$0.2 million at our Material Handling segment. These restructuring costs

represent severance associated with a restructuring plan implemented in response to the slowdown in the global economy that was largely driven by the impact of the COVID-19 pandemic.

See [Note 1](#), Nature of Operations and Summary of Significant Accounting Policies, under the heading *Impairment of Long-Lived Assets*, and [Note 8](#), Other Costs, Net in the accompanying consolidated financial statements for further details relating to the items discussed above.

Interest Expense

Interest expense decreased to \$4.8 million in 2021 from \$7.4 million in 2020 due to a lower weighted average interest rate and lower outstanding debt in 2021.

Provision for Income Taxes

Our provision for income taxes increased to \$27.2 million in 2021 from \$17.9 million in 2020 and represented 24% of pre-tax income in both periods. The effective tax rate in 2021 was higher than our statutory rate of 21% primarily due to the distribution of our worldwide earnings, nondeductible expenses, and state taxes. These increases in tax expense were offset in part by a decrease in tax related to the net excess income tax benefits from stock-based compensation arrangements. The effective tax rate in 2020 was higher than our statutory rate of 21% primarily due to nondeductible expenses, the distribution of our worldwide earnings, and state taxes. These increases in tax expense were offset in part by a decrease in tax related to the net reversal of tax reserves associated with uncertain tax positions, the net excess income tax benefits from stock-based compensation arrangements, and a tax benefit for the partial release of a valuation allowance.

Net Income

Net income increased \$29.1 million in 2021 from \$55.7 million in 2020 primarily due to a \$35.6 million increase in operating income and a \$2.6 million decrease in interest expense, offset in part by a \$9.2 million increase in provision for income taxes (see discussions above for further details).

Non-GAAP Key Performance Indicators

In addition to the financial measures prepared in accordance with GAAP, we use certain non-GAAP financial measures, including organic revenue (defined as revenue excluding the effect of foreign currency translation and acquisitions), adjusted operating income, earnings before interest, taxes, depreciation, and amortization (EBITDA), adjusted EBITDA, adjusted EBITDA margin (defined as adjusted EBITDA divided by revenue), and free cash flow (defined as cash flow provided by operations less capital expenditures).

We use organic revenue in order to understand our trends and to forecast and evaluate our financial performance and compare revenue to prior periods (see discussion in *Revenue* above). Adjusted operating income, adjusted EBITDA, and adjusted EBITDA margin exclude impairment and restructuring costs, acquisition costs, amortization expense related to acquired profit in inventory and backlog, and certain gains or losses. These items are excluded as they are not indicative of our core operating results and are not comparable to other periods, which have differing levels of incremental costs, expenditures or income, or none at all. Additionally, we use free cash flow in order to provide insight on our ability to generate cash for acquisitions and debt repayments, as well as for other investing and financing activities.

We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our core business, operating results, or future outlook. We believe that the inclusion of such measures helps investors gain an understanding of our underlying operating performance and future prospects, consistent with how management measures and forecasts our performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. Such measures are also used by us in our financial and operating decision-making and for compensation purposes. We also believe this information is responsive to investors' requests and gives them an additional measure of our performance.

Our non-GAAP financial measures are not meant to be considered superior to or a substitute for the results of operations or cash flow prepared in accordance with GAAP. In addition, our non-GAAP financial measures have limitations associated with their use as compared to the most directly comparable GAAP measures, in that they may be different from, and therefore not comparable to, similar measures used by other companies.

Kadant Inc.

A reconciliation of adjusted operating income, adjusted EBITDA, and adjusted EBITDA margin from net income attributable to Kadant is as follows:

| (In thousands, except percentages) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--|--------------------|--------------------|----------------------|
| Net Income Attributable to Kadant | \$ 84,043 | \$ 55,196 | \$ 52,068 |
| Net Income Attributable to Noncontrolling Interest | 838 | 543 | 496 |
| Provision for Income Taxes | 27,171 | 17,948 | 16,358 |
| Interest Expense, Net | 4,554 | 7,242 | 12,542 |
| Other Expense, Net | 104 | 195 | 6,359 |
| Operating Income | 116,710 | 81,124 | 87,823 |
| Impairment and Restructuring Costs | 980 | 2,979 | 2,528 |
| Gain on Sale of Building | (515) | — | — |
| Acquisition Costs | 3,655 | 485 | 843 |
| Acquired Backlog Amortization | 1,326 | 544 | 1,323 |
| Acquired Profit in Inventory | 4,284 | — | 3,549 |
| Adjusted Operating Income | 126,440 | 85,132 | 96,066 |
| Depreciation and Amortization | 32,976 | 30,790 | 31,067 |
| Adjusted EBITDA | \$ 159,416 | \$ 115,922 | \$ 127,133 |
| Adjusted EBITDA Margin | 20.3% | 18.3% | 18.0% |

As a percentage of revenue, adjusted EBITDA margin increased 200 basis points in 2021 and 30 basis points in 2020. The 2021 increase was primarily due to organic revenue growth without a proportionate increase in operating expenses. The 2020 increase was primarily due to cost reduction efforts, including the impact of benefits received from government employee retention assistance programs, to mitigate lower revenue and an increased proportion of higher margin parts and consumables revenue.

A reconciliation of free cash flow from cash flow provided by operating activities is as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---------------------------------------|--------------------|--------------------|----------------------|
| Cash Provided by Operating Activities | \$ 162,420 | \$ 92,884 | \$ 97,413 |
| Less: Capital Expenditures | (12,771) | (7,595) | (9,957) |
| Free Cash Flow | \$ 149,649 | \$ 85,289 | \$ 87,456 |

Free cash flow increased to \$149.6 million in 2021 from \$85.3 million in 2020 primarily due to improvements in operating assets and liabilities and net income. See below for further discussion of cash provided by operating activities. Free cash flow decreased to \$85.3 million in 2020 from \$87.5 million in 2019 primarily due to a use of cash for working capital purposes, driven by a reduction in accounts payable as a result of reduced spending levels in 2020 for capital equipment orders.

2020 Compared to 2019

A detailed discussion of the year-over-year results of operations for 2020 compared with 2019 can be found in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended January 2, 2021, filed with the SEC.

Liquidity and Capital Resources

Consolidated working capital was \$162.4 million at January 1, 2022, compared with \$155.1 million at January 2, 2021. Cash and cash equivalents were \$91.2 million at January 1, 2022, compared with \$65.7 million at January 2, 2021, which included cash and cash equivalents held by our foreign subsidiaries of \$83.8 million at January 1, 2022 and \$63.6 million at January 2, 2021.

Cash Flows

Cash flow information is as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|---|--------------------|--------------------|
| Net Cash Provided by Operating Activities | \$ 162,420 | \$ 92,884 |
| Net Cash Used in Investing Activities | (154,475) | (14,545) |
| Net Cash Provided by (Used in) Financing Activities | 22,808 | (84,556) |
| Exchange Rate Effect on Cash, Cash Equivalents, and Restricted Cash | (3,232) | 4,584 |
| Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | <u>\$ 27,521</u> | <u>\$ (1,633)</u> |

Operating Activities

Cash provided by operating activities increased to \$162.4 million in 2021 from \$92.9 million in 2020. Our operating cash flows primarily consist of cash received from customers, offset by cash payments for items such as inventory, employee compensation, operating leases, income taxes and interest payments on outstanding debt obligations. The increase in cash provided by operating activities in 2021 was principally driven by improvements in operating assets and liabilities and net income.

Cash provided by operating assets and liabilities was \$29.3 million in 2021, including sources of cash of \$27.7 million from customer deposits and \$26.3 million from accounts payable, reflecting the impact of increased capital equipment order activity. Other liabilities provided cash of \$19.5 million, which includes a \$6.2 million deposit received for the anticipated sale of a building in China and an increase in our accrued incentive compensation, advance billings, and accrued income taxes resulting from our improved financial performance. These sources of cash were offset in part by cash used of \$16.7 million for accounts receivable mostly due to revenue growth and timing of shipments, \$15.0 million for other assets due in part to prepayments for raw materials and a land use right operating lease related to the relocation of our existing facility in China, and \$11.2 million for a buildup of inventories for capital equipment orders and to mitigate potential supply chain issues.

Cash used for operating assets and liabilities of \$8.0 million in 2020 included cash used of \$15.6 million for accounts payable primarily due to reduced spending levels for capital equipment projects and \$8.6 million for other liabilities due in part to a decrease in advance billings resulting from lower contract activity and a payment of \$2.4 million related to the settlement of a post-retirement benefit plan. These uses of cash were offset by cash provided of \$13.2 million due to a reduction in unbilled revenue and accounts receivable primarily as a result of lower capital equipment revenue during 2020.

Investing Activities

Cash used in investing activities was \$154.5 million in 2021 compared to \$14.5 million in 2020. Cash used in investing activities included consideration paid for acquisitions, net of cash acquired, of \$144.0 million in 2021 and \$7.1 million in 2020. Additionally, cash used in investing activities included purchases of property, plant, and equipment of \$12.8 million in 2021 and \$7.6 million in 2020, reflecting depressed capital expenditures in 2020 due to the impact of the COVID-19 pandemic.

Financing Activities

Cash provided by financing activities was \$22.8 million in 2021 compared with cash used in financing activities of \$84.6 million in 2020. Borrowings under our revolving credit facility were \$151.9 million in 2021, including \$140.3 million to fund acquisitions, and \$26.0 million in 2020, including \$18.9 million used to prepay the outstanding principal balance on our real estate loan. Repayment of short- and long-term obligations was \$115.6 million in 2021 and \$99.5 million in 2020, including the \$18.9 million prepayment of our real estate loan.

Exchange Rate Effect on Cash, Cash Equivalents, and Restricted Cash

The exchange rate effect on cash, cash equivalents, and restricted cash represents the impact of translation of cash balances at our foreign subsidiaries. The \$3.2 million negative exchange rate effect in 2021 was primarily attributable to the strengthening of the U.S. dollar against the euro and the Swedish krona, offset in part by the weakening of the U.S. dollar against the Chinese renminbi. The \$4.6 million positive exchange rate effect in 2020 primarily related to the weakening of the U.S. dollar against the euro and Chinese renminbi.

Borrowing Capacity and Debt Obligations

We entered into an unsecured multi-currency revolving credit facility, dated as of March 1, 2017 (as amended and restated to date, the Credit Agreement). At year-end 2021, we have a borrowing capacity available under our Credit Agreement of \$149.9 million in addition to a \$150 million uncommitted, unsecured incremental borrowing facility. Under our debt

agreements, our leverage ratio must be less than 3.75 or, if we elect, for the quarter during which a material acquisition occurs and for the three fiscal quarters thereafter, must be less than 4.00. As of January 1, 2022, our leverage ratio was 1.3 and we were in compliance with our debt covenants. We expect to renew our Credit Agreement prior to its maturity date of December 14, 2023. See [Note 6](#), Short- and Long-Term Obligations, in the accompanying consolidated financial statements for additional information regarding our debt obligations.

Additional Liquidity and Capital Resources

On May 20, 2021, our board of directors approved the repurchase of up to \$20 million of our equity securities during the period from May 20, 2021 to May 20, 2022. We have not repurchased any shares of our common stock under this authorization or our previous authorization, which expired on May 13, 2021.

We paid cash dividends of \$11.5 million in 2021. On November 18, 2021, we declared a quarterly cash dividend of \$0.25 per share totaling \$2.9 million that was paid on February 3, 2022. 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 covenant in our revolving credit facility related to our consolidated leverage ratio.

We plan to make expenditures of approximately \$18.0 million during 2022 for property, plant, and equipment. In addition, one of our Chinese subsidiaries expects to build a new facility and relocate over the next two years. Capital expenditures for the new facility are estimated to be approximately \$20 million, which will be offset by the proceeds received from the sale of our existing facility. See [Note 15](#), Subsequent Event, in the accompanying consolidated financial statements for additional information regarding the anticipated relocation of our Chinese manufacturing facility.

As of January 1, 2022, we had approximately \$245.1 million of total unremitted foreign earnings. It is our intent to indefinitely reinvest \$223.0 million of these earnings to support the current and future capital needs of our foreign operations, including debt repayments, if any. In 2021, we recorded withholding taxes on the earnings 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 \$4.1 million.

We believe that existing cash and cash equivalents, along with cash generated from operations, our existing borrowing capacity, and continued access to debt markets, will be sufficient to meet the capital requirements of our operations for the next 12 months and the foreseeable future.

Material Contractual Obligations

The following table summarizes our material contractual obligations as of January 1, 2022 and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods. Detailed information concerning these obligations can be found in Notes 6, 7, and 9 in the accompanying consolidated financial statements.

| (In millions) | Less than 1 Year | 1-3 Years | 3-5 Years | After 5 Years | Total |
|---|------------------|-----------------|---------------|----------------|-----------------|
| Debt Obligations: | | | | | |
| Principal payments (a) | \$ 1.2 | \$ 255.2 | \$ 4.4 | \$ 3.8 | \$ 264.6 |
| Interest payments (b) | 4.3 | 4.6 | 0.6 | 0.2 | 9.7 |
| Operating and Finance Lease Obligations | 5.4 | 7.0 | 4.0 | 9.8 | 26.2 |
| Letters of Credit and Bank Guarantees | 18.5 | 4.4 | 0.6 | — | 23.5 |
| Total | \$ 29.4 | \$ 271.2 | \$ 9.6 | \$ 13.8 | \$ 324.0 |

(a) Excludes \$1.5 million related to a net fixed price purchase option exercisable in 2022.

(b) Includes interest expense on both variable and fixed rate debt assuming no prepayments. Variable interest rates have been assumed to remain constant through the end of the term at the rates that existed as of year-end 2021.

Application of Critical Accounting 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 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 revenue and expenses during the reporting period. Our actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies and estimates are defined as those that entail significant judgments and uncertainties and could potentially result in materially different results under different assumptions and conditions. For a discussion on the application of these estimates and other accounting policies, see [Note 1](#), Nature of Operations and Summary of Significant

Accounting Policies, in the accompanying consolidated financial statements. We believe that our most critical accounting policies and estimates upon which our financial position depends, and which involve the most complex or subjective decisions or assessments, are those described below.

Income Taxes

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 compute our provision for income taxes using the asset and liability method, and we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for tax loss or credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates that are expected to apply to taxable income in the years in which we expect to realize those deferred tax assets and liabilities. 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. 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 2021, 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, and we maintained valuation allowances in certain foreign jurisdictions because of the uncertainty of future profitability. Our tax valuation allowance was \$9.2 million at year-end 2021.

In the ordinary course of business there are inherent uncertainties and judgements required 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. On a quarterly basis, we evaluate our uncertain tax positions against various factors, including changes in facts or circumstances, tax laws, or the status of audits by tax authorities. We believe that we have appropriately accounted for any liability for unrecognized tax benefits, and at year-end 2021, our liability for these unrecognized tax benefits, including an accrual for the related interest and penalties, totaled \$11.4 million. 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 2021, we recorded \$0.6 million of net tax expense associated with these foreign earnings that we plan to repatriate in 2022. 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.

Revenue Recognition

Approximately 90% of our revenue is recognized at a point in time following the transfer of control of the goods or service to the customer, primarily relating to our products that require minimal customization for the customer. The remaining portion of our revenue is recognized on an over time basis using an input method that compares the costs incurred to date to the total expected costs required to satisfy the performance obligation. Most revenue recognized on an over time basis is for large capital products that are highly customized for the customer and, as a result, would include significant cost to rework in the event of cancellation. The over time basis of accounting requires significant judgment in determining applicable contract costs and the corresponding revenue to be recognized, which could be different if there were to be changes to the circumstances of the contract. When adjustments to revenue and costs are required, the adjustments are included in earnings in the period of the change. Judgment is also required for contracts involving variable consideration and multiple performance obligations.

Valuation of Goodwill and Intangible Assets

We use assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination, including the determination of the fair value of intangible assets acquired, which represents a significant portion of the purchase price in many of our acquisitions. We estimate the fair value of intangible assets primarily based on projections of discounted cash flows which we expect to arise from identifiable intangible assets of acquired businesses. The determination of the allocation of the purchase price for the fair value of intangible assets acquired requires significant judgment as does the determination as to whether such intangibles are amortizable or non-amortizable and, if amortizable, the amortization period of the intangible asset.

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 indicate that the carrying value of an asset might be impaired. Estimates of discounted future cash flows arising from intangible assets acquired require assumptions related to revenue and operating income growth rates, discount rates, and other factors. Different assumptions from those made in our analysis could materially affect projected cash flows and our evaluation of goodwill and indefinite-lived intangible assets for impairment. At year-end 2021 and 2020, we performed a qualitative impairment analysis (Step 0) for our reporting units, except for the material handling reporting unit for which we performed a quantitative impairment analysis (Step 1) at year-end 2020. Based on these analyses, we determined goodwill and indefinite-lived intangible assets were not impaired. Goodwill totaled \$396.9 million and indefinite-lived intangible assets totaled \$28.9 million at year-end 2021.

Definite-lived intangible assets are evaluated for impairment if events or changes in circumstances indicate that the carrying value of an asset might be impaired, such as a significant reduction in cash flows associated with the assets. Actual cash flows arising from a particular intangible asset could vary from projected cash flows which could imply different carrying values from those established at the dates of acquisition and which could result in impairment of such asset. No indicators of impairment were identified in 2021 and 2020, except for impairment charges of \$0.5 million in 2021 related to the closure of a business in our Flow Control Segment and \$1.9 million in 2020 associated with our timber-harvesting product line, which is included in our Industrial Processing segment. Definite-lived intangible assets were \$170.4 million at year-end 2021.

A material adverse change in the business climate including a prolonged economic downturn and weakness in demand for our products could negatively affect the revenue and profitability assumptions used in our assessment of goodwill and intangible assets, which may result in impairment charges. Any future impairment charges could have a material adverse effect on our results of operations in the period in which an impairment is determined to exist.

See [Note 1](#), Nature of Operations and Summary of Significant Accounting Policies, under the heading *Impairment of Long-Lived Assets*, in the accompanying consolidated financial statements for further details regarding impairment costs recorded in 2021 and 2020.

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. The valuation of inventory requires us to make judgments, based on currently available information, about the forecasted usage of and demand for each particular product or product line. Assumptions about future dispositions of inventory are inherently uncertain and, although we make every effort to ensure the accuracy of our forecasts of future product usage and demand, any changes in those assumptions may result in a write-down of inventory in the period in which inventory is deemed excessive or obsolete, which could adversely affect our results of operations.

Recent Accounting Pronouncements

See [Note 1](#), Nature of Operations and Summary of Significant Accounting Policies, under the headings *Recently Adopted Accounting Pronouncements* and *Recent Accounting Pronouncements Not Yet Adopted*, in the accompanying consolidated financial statements for further details.

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 enter into swap agreements 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' functional currencies. We do not engage in extensive foreign currency hedging activities. However, when we do enter into foreign currency hedging activities, the purpose is to protect our functional 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, and euros. 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 exposure to changes in interest rates relates primarily to our long-term debt. Our borrowings under the Credit Agreement of \$250.3 million at year-end 2021 and \$218.0 million at year-end 2020 bear variable rates of interest, which adjust frequently based on prevailing market rates. 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 an immaterial amount in 2021 and 2020. A portion of our outstanding variable-rate debt at year-end 2021 and 2020 was hedged with a swap agreement sensitive to changes in the three-month LIBOR forward curve. A 10% decrease in the three-month LIBOR forward curve would have increased our unrealized loss by immaterial amounts in both 2021 and 2020.

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 \$36.4 million at year-end 2021.

At year-end 2021, we had \$78.3 million of euro-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% negative movement in the euro foreign exchange rates against the U.S. dollar would have decreased our borrowing capacity by approximately \$7.8 million at year-end 2021.

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. A 10% adverse change in year-end 2021 foreign currency exchange rates related to our foreign currency exchange contracts would have resulted in an increase in unrealized losses of \$0.1 million in 2021, which would have been largely offset by the corresponding change in the fair value of the underlying 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 2021. 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 2021, our Chief Executive Officer and Chief Financial Officer concluded that at year-end 2021, 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 2021. 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 2021 our internal control over financial reporting was effective based on the criteria issued by COSO.

In the third quarter of 2021, we acquired Clouth and Balemaster. Our audited consolidated financial statements include the results of Clouth and Balemaster since their dates of acquisition, including total assets of \$174.5 million and total revenue of \$32.3 million as of and for the fiscal year ended January 1, 2022, but management's assessment does not include an assessment of the internal control over financial reporting of the Clouth and Balemaster businesses.

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 pages F-2 and F-3 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 January 1, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Information about our Directors

This information will be included under the heading "Election of Directors" in our 2022 proxy statement for our 2022 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 "Information about our Executive Officers" 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—Delinquent Section 16(a) Reports" in our 2022 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 2022 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 2022 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 2022 proxy statement and is incorporated in this report by reference.

Kadant Inc.

The following table provides information about the securities authorized for issuance under our equity compensation plans at year-end 2021:

| Plan Category | Equity Compensation Plan Information | | 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) |
|--|--|------------|--|----------|---|
| | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants, and Rights | | | | |
| Equity compensation plans approved by security holders | 106,735 | (a) | \$ | — | (b) 427,800 |
| Equity compensation plans not approved by security holders | — | | \$ | — | — |
| Total | 106,735 | (a) | \$ | — | (b) 427,800 |

- (a) Consists of shares of our common stock issuable upon the vesting of restricted stock units and performance-based restricted stock units under the 2006 Plan.
- (b) Shares of restricted stock units and performance-based restricted stock units outstanding on January 1, 2022 had a weighted average grant date fair value of \$127.70.
- (c) Includes an aggregate of 91,643 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 2022 proxy statement and is incorporated in this report by reference.

Item 14. Principal Accountant Fees and Services

Our independent registered public accounting firm is KPMG LLP, located in Boston, Massachusetts, auditor firm ID:185. The information required by this item will be included under the heading "Independent Registered Public Accounting Firm" in our 2022 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 37. 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 | Equity Purchase Agreement by and among the Registrant, LLC 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 Leitchman Capital Partners Private Capital Solutions, L.P., dated as of December 9, 2018 (filed as Exhibit 2.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 (File No. 001-11406) and incorporated in this document by reference), (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), |
| 4.1 | Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (filed as Exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the year ended December 28, 2019 (File No. 001-11406) 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 Registrant 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 Registrant 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* | Employment Contract Statutory Director between The Johnson Corporation Holland B.V. and Fredrik H. Westerhout dated November 29, 2004, |
| 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. 001-11406) 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* | Summary of non-employee director compensation of the Registrant (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 2021 (File No. 001-11406) and incorporated in this document by reference), |
| 10.8* | Executive Transition Agreement between the Registrant and Eric T. Langevin dated October 27, 2021 (filed as Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended October 2, 2021 (File No. 001-11406) and incorporated in this document by reference), |
| 10.9* | Form of Performance-Based Restricted Stock Unit Award Agreement between the Registrant 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), |

Exhibit Index

| Exhibit Number | Description of Exhibit |
|----------------|--|
| 10.10* | Form of Time-Based Restricted Stock Unit Award Agreement between the Registrant 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). |
| 10.11* | Form of Performance-Based Restricted Stock Unit Award Agreement between the Registrant 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). |
| 10.12* | Form of Time-Based Restricted Stock Unit Award Agreement between the Registrant 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). |
| 10.13* | Form of Directors Restricted Stock Unit Award Agreement between the Registrant 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). |
| 10.14 | 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 Multicurrency 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). |
| 10.15 | 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 Multicurrency 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). |
| 10.16 | 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 Multicurrency Administrative Agent (filed as Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 [File No. 001-11406] and incorporated in this document by reference). |
| 10.17 | 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 Multicurrency Administrative Agent (filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 29, 2018 [File No. 001-11406] and incorporated in this document by reference). |
| 10.18 | Third Amendment, dated as of March 16, 2020, 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 Multicurrency Administrative Agent (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 2020 [File No. 001-11406] and incorporated in this document by reference). |

Exhibit Index

| Exhibit Number | Description of Exhibit |
|----------------|---|
| 10.19 | Fourth Amendment, dated as of May 4, 2021, 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, and Citizens Bank, N.A., as Administrative Agent and Multicurrency Administrative Agent (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021 [File No. 001-11406] and incorporated in this document by reference). |
| 10.20 | Joinder Agreement, dated as of May 4, 2021, 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, and Citizens Bank, N.A., as Administrative Agent and Multicurrency Administrative Agent (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 3, 2021 [File No. 001-11406] and incorporated in this document by reference). |
| 10.21 | Fifth Amendment, dated as of December 9, 2021, 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, and Citizens Bank, N.A., as Administrative Agent and Multicurrency Administrative Agent. |
| 10.22 | 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 Administrative 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). |
| 10.23 | 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 Administrative 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). |
| 10.24 | 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 (filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2018 [File No. 001-11406] and incorporated in this document by reference). (1) |
| 10.25 | 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). |
| 10.26 | 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. |

Exhibit Index

| Exhibit Number | Description of Exhibit |
|----------------|--|
| 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 | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Management contract or compensatory plan or arrangement.

(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.

Item 16. Form 10-K Summary

Not applicable.

Kadant Inc.
Annual Report on Form 10-K
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:

| | <u>Page</u> |
|---|-------------|
| Report of Independent Registered Public Accounting Firm | F-2 |
| Consolidated Balance Sheet as of January 1, 2022 and January 2, 2021 | F-4 |
| Consolidated Statement of Income for the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019 | F-5 |
| Consolidated Statement of Comprehensive Income for the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019 | F-6 |
| Consolidated Statement of Cash Flows for the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019 | F-7 |
| Consolidated Statement of Stockholders' Equity for the fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019 | F-8 |
| Notes to Consolidated Financial Statements | F-9 |

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 January 1, 2022 and January 2, 2021, 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 January 1, 2022, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of January 1, 2022, 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 January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for each of the fiscal years in the three-year period ended January 1, 2022, 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 January 1, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired The Clouth Group of Companies (Clouth) and East Chicago Machine Tool Corporation (Balemaster) during the fiscal year ended January 1, 2022, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of January 1, 2022, Clouth's and Balemaster's internal control over financial reporting associated with total assets of \$174.5 million and total revenues of \$32.3 million included in the consolidated financial statements of the Company as of and for the fiscal year ended January 1, 2022. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Clouth and Balemaster.

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.

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

Report of Independent Registered Public Accounting Firm (continued)

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of uncertain tax positions

As discussed in Note 1 to the consolidated financial statements, 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. As disclosed in Note 5 to the consolidated financial statements, the Company has recognized uncertain tax positions amounting to \$9,731,000 as of January 1, 2022. The Company's tax positions are subject to audit by local taxing authorities across multiple global jurisdictions. Tax law can be complex and tax audits can take an extended period of time to resolve, and accordingly, the ultimate outcome with respect to taxes the Company may owe may differ from the amounts recognized.

We identified the assessment of uncertain tax positions as a critical audit matter. Complex auditor judgment, including specialized skills and knowledge, was required in evaluating the Company's interpretation of, and compliance with, tax law globally and the estimate of the amount of tax benefits expected to be realized.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process to assess uncertain tax positions. This included controls related to the identification of uncertain tax positions, interpretation of tax law and its application in the liability estimation process. We involved domestic and international tax professionals with specialized skills and knowledge, who assisted in:

- assessing tax positions for compliance with applicable laws and regulations
- evaluating the Company's uncertain tax positions by developing independent expectations of the uncertain tax positions using independent assumptions and comparing them to the Company's estimates
- assessing the expiration of statutes of limitations with applicable laws and regulations.

/s/ KPMG LLP

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

Boston, Massachusetts
March 1, 2022

Consolidated Balance Sheet

| (In thousands, except share and per share amounts) | January 1, 2022 | January 2, 2021 |
|--|---------------------|-------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 91,186 | \$ 65,682 |
| Restricted cash | 2,975 | 958 |
| Accounts receivable, net of allowances of \$2,735 and \$2,977 | 117,209 | 91,540 |
| Inventories | 134,356 | 106,814 |
| Contract assets | 8,626 | 7,576 |
| Other current assets | 29,530 | 17,250 |
| Total Current Assets | 383,882 | 289,820 |
| Property, Plant, and Equipment, Net | 107,989 | 84,642 |
| Other Assets | 44,111 | 40,391 |
| Intangible Assets, Net (Notes 1 and 2) | 199,343 | 160,965 |
| Goodwill (Notes 1 and 2) | 396,887 | 351,753 |
| Total Assets | \$ 1,132,212 | \$ 927,571 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Short-term obligations and current maturities of long-term obligations (Note 6) | \$ 5,356 | \$ 1,474 |
| Accounts payable | 59,250 | 32,264 |
| Accrued payroll and employee benefits | 37,203 | 31,168 |
| Customer deposits | 59,262 | 29,433 |
| Advanced billings | 11,894 | 8,513 |
| Other current liabilities | 48,532 | 31,836 |
| Total Current Liabilities | 221,497 | 134,688 |
| Long-Term Obligations (Note 6) | 264,158 | 232,000 |
| Long-Term Deferred Income Taxes (Note 5) | 34,944 | 21,669 |
| Other Long-Term Liabilities | 45,997 | 42,309 |
| 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 | 115,888 | 110,824 |
| Retained earnings | 551,848 | 479,400 |
| Treasury stock at cost, 3,003,419 and 3,081,919 shares | (73,596) | (75,519) |
| Accumulated other comprehensive items (Note 14) | (30,350) | (19,492) |
| Total Kadant Stockholders' Equity | 563,936 | 495,359 |
| Noncontrolling interest | 1,680 | 1,546 |
| Total Stockholders' Equity | 565,616 | 496,905 |
| Total Liabilities and Stockholders' Equity | \$ 1,132,212 | \$ 927,571 |

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

Consolidated Statement of Income

(In thousands, except per share amounts)

| | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--|-------------------|-------------------|-------------------|
| Revenue (Notes 1 and 12) | \$ 786,579 | \$ 635,028 | \$ 704,644 |
| Costs and Operating Expenses: | | | |
| Cost of revenue | 449,214 | 357,722 | 410,884 |
| Selling, general, and administrative expenses | 208,787 | 181,905 | 192,525 |
| Research and development expenses | 11,403 | 11,298 | 10,884 |
| Impairments and other costs, net (Notes 1 and 8) | 465 | 2,979 | 2,528 |
| | <u>669,869</u> | <u>553,904</u> | <u>616,821</u> |
| Operating Income | 116,710 | 81,124 | 87,823 |
| Interest Income | 267 | 181 | 213 |
| Interest Expense | (4,821) | (7,423) | (12,755) |
| Other Expense, Net (Note 3) | (104) | (195) | (6,359) |
| Income Before Provision for Income Taxes | 112,052 | 73,687 | 68,922 |
| Provision for Income Taxes (Note 5) | 27,171 | 17,948 | 16,358 |
| Net Income | 84,881 | 55,739 | 52,564 |
| Net Income Attributable to Noncontrolling Interest | (838) | (543) | (496) |
| Net Income Attributable to Kadant | \$ 84,043 | \$ 55,196 | \$ 52,068 |
| Earnings per Share Attributable to Kadant (Note 13) | | | |
| Basic | \$ 7.26 | \$ 4.81 | \$ 4.63 |
| Diluted | \$ 7.21 | \$ 4.77 | \$ 4.54 |
| Weighted Average Shares (Note 13) | | | |
| Basic | 11,579 | 11,482 | 11,235 |
| Diluted | 11,655 | 11,564 | 11,457 |

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

Consolidated Statement of Comprehensive Income

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---|-------------------------|-------------------------|-------------------------|
| Net Income | \$ 84,881 | \$ 55,739 | \$ 52,564 |
| Other Comprehensive Items: | | | |
| Foreign currency translation adjustment | (11,324) | 18,395 | (1,392) |
| Pension and other post-retirement liability adjustments, net (net of tax of \$(1), \$78, and \$(137)) | (22) | 180 | (282) |
| Effect of pension plan settlement (net of tax of \$0, \$0, and \$(653)) | — | (119) | 3,826 |
| Deferred gain (loss) on cash flow hedges (net of tax of \$118, \$(57), and \$(143)) | 366 | (184) | (447) |
| Other Comprehensive Items | <u>(10,980)</u> | <u>18,272</u> | <u>1,705</u> |
| Comprehensive Income | 73,901 | 74,011 | 54,269 |
| Comprehensive Income Attributable to Noncontrolling Interest | (716) | (687) | (445) |
| Comprehensive Income Attributable to Kadant | <u>\$ 73,185</u> | <u>\$ 73,324</u> | <u>\$ 53,824</u> |

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

Consolidated Statement of Cash Flows

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---|-----------------|-----------------|-------------------|
| Operating Activities | | | |
| Net income attributable to Kadant | \$ 84,043 | \$ 55,196 | \$ 52,068 |
| Net income attributable to noncontrolling interest | 838 | 543 | 496 |
| Net income | 84,881 | 55,739 | 52,564 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 34,302 | 31,334 | 32,390 |
| Stock-based compensation expense | 8,527 | 6,776 | 6,815 |
| Provision for losses on accounts receivable | 5 | 356 | 114 |
| Gain on sale of property, plant, and equipment | (375) | (8) | (79) |
| U.S. pension benefit plan settlement loss | — | — | 5,887 |
| Impairment charges (Notes 1 and 8) | 804 | 1,861 | 2,336 |
| Deferred income tax (benefit) provision | (1,384) | 142 | (2,491) |
| Other items, net | 6,333 | 4,720 | 5,390 |
| Changes in assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | (16,737) | 7,116 | 6,553 |
| Contract assets | (1,222) | 6,073 | 2,559 |
| Inventories | (11,173) | (89) | (3,076) |
| Other assets | (15,033) | (833) | (7,559) |
| Accounts payable | 26,346 | (15,620) | 7,358 |
| Customer deposits | 27,693 | 3,903 | (5,686) |
| Other liabilities | 19,453 | (8,586) | (5,662) |
| Net cash provided by operating activities | 162,420 | 92,884 | 97,413 |
| Investing Activities | | | |
| Acquisitions, net of cash acquired (Note 2) | (143,981) | (7,095) | (177,998) |
| Purchases of property, plant, and equipment | (12,771) | (7,595) | (9,957) |
| Proceeds from sale of property, plant, and equipment | 1,740 | 145 | 398 |
| Other investing activities | 537 | — | — |
| Net cash used in investing activities | (154,475) | (14,545) | (187,357) |
| Financing Activities | | | |
| Proceeds from issuance of long-term obligations | 151,944 | 26,000 | 247,196 |
| Repayment of short- and long-term obligations | (115,576) | (99,547) | (126,315) |
| Dividends paid | (11,460) | (10,903) | (10,196) |
| Proceeds from issuance of Company common stock | 1,892 | 3,207 | 5,176 |
| Tax withholding payments related to stock-based compensation | (3,432) | (2,599) | (2,691) |
| Dividend paid to noncontrolling interest | (560) | (525) | (664) |
| Other financing activities | — | (189) | (56) |
| Net cash provided by (used in) financing activities | 22,808 | (84,556) | 112,450 |
| Exchange Rate Effect on Cash, Cash Equivalents, and Restricted Cash | (3,232) | 4,584 | (350) |
| Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | 27,521 | (1,633) | 22,156 |
| Cash, Cash Equivalents, and Restricted Cash at Beginning of Year | 66,640 | 68,273 | 46,117 |
| Cash, Cash Equivalents, and Restricted Cash at End of Year | \$ 94,161 | \$ 66,640 | \$ 68,273 |

See [Note 1](#), Nature of Operations and Summary of Significant Accounting Policies, under the heading *Supplemental Cash Flow Information* for further details.

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

Consolidated Statement of Stockholders' Equity

| (In thousands, except share and per share amounts) | Common Stock | | Capital in Excess of Par Value | Retained Earnings | Treasury Stock | | Accumulated Other Comprehensive Items | Noncontrolling Interest | Total Stockholders' Equity |
|--|--------------|--------|-----------------------------------|-------------------|----------------|-------------|--|-------------------------|----------------------------|
| | Shares | Amount | | | Shares | Amount | | | |
| Balance at December 29, 2018 | 14,624,159 | \$ 146 | \$ 104,731 | \$ 393,578 | 3,514,163 | \$ (86,111) | \$ (39,376) | \$ 1,603 | \$ 374,571 |
| Net income | — | — | — | 52,068 | — | — | — | 496 | 52,564 |
| Adoption of ASU No. 2016-02, <i>Leases (Topic 842)</i> | — | — | — | (17) | — | — | — | — | (17) |
| Dividends declared – Common Stock, \$0.92 per share | — | — | — | (10,380) | — | — | — | — | (10,380) |
| Dividend paid to noncontrolling interest | — | — | — | — | — | — | — | (664) | (664) |
| Activity under stock plans | — | — | 1,967 | — | (299,275) | 7,333 | — | — | 9,300 |
| Other comprehensive items | — | — | — | — | — | — | 1,756 | (51) | 1,705 |
| Balance at December 28, 2019 | 14,624,159 | \$ 146 | \$ 106,698 | \$ 435,249 | 3,214,888 | \$ (78,778) | \$ (37,620) | \$ 1,384 | \$ 427,079 |
| Net income | — | — | — | 55,196 | — | — | — | 543 | 55,739 |
| Dividends declared – Common Stock, \$0.96 per share | — | — | — | (11,045) | — | — | — | — | (11,045) |
| Dividend paid to noncontrolling interest | — | — | — | — | — | — | — | (525) | (525) |
| Activity under stock plans | — | — | 4,126 | — | (132,969) | 3,259 | — | — | 7,385 |
| Other comprehensive items | — | — | — | — | — | — | 18,128 | 144 | 18,272 |
| Balance at January 2, 2021 | 14,624,159 | \$ 146 | \$ 110,824 | \$ 479,400 | 3,081,919 | \$ (75,519) | \$ (19,492) | \$ 1,546 | \$ 496,905 |
| Net income | — | — | — | 84,043 | — | — | — | 838 | 84,881 |
| Dividends declared – Common Stock, \$1.00 per share | — | — | — | (11,595) | — | — | — | — | (11,595) |
| Dividend paid to noncontrolling interest | — | — | — | — | — | — | — | (560) | (560) |
| Noncontrolling interest acquired (Note 2) | — | — | — | — | — | — | — | 367 | 367 |
| Purchase of shares of noncontrolling interest (Note 2) | — | — | — | — | — | — | — | (389) | (389) |
| Activity under stock plans | — | — | 5,064 | — | (78,500) | 1,923 | — | — | 6,987 |
| Other comprehensive items | — | — | — | — | — | — | (10,858) | (122) | (10,980) |
| Balance at January 1, 2022 | 14,624,159 | \$ 146 | \$ 115,888 | \$ 551,848 | 3,003,419 | \$ (73,596) | \$ (30,350) | \$ 1,680 | \$ 565,616 |

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**

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

Kadant Inc. (together with its subsidiaries, the Company) is a global supplier of technologies and engineered systems that drive Sustainable Industrial Processing. Its products and services play an integral role in enhancing efficiency, optimizing energy utilization, and maximizing productivity in process industries while helping customers advance their sustainability initiatives with products that reduce waste or generate more yield with fewer inputs, particularly fiber, energy, and water. Producing more while consuming less is a core aspect of Sustainable Industrial Processing and a major element of the strategic focus of the Company's three reportable operating segments: Flow Control, Industrial Processing, and Material Handling.

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% ownership interest. The agreement provides the Company's subsidiary with the option to purchase the remaining 50% 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

Typically, the Company's fiscal quarters and fiscal year consist of 13 and 52 weeks, respectively, ending on the Saturday closest to the end of the corresponding calendar quarter for its fiscal quarters and on the Saturday closest to December 31 for its fourth fiscal quarter and fiscal year. As a result of the difference between the fiscal and calendar periods, a 53rd week is added to the Company's fiscal year every five or six years. In a 53-week fiscal year, the Company's fourth fiscal quarter contains 14 weeks. The Company's fiscal year ended January 1, 2022 (fiscal 2021 or 2021) contained 52 weeks, its fiscal year ended January 2, 2021 (fiscal 2020 or 2020) contained 53 weeks, and its fiscal year ended December 28, 2019 (fiscal 2019 or 2019) contained 52 weeks. Each quarter of fiscal 2021, 2020 and 2019 contained 13 weeks, except the fourth quarter of 2020, which contained 14 weeks. The impact of the additional week in 2020 was not material to the Company's financial results.

Financial Statement Presentation

Certain reclassifications have been made to prior periods to conform with the current period presentation. On the consolidated statement of cash flows, the Company reclassified the change in customer deposits within operating activities from other current liabilities to a separate line item and the changes in long-term assets and liabilities from other items, net to other assets and other liabilities, respectively.

Use of Estimates and Critical Accounting Policies

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. 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.

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 income taxes, revenue recognition, the valuation of goodwill and intangible assets, and inventories. A discussion of the application of these and other accounting policies is included within this note.

Notes to Consolidated Financial Statements

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606). Most of the Company's revenue is recognized at a point in time for each performance obligation under the contract when the customer obtains control of the goods or service. Most of the Company's parts and consumables products and its 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 reflected in the cost of revenue when revenue is recognized.

The remaining portion of the Company's revenue is recognized over time 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. Most of the contracts recognized on an over time basis are for large capital projects. 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) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|----------------|-------------------|-------------------|-------------------|
| Point in Time | \$ 705,709 | \$ 557,702 | \$ 611,528 |
| Over Time | 80,870 | 77,326 | 93,116 |
| | <u>\$ 786,579</u> | <u>\$ 635,028</u> | <u>\$ 704,644</u> |

The transaction price 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 disaggregates its revenue from contracts with customers by reportable operating segment, product type and geography as this best depicts how its revenue is affected by economic factors.

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

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--|-------------------|-------------------|-------------------|
| Revenue by Product Type: | | | |
| Parts and Consumables | \$ 511,766 | \$ 417,545 | \$ 440,699 |
| Capital | 274,813 | 217,483 | 263,945 |
| | <u>\$ 786,579</u> | <u>\$ 635,028</u> | <u>\$ 704,644</u> |
| Revenue by Geography (based on customer location): | | | |
| North America | \$ 420,382 | \$ 360,061 | \$ 386,952 |
| Europe | 220,578 | 161,527 | 180,888 |
| Asia | 103,810 | 72,268 | 84,705 |
| Rest of World | 41,809 | 41,172 | 52,099 |
| | <u>\$ 786,579</u> | <u>\$ 635,028</u> | <u>\$ 704,644</u> |

See [Note 12](#), Business Segment and Geographical Information, for information on the disaggregation of revenue by reportable operating segment.

The following table presents contract balances from contracts with customers:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|----------------------|-----------------|-----------------|
| Contract Assets | \$ 8,626 | \$ 7,576 |
| Contract Liabilities | \$ 77,004 | \$ 39,269 |

Contract assets in the accompanying consolidated balance sheet represent unbilled revenue 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 liabilities consist of short- and long-term customer deposits, advanced billings, and deferred revenue. Deferred revenue is included in other current liabilities and long-term customer deposits are included in other

Notes to Consolidated Financial Statements

long-term 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 advance 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 shipped and control of the asset has transferred to the customer. Contract liabilities increased at year end 2021 principally due to capital equipment orders in the Industrial Processing segment's wood processing business, which the Company expects to recognize as revenue through 2023.

The Company recognized revenue of \$33,128,000 in 2021 and \$30,426,000 in 2020 that was included in the contract liabilities balance at the beginning of 2021 and 2020, respectively. The majority of the Company's contracts for capital equipment have an original expected duration of one year or less. Certain capital contracts require longer lead times and could take up to 24 months to complete. For contracts with an original expected duration of over one year, the aggregate amount of the transaction price allocated to the remaining unsatisfied or partially unsatisfied performance obligations as of year-end 2021 was \$37,905,000. The Company will recognize revenue for these performance obligations as they are satisfied, approximately 50% of which is expected to occur within the next twelve months and the remaining 50% after December 31, 2022.

Customers in China will often settle their accounts receivable with banker's acceptance drafts, in which case cash settlement will be delayed until the drafts mature or are 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 revenue. Provisions for discounts, warranties, returns and other adjustments are provided for in the period in which the related sale 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.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable arise from sales on credit to customers, are recorded at the invoiced amount, and do not bear interest. The Company establishes an allowance for credit losses to reduce accounts receivable to the net amount expected to be collected. The Company exercises judgment in determining its allowance for credit losses, which is based on its historical collection and write-off experience, adjusted for current macroeconomic trends and conditions, credit policies, specific customer collection issues, and accounts receivable aging. 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 credit losses are as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|------------------------------|-----------------|-----------------|-------------------|
| Balance at Beginning of Year | \$ 2,977 | \$ 2,698 | \$ 2,897 |
| Provision charged to expense | 5 | 356 | 114 |
| Accounts written off | (178) | (266) | (263) |
| Currency translation | (69) | 189 | (50) |
| Balance at End of Year | <u>\$ 2,735</u> | <u>\$ 2,977</u> | <u>\$ 2,698</u> |

Banker's Acceptance Drafts Included in Accounts Receivable

The Company's Chinese subsidiaries may receive banker's acceptance drafts from customers as payment for their trade accounts receivable. The drafts are non-interest bearing obligations of the issuing bank and generally mature within six months of the origination date. The Company's Chinese 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 \$8,049,000 at year-end 2021 and \$9,445,000 at year-end 2020, 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.

Notes to Consolidated Financial Statements

Warranty Obligations

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 during a defined period of time. 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 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 Company's liability for warranties is included in other current liabilities in the accompanying consolidated balance sheet. The changes in the carrying amount of product warranty obligations are as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|------------------------------|-----------------|-----------------|
| Balance at Beginning of Year | \$ 7,064 | \$ 6,467 |
| Provision charged to expense | 4,366 | 5,555 |
| Usage | (4,268) | (5,439) |
| Acquisitions | 429 | — |
| Currency translation | (293) | 481 |
| Balance at End of Year | <u>\$ 7,298</u> | <u>\$ 7,064</u> |

Leases

In accordance with ASC 842, *Leases* (ASC 842), the Company determines whether an arrangement is, or contains, a lease at inception. Operating lease liabilities are included in other current liabilities and other long-term liabilities and the corresponding right-of use (ROU) assets are included in other assets in the accompanying consolidated balance sheet. Classification of operating lease liabilities as either current or noncurrent is based on the expected timing of payments due under the Company's lease obligations.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities with original contract terms greater than 12 months are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Operating leases with an original term of 12 months or less are not recorded in the accompanying consolidated balance sheet.

In determining the present value of future lease payments, the Company utilizes either the rate implicit in the lease if that rate is readily determinable or its incremental secured borrowing rate commensurate with the term of the underlying lease. Lease terms may include the effect of options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company recognizes operating lease expense for lease payments on a straight-line basis over the lease term. Variable lease costs are not included in fixed lease payments and, as a result, are excluded from the measurement of the ROU assets and lease liabilities. The Company expenses all variable lease costs as incurred, which were not material in 2021 and 2020.

As a lessee, the Company accounts for the lease and non-lease components of its real estate and equipment leases as a single lease component. For vehicle leases, the Company does not combine lease and non-lease components.

See [Note 9](#), Leases, for additional information about the Company's lease obligations.

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 January 1, 2022, the Company believes that it has appropriately accounted for any liability for

Notes to Consolidated Financial Statements

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, Cash Equivalents, and Restricted Cash

At year-end 2021 and year-end 2020, cash equivalents included investments in money market funds and highly liquid short-term investments, 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.

The Company's restricted cash generally serves as collateral for certain banker's acceptance drafts issued to vendors and for bank guarantees 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 these restrictions will expire over the next twelve months.

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

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--|------------------|------------------|-------------------|
| Cash and cash equivalents | \$ 91,186 | \$ 65,682 | \$ 66,786 |
| Restricted cash | 2,975 | 958 | 1,487 |
| Total Cash, Cash Equivalents, and Restricted Cash | \$ 94,161 | \$ 66,640 | \$ 68,273 |

Supplemental Cash Flow Information

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---|------------------|-----------------|-------------------|
| Cash Paid for Interest | \$ 4,441 | \$ 6,899 | \$ 12,344 |
| Cash Paid for Income Taxes, Net of Refunds | \$ 24,174 | \$ 17,506 | \$ 24,533 |
| Non-Cash Investing Activities: | | | |
| Fair value of assets acquired | \$ 190,977 | \$ 9,295 | \$ 207,223 |
| Cash paid for acquired businesses | (152,661) | (7,565) | (179,693) |
| Liabilities Assumed of Acquired Businesses | \$ 38,316 | \$ 1,730 | \$ 27,530 |
| Non-cash additions to property, plant, and equipment | \$ 363 | \$ 1,060 | \$ 626 |
| Non-Cash Financing Activities: | | | |
| Issuance of Company common stock upon vesting of RSUs | \$ 4,108 | \$ 4,781 | \$ 4,100 |
| Dividends declared but unpaid | \$ 2,905 | \$ 2,770 | \$ 2,628 |

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 revenue for excess and obsolete inventory to reduce the carrying value of inventories to net realizable value.

Notes to Consolidated Financial Statements

The components of inventories are as follows:

| (In thousands) | January 1, 2022 | | January 2, 2021 | |
|---|-----------------|---------|-----------------|---------|
| Raw Materials | \$ | 59,177 | \$ | 46,413 |
| Work in Process | | 29,448 | | 17,692 |
| Finished Goods (includes \$1,163 and \$427 at customer locations) | | 45,731 | | 42,709 |
| | \$ | 134,356 | \$ | 106,814 |

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Assets acquired as part of a business combination are initially recorded at fair value. 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 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) | January 1, 2022 | | January 2, 2021 | |
|--|-----------------|---------|-----------------|---------|
| Land | \$ | 11,011 | \$ | 7,676 |
| Buildings | | 67,787 | | 60,702 |
| Machinery, Equipment, and Leasehold Improvements | | 136,656 | | 120,804 |
| Construction in Progress | | 6,567 | | 3,292 |
| | | 222,021 | | 192,474 |
| Less: Accumulated Depreciation and Amortization | | 114,032 | | 107,832 |
| | \$ | 107,989 | \$ | 84,642 |

Depreciation and amortization expense was \$13,433,000 in 2021, \$12,209,000 in 2020, and \$12,236,000 in 2019. See [Note 9](#), Leases, for further details relating to assets under financing leases included in property, plant and equipment in the accompanying consolidated balance sheet.

Intangible Assets, Net

Acquired intangible assets by major asset class are as follows:

| (In thousands) | Gross | | Accumulated Amortization | | Currency Translation | | Net | |
|----------------------------|-------|---------|--------------------------|-----------|----------------------|---------|-----|---------|
| January 1, 2022 | | | | | | | | |
| <i>Definite-Lived</i> | | | | | | | | |
| Customer relationships | \$ | 217,021 | \$ | (79,839) | \$ | (3,455) | \$ | 133,727 |
| Product technology | | 67,230 | | (35,833) | | (1,752) | | 29,645 |
| Tradenames | | 7,427 | | (3,405) | | (373) | | 3,649 |
| Other | | 20,210 | | (16,250) | | (561) | | 3,399 |
| | | 311,888 | | (135,327) | | (6,141) | | 170,420 |
| <i>Indefinite-Lived</i> | | | | | | | | |
| Tradenames | | 29,059 | | — | | (136) | | 28,923 |
| Acquired Intangible Assets | \$ | 340,947 | \$ | (135,327) | \$ | (6,277) | \$ | 199,343 |

Notes to Consolidated Financial Statements

| (In thousands) | Gross | Accumulated Amortization | Currency Translation | Net |
|----------------------------|-------------------|-----------------------------|-------------------------|-------------------|
| January 2, 2021 | | | | |
| <i>Definite-Lived</i> | | | | |
| Customer relationships | \$ 173,728 | \$ (65,488) | \$ (1,316) | \$ 106,924 |
| Product technology | 56,111 | (31,655) | (1,005) | 23,451 |
| Tradenames | 6,027 | (2,946) | (282) | 2,799 |
| Other | 18,248 | (14,369) | (515) | 3,364 |
| | <u>254,114</u> | <u>(114,458)</u> | <u>(3,118)</u> | <u>136,538</u> |
| <i>Indefinite-Lived</i> | | | | |
| Tradenames | 24,100 | — | 327 | 24,427 |
| Acquired Intangible Assets | <u>\$ 278,214</u> | <u>\$ (114,458)</u> | <u>\$ (2,791)</u> | <u>\$ 160,965</u> |

Gross intangible assets include \$63,228,000 for acquired intangible assets from acquisitions that occurred in 2021. See [Note 2](#), Acquisitions, for further details.

In connection with its impairment analysis, the Company reduced its definite-lived intangible assets by \$499,000 in 2021 and definite and indefinite-lived intangible assets by \$1,861,000 in 2020. Additionally, the Company reclassified \$1,300,000 of an indefinite-lived tradename to definite-lived in 2020. See *Impairment of Long-Lived Assets* under the heading *Intangible Assets* within this note for further details.

Intangible assets are recorded at fair value at the date of acquisition. Subsequent impairment charges are reflected as a reduction in the gross balance, as applicable. 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 as of year-end 2021 have a weighted average amortization period of 13 years. Amortization of definite-lived intangible assets was \$20,869,000 in 2021, \$19,125,000 in 2020, and \$20,154,000 in 2019 and was included in selling, general, and administrative (SG&A) expenses in the accompanying consolidated statement of income. The estimated future amortization expense of definite-lived intangible assets is \$20,994,000 in 2022; \$18,725,000 in 2023; \$17,830,000 in 2024; \$15,754,000 in 2025; \$15,119,000 in 2026; and \$81,998,000 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.

Notes to Consolidated Financial Statements

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

| (In thousands) | Flow Control | Industrial Processing | Material Handling | Total |
|--|--------------|-----------------------|-------------------|------------|
| Balance as of December 28, 2019 | | | | |
| Gross balance | \$ 97,680 | \$ 207,536 | \$ 116,325 | \$ 421,541 |
| Accumulated impairment losses | — | (85,509) | — | (85,509) |
| Net balance | 97,680 | 122,027 | 116,325 | 336,032 |
| 2020 Activity | | | | |
| Acquisition (Note 2) | — | 3,953 | — | 3,953 |
| Currency translation | 3,757 | 4,392 | 3,619 | 11,768 |
| Total 2020 activity | 3,757 | 8,345 | 3,619 | 15,721 |
| Balance at January 2, 2021 | | | | |
| Gross balance | 101,437 | 215,881 | 119,944 | 437,262 |
| Accumulated impairment losses | — | (85,509) | — | (85,509) |
| Net balance | 101,437 | 130,372 | 119,944 | 351,753 |
| 2021 Activity | | | | |
| Acquisitions (Note 2) | 25,805 | 1,116 | 26,836 | 53,757 |
| Currency translation | (3,653) | (2,015) | (2,955) | (8,623) |
| Total 2021 activity | 22,152 | (899) | 23,881 | 45,134 |
| Balance at January 1, 2022 | | | | |
| Gross balance | 123,589 | 214,982 | 143,825 | 482,396 |
| Accumulated impairment losses | — | (85,509) | — | (85,509) |
| Net balance | \$ 123,589 | \$ 129,473 | \$ 143,825 | \$ 396,887 |

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 indicate that it is more likely than not that the carrying value of an asset might be impaired. Potential impairment indicators include a significant decline in sales, earnings, or cash flows, material adverse changes in the business climate, and a significant decline in the market capitalization due to a sustained decrease in the Company's stock price.

The Company assesses its definite-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 discounted cash flows.

Goodwill

At year-end 2021 and 2020, in connection with its annual impairment analysis, the Company performed a qualitative goodwill impairment assessment (Step 0) for each of its reporting units, except the material handling reporting unit in 2020 discussed below, which indicated that the fair value of each reporting unit exceeded its carrying value, and determined that the assets were 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 units' and the Company's 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 respective reporting unit's 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.

In March 2020, the Company experienced a significant decrease in market capitalization due to a decline in the Company's stock price. During that time, the U.S. stock market also declined significantly amid market volatility driven by the uncertainty surrounding the COVID-19 pandemic. Based on these occurrences, the Company concluded that a

Notes to Consolidated Financial Statements

triggering event had occurred related to the indefinite-lived assets within its material handling reporting unit. As a result, for each reporting period in 2020, the Company prepared a quantitative impairment analysis (Step 1) for its material handling reporting unit, which indicated that its fair value exceeded its carrying value and the indefinite-lived assets were not impaired.

Goodwill by reporting unit is as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|-----------------------------------|-------------------|-------------------|
| Fluid-Handling | \$ 64,003 | \$ 65,755 |
| Doctoring, Cleaning, & Filtration | 59,586 | 35,682 |
| Stock-Preparation | 20,819 | 19,685 |
| Wood Processing | 108,654 | 110,687 |
| Material Handling | 143,825 | 119,944 |
| | <u>\$ 396,887</u> | <u>\$ 351,753</u> |

Intangible Assets

At year-end 2021 and 2020, the Company performed a qualitative impairment analysis on its indefinite-lived intangible assets and determined that the assets were not impaired.

No triggering events or indicators of impairment were identified in 2021 or 2020 related to the Company's definite-lived intangible assets, except for the definite-lived intangible assets associated with its existing ceramic blade product line in France in 2021 and its timber-harvesting product line in 2020 both discussed below.

In the fourth quarter of 2021, the Company decided to exit its ceramic blade business in France, which became a redundant manufacturing operation as a result of its acquisition of The Clouth Group of Companies in the third quarter of 2021. The Company expects to cease production in June 2022 and exit the facility by the end of 2022. As a result of this decision, the Company recorded an impairment charge of \$499,000 in the fourth quarter of 2021 related to its product technology intangible asset.

In the fourth quarter of 2020, due to the continued and anticipated decline in demand for the Company's timber-harvesting business' products, and following impairment charges totaling \$2,336,000 in 2019 related to this business, the Company performed a quantitative analysis of the recoverability of the related intangible assets in which the income approach discounted cash flow methodology was used. As a result of this analysis, the Company determined that the fair values of the timber-harvesting product line's definite-lived intangible assets related to customer relationships, product technology and tradename were less than their carrying values, and therefore recorded additional impairment charges totaling \$1,861,000 in the fourth quarter of 2020. The remaining intangible asset as of year-end 2021 for the timber-harvesting product line is \$443,000.

Impairment charges for 2021, 2020 and 2019 are included in impairment and other costs, net in the accompanying consolidated statement of income.

Business Combinations

The Company's acquisitions have been accounted for using the purchase method of accounting under ASC 805, *Business Combinations* (ASC 805), and the results of the acquired businesses have been included in its consolidated financial statements from their respective dates of acquisition. The Company accounts for all transactions and events in which it obtains control over a business under ASC 805 by establishing the acquisition date and recognizing the fair value of all assets acquired and liabilities assumed. The Company's acquisitions have historically been made at prices above the fair value of identifiable net assets, resulting in goodwill, due to synergies expected to be realized by combining the businesses.

While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business acquisition date, the estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price allocation period, which is generally one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. For changes in the valuation of intangible assets between the preliminary and final purchase price allocation, the related amortization is adjusted in the period it occurs. Subsequent to the purchase price allocation period, any adjustment to assets acquired or liabilities assumed is included in operating results in the period in which the adjustment is determined. Acquisition transaction costs are recorded as incurred in SG&A expenses in the accompanying consolidated statement of income and were \$3,655,000 in 2021, \$485,000 in 2020, and \$843,000 in 2019.

Notes to Consolidated Financial Statements

Foreign Currency Translation and Transactions

All assets and liabilities of the Company's foreign subsidiaries are translated at fiscal year-end exchange rates, and revenue 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 14](#), Accumulated Other Comprehensive Items). 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 expense 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. For time-based RSUs, compensation expense is recognized 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. 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 recorded when they occur, and remeasured 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 consolidated 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 consolidated 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 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*Recently Adopted Accounting Pronouncements*

Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes. In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance, including the recognition of franchise tax, the treatment of a step up in the tax basis of goodwill, and the timing for recognition of enacted changes in tax laws or rates in the interim period annual effective tax rate computation. This new guidance is effective in fiscal 2021, and the transition requirements are primarily prospective. The Company adopted this ASU prospectively at the beginning of fiscal 2021 and its adoption did not have an impact on the consolidated financial statements.

Notes to Consolidated Financial Statements

Recent Accounting Pronouncements Not Yet Adopted

Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In March 2020, the FASB issued ASU No. 2020-04, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of reference rates, such as the London Interbank Offered Rate (LIBOR), if certain criteria are met. Generally, contract modifications related to reference rate reform may be considered an event that does not require remeasurement or reassessment of a previous accounting determination at the modification date. The guidance in this ASU is applicable to the Company's existing contracts and hedging relationships that reference LIBOR and may be adopted prospectively through December 31, 2022. The Company is currently evaluating the effects that the adoption of this ASU will have on its consolidated financial statements.

Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. In October 2021, the FASB issued ASU 2021-08, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU will generally result in the Company recognizing contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than at fair value. This new guidance is effective on a prospective basis in fiscal 2023, with early adoption permitted. The Company is currently evaluating the effect that the adoption of this ASU will have on its consolidated financial statements, which will be dependent on the contract assets and liabilities acquired in future business combinations.

2. Acquisitions

2021

In the third quarter of 2021, the Company acquired all partnership interests and shares in The Clouth Group of Companies (Clouth), for \$92,864,000, net of cash acquired plus debt assumed. The majority of the Clouth companies were acquired on July 19, 2021 and the acquisition of the last legal entity occurred on August 10, 2021, which the Company accounted for as a noncontrolling interest during the period from July 19, 2021 to August 10, 2021. The Company funded the purchase price with euro-denominated borrowings under its revolving credit facility and existing cash. Clouth, which is included in the Company's Flow Control segment, is a leading manufacturer of doctor blades and related equipment used in the production of paper, packaging, and tissue. The Company expects several synergies in connection with this acquisition, including deepening its presence in the growing ceramic blade market and expansion of sales at its existing businesses by leveraging Clouth's complementary global geographic footprint. Clouth has three manufacturing facilities in Germany and one in Poland. Goodwill from the Clouth acquisition was \$25,806,000, of which \$6,836,000 is expected to be deductible for tax purposes over 15 years. In addition, intangible assets acquired were \$34,467,000, of which \$5,326,000 is expected to be deductible for tax purposes over 15 years. The Company recorded revenue of \$23,221,000 and an operating loss of \$4,068,000 for Clouth from the date of acquisition, including amortization expense of \$3,481,000 associated with acquired profit in inventory and backlog and \$2,710,000 of acquisition transaction costs.

On August 23, 2021, the Company acquired all the outstanding equity securities in East Chicago Machine Tool Corporation (Balemaster) and certain assets of affiliated companies for \$53,747,000, net of cash acquired. Balemaster, which is included in the Company's Material Handling segment, is a leading U.S. manufacturer of horizontal balers and related equipment used primarily for recycling packaging waste at corrugated box plants and large retail and distribution centers. The Company funded the purchase price with borrowings under its revolving credit facility. The Company expects several synergies in connection with the acquisition, including expansion of its presence in the secondary material processing market and creation of new opportunities for leveraging its high-performance balers produced in Europe. Goodwill from the Balemaster acquisition was \$26,836,000, none of which is deductible for tax purposes. In addition, intangible assets acquired were \$28,060,000, none of which is deductible for tax purposes. The Company recorded revenue of \$9,038,000 and operating loss of \$641,000 for Balemaster from the date of acquisition, including amortization expense of \$2,042,000 associated with acquired profit in inventory and backlog and \$782,000 of acquisition transaction costs.

In the fourth quarter of 2021, the Company acquired the assets of a business in India, which is included in its Industrial Processing segment, for approximately \$2,882,000.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed and the purchase price for Clouth and the Company's other acquisitions in 2021. The final purchase accounting and purchase price allocations remain subject to change as the Company continues to refine its preliminary valuation of certain acquired assets

Notes to Consolidated Financial Statements

and liabilities assumed and the valuation of acquired intangibles, which may result in adjustments to the assets and liabilities, including goodwill. Measurement period adjustments in 2021 did not have a material effect on the Company's consolidated balance sheet or statement of income.

| (In thousands) | Clouth | Other | Total |
|--|------------------|------------------|-------------------|
| Net Assets Acquired: | | | |
| Cash and Cash Equivalents | \$ 4,923 | \$ 3,757 | \$ 8,680 |
| Accounts Receivable | 6,808 | 1,641 | 8,449 |
| Inventories | 14,119 | 4,628 | 18,747 |
| Property, Plant, and Equipment | 24,498 | 5,143 | 29,641 |
| Other Assets | 5,309 | 3,167 | 8,476 |
| Definite-Lived Intangible Assets | | | |
| Customer relationships | 20,192 | 23,100 | 43,292 |
| Product technology | 8,915 | 2,700 | 11,615 |
| Tradenames | — | 1,400 | 1,400 |
| Other | 401 | 1,560 | 1,961 |
| Indefinite-Lived Intangible Assets | | | |
| Tradenames | 4,959 | — | 4,959 |
| Goodwill | 25,806 | 27,951 | 53,757 |
| Total assets acquired | <u>115,930</u> | <u>75,047</u> | <u>190,977</u> |
| Short-term Obligations and Current Maturities of Long-term Obligations | 1,393 | — | 1,393 |
| Accounts Payable | 1,287 | 797 | 2,084 |
| Long-Term Deferred Income Taxes | 9,465 | 6,698 | 16,163 |
| Long-Term Obligations | 4,244 | — | 4,244 |
| Other Liabilities | 7,391 | 7,166 | 14,557 |
| Total liabilities assumed | <u>23,780</u> | <u>14,661</u> | <u>38,441</u> |
| Net assets acquired | <u>\$ 92,150</u> | <u>\$ 60,386</u> | <u>\$ 152,536</u> |
| Purchase Price: | | | |
| Cash Paid | <u>\$ 92,150</u> | <u>\$ 60,386</u> | <u>\$ 152,536</u> |

The weighted-average amortization period for Clouth's definite-lived intangible assets is 19 years, including weighted-average amortization periods of 24 years for customer relationships and 10 years for product technology. The weighted-average amortization period for the Company's other acquisitions' definite-lived intangible assets is 16 years, including weighted-average amortization periods of 17 years for customer relationships, 13 years for product technology, and 16 years for tradenames.

Unaudited Supplemental Pro Forma Information

The following unaudited pro forma information provides the effect of the Company's 2021 acquisition of Clouth as if it had occurred at the beginning of 2020:

| (In thousands, except per share amounts) | January 1, 2022 | January 2, 2021 |
|---|--------------------|--------------------|
| Revenue | \$ 812,016 | \$ 682,248 |
| Net Income Attributable to Kadant | \$ 90,184 | \$ 55,760 |
| Earnings per Share Attributable to Kadant | | |
| Basic | \$ 7.79 | \$ 4.86 |
| Diluted | \$ 7.74 | \$ 4.82 |

The historical consolidated financial information of the Company and Clouth has been adjusted in the pro forma information above to give effect to pro forma events that are (i) directly attributable to the acquisition and related financing arrangements, (ii) expected to have a continuing impact on the Company, and (iii) factually supportable.

Notes to Consolidated Financial Statements

Pro forma results include the following non-recurring pro forma adjustments:

- Pre-tax charge to cost of revenue of \$3,082,000 in 2020 and reversal of \$3,082,000 in 2021, for the sale of inventory revalued at the date of acquisition.
- Pre-tax charge to SG&A expenses of \$3,109,000 in 2020 and reversal of \$2,710,000 in 2021 and \$399,000 in 2021, for acquisition costs and intangible asset amortization related to acquired backlog, respectively.
- Estimated tax effects related to the pro forma adjustments.

Pro forma results in 2020 include a pre-tax gain of \$4,409,000 from the forgiveness of a shareholder loan at Clouth.

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 acquisition of Clouth occurred as of the beginning of 2020, or that may result in the future.

The Company's pro forma results exclude the Company's other acquisitions in 2021 as the inclusion of those results would not have been materially different from the pro forma results presented above had the acquisitions occurred at the beginning of 2020.

2020

On June 1, 2020, the Company acquired Cogent Industrial Technologies Ltd. (Cogent), which is included in its Industrial Processing segment, for approximately \$6,866,000, net of cash acquired. The Company funded the acquisition through borrowings under its revolving credit facility. Intangible assets acquired primarily relate to customer relationships with a fair value of \$3,350,000. Cogent, based in British Columbia, Canada, is an industrial automation and controls solution provider that offers expertise in process technology integration, industrial automation and controls, industrial safety, project management, and operational performance management systems.

On May 28, 2020, the Company also acquired certain intellectual property from a company in Austria, which is included in its Industrial Processing segment, for \$416,000, of which \$229,000 was paid in the second quarter of 2020 and \$125,000 in the first quarter of 2021. The Company expects to pay the remaining amount no later than the first quarter of 2022. Intangible assets acquired represent product technology with a fair value of \$557,000 at acquisition date.

2019

On September 3, 2019, the Company acquired certain assets of a business in Brazil, which is included in its Flow Control segment, for approximately \$407,000 in cash.

On January 2, 2019, the Company acquired, directly and indirectly, all the outstanding equity interests of Syntron Material Handling Group, LLC and certain of its affiliates (SMH) pursuant to an equity purchase agreement, dated December 9, 2018, for \$176,855,000, net of cash acquired. The Company funded the acquisition through borrowings under its revolving credit facility.

SMH, which is included in the Company's Material Handling segment, has manufacturing operations in Mississippi, United States, and China, and is a leading provider of material handling equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper. Goodwill from the SMH acquisition was \$78,592,000, of which \$59,195,000 is expected to be deductible for tax purposes over 15 years. In addition, intangible assets acquired were \$83,020,000, of which \$69,969,000 is expected to be deductible for tax purposes over 15 years. For 2019, the Company recorded revenue of \$83,364,000 and operating income of \$3,132,000 for SMH from the date of acquisition, including amortization expense of \$4,872,000 associated with acquired profit in inventory and backlog and \$843,000 of acquisition transaction costs.

Notes to Consolidated Financial Statements

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

| (In thousands) | January 2, 2019 |
|---|-------------------|
| Net Assets Acquired: | |
| Cash, Cash Equivalents, and Restricted Cash | \$ 2,431 |
| Accounts Receivable | 10,275 |
| Inventories | 13,061 |
| Property, Plant, and Equipment | 7,383 |
| Other Assets | 12,054 |
| Definite-Lived Intangible Assets | |
| Customer relationships | 58,300 |
| Product technology | 11,000 |
| Other | 4,220 |
| Indefinite-Lived Intangible Assets | |
| Tradenames | 9,500 |
| Goodwill | 78,592 |
| Total assets acquired | 206,816 |
| Accounts Payable | 3,380 |
| Other Current Liabilities | 7,954 |
| Long-Term Lease Liabilities | 15,244 |
| Long-Term Deferred Income Taxes | 952 |
| Total liabilities assumed | 27,530 |
| Net assets acquired | \$ 179,286 |
| Purchase Price: | |
| Cash Paid | \$ 179,286 |

The weighted average amortization period for the definite-lived intangible assets above is 14 years, including weighted average amortization periods of 15 years for customer relationships, 14 years for product technology, and 8 years for other intangible assets.

Unaudited Supplemental Pro Forma Information

The following unaudited pro forma information provides the effect of the Company's 2019 acquisition of SMH as if it had occurred at the beginning of 2018:

| (In thousands, except per share amounts) | December 28, 2019 |
|---|----------------------|
| Revenue | \$ 704,644 |
| Net Income Attributable to Kadant | \$ 56,409 |
| Earnings per Share Attributable to Kadant | |
| Basic | \$ 5.02 |
| Diluted | \$ 4.92 |

The historical consolidated financial information of the Company and SMH has been adjusted in the pro forma information to give effect to pro forma events that are directly attributable to the acquisition and related financing arrangements, are expected to have a continuing impact on the Company, and are factually supportable.

Pro forma results include the following non-recurring pro forma adjustments, which have been included in the determination of pro forma net income for the year ended December 29, 2018 (not presented), as follows:

- Pre-tax reversal of \$843,000 to SG&A expenses in 2019 for acquisition transaction costs.
- Pre-tax reversal of \$3,549,000 to cost of revenue in 2019 for the sale of inventory revalued at the date of acquisition.

Notes to Consolidated Financial Statements

- Pre-tax reversal of \$1,323,000 to SG&A expenses in 2019 for intangible asset amortization related to acquired backlog.
- Tax effects related to pro forma adjustments.

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 acquisition of SMH occurred as of the beginning of 2018, or that may result in the future.

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 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 336,157 shares available for grant under these stock-based compensation plans at year-end 2021. 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 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) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|-------------------------------------|-----------------|-----------------|-------------------|
| RSU Awards | \$ 8,224 | \$ 6,453 | \$ 6,616 |
| Employee Stock Purchase Plan Awards | 303 | 323 | 199 |
| Total | \$ 8,527 | \$ 6,776 | \$ 6,815 |

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 RSU awards consisting of 1,009 RSUs in 2021, 2,085 RSUs in 2020 and 1,858 RSUs in 2019 to each of its incumbent non-employee directors. Half of the RSUs vested on June 1 of each year and the remaining RSUs vested ratably on the last day of the third and fourth fiscal quarters of each year. In addition, the Company granted RSU awards consisting of 1,042 RSUs in July 2020 to its then new non-employee director (former executive director), which vested ratably on the last day of the third and fourth fiscal quarters of 2020. Each RSU issued to the directors represents the right to receive one share of the Company's common stock upon vesting.

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 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, net of actual forfeitures recorded when they occur, and remeasured each reporting period until the total number of RSUs to be issued is

Notes to Consolidated Financial Statements

known. Unrecognized compensation expense related to the unvested performance-based RSUs totaled \$3,231,000 at year-end 2021, 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 \$3,932,000 at year-end 2021, and will be recognized over a weighted average period of 1.8 years.

Vesting of Restricted Stock Units

A summary of the activity of the Company's unvested RSUs in 2021 is as follows:

| <i>(In thousands, except per share amounts)</i> | Units | Weighted Average Grant- Date Fair Value |
|---|------------|---|
| Unvested RSUs at January 2, 2021 | 120 | \$ 92.42 |
| Granted | 49 | \$ 174.52 |
| Vested | (61) | \$ 96.96 |
| Forfeited | (1) | \$ 91.71 |
| Unvested RSUs at January 1, 2022 | <u>107</u> | <u>\$ 127.70</u> |

The weighted average grant date fair value of RSUs granted was \$174.52 in 2021, \$88.22 in 2020, and \$86.50 in 2019. The total fair value of shares vested was \$5,892,000 in 2021, \$7,343,000 in 2020, and \$5,452,000 in 2019.

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. There were no stock options outstanding at year-end 2021 as all remaining stock options were exercised during the year.

A summary of the Company's stock option activity in 2021 is as follows:

| <i>(In thousands, except per share amounts)</i> | Number of Shares | Weighted Average Exercise Price |
|---|------------------------|--|
| Options Outstanding at January 2, 2021 | 27 | \$ 24.44 |
| Exercised | (27) | \$ 24.44 |
| Options Outstanding at January 1, 2022 | <u>—</u> | <u>\$ —</u> |

A summary of the Company's stock option exercises are as follows:

| <i>(In thousands)</i> | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--|-----------------|-----------------|-------------------|
| Total Intrinsic Value of Options Exercised | \$ 4,986 | \$ 4,071 | \$ 16,796 |
| Cash Received from Options Exercised | \$ 665 | \$ 1,123 | \$ 4,454 |

Notes to Consolidated Financial Statements

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 10,230 shares in 2021, 13,062 shares in 2020, and 13,195 shares for 2019 (issued in 2020) of its common stock under this plan. The Company had 91,643 shares available for grant under the employee stock purchase plan at year-end 2021.

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 \$4,706,000 in 2021, \$4,501,000 in 2020, and \$4,412,000 in 2019.

Pension and Other Post-Retirement Defined Benefits Plans

The Company sponsors pension and other post-retirement defined benefit plans covering employees at certain U.S. and foreign subsidiaries.

In accordance with ASC 715, *Compensation-Retirement Benefits* (ASC 715), the Company recognizes the funded status of its plans as an asset or liability and changes in the funded status through AOCI, net of tax, in the accompanying consolidated balance sheet. The amounts in AOCI are recognized as net periodic benefit cost pursuant to the Company's 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 Company records the non-service component of net periodic pension cost in other expense, net in the accompanying consolidated statement of income. Other expense, net in 2019 included a loss of \$5,887,000 related to the settlement of the Company's noncontributory defined benefit pension plan for eligible employees at one of its U.S. divisions and its corporate office (Retirement Plan). The Retirement Plan was terminated in December 2018. Other expense, net in 2019 also included activity related to the Retirement Plan prior to its settlement, including interest costs of \$1,334,000, net of an expected return on plan assets of \$995,000. The weighted average assumptions used to determine net periodic benefit costs in 2019 for the Retirement Plan was 4.10% for both the discount rate and expected return on plan assets, which were valued using the FTSE Pension Discount Curve. In 2020, the Company made a settlement payment of \$2,427,000 related to a restoration plan, also terminated in 2018, which fully supplemented benefits lost for certain executive officers under the Retirement Plan. The remaining disclosure requirements related to the Company's defined benefit plans are not material for the fiscal years presented.

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 2021, the Company had reserved 534,535 unissued shares of its common stock for possible issuance under its stock-based compensation plans.

Notes to Consolidated Financial Statements

5. Income Taxes

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

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|----------------|-------------------|------------------|-------------------|
| Domestic | \$ 26,599 | \$ 14,132 | \$ 93 |
| Foreign | 85,453 | 59,555 | 68,829 |
| | <u>\$ 112,052</u> | <u>\$ 73,687</u> | <u>\$ 68,922</u> |

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

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|-------------------------------|------------------|------------------|-------------------|
| Current Provision (Benefit): | | | |
| Federal | \$ 2,173 | \$ 339 | \$ (264) |
| Foreign | 25,512 | 16,800 | 18,778 |
| State | 870 | 667 | 335 |
| | <u>28,555</u> | <u>17,806</u> | <u>18,849</u> |
| Deferred Provision (Benefit): | | | |
| Federal | 1,823 | 2,146 | (453) |
| Foreign | (3,430) | (2,361) | (1,253) |
| State | 223 | 357 | (785) |
| | <u>(1,384)</u> | <u>142</u> | <u>(2,491)</u> |
| | <u>\$ 27,171</u> | <u>\$ 17,948</u> | <u>\$ 16,358</u> |

The Company receives a tax deduction upon the exercise of nonqualified stock options and the vesting of RSUs. The Company recognizes excess income tax benefits and tax deficiencies related to stock-based compensation arrangements as discrete items within the provision for income taxes in the reporting period in which they occur. The Company recognized an income tax benefit of \$1,808,000 in 2021, \$758,000 in 2020 and \$3,754,000 in 2019 in the accompanying consolidated statement of income.

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

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--|------------------|------------------|-------------------|
| Provision for Income Taxes at Statutory Rate | \$ 23,531 | \$ 15,474 | \$ 14,474 |
| Increases (Decreases) Resulting From: | | | |
| Foreign tax rate differential | 2,819 | 1,891 | 2,584 |
| Nondeductible expenses | 1,673 | 2,117 | 2,407 |
| Excess tax benefit related to stock-based compensation | (1,525) | (661) | (3,305) |
| State income taxes, net of federal income tax | 863 | 807 | (355) |
| U.S. tax cost of foreign earnings | 481 | 599 | 146 |
| Reversal of tax benefit reserves, net | (444) | (730) | (286) |
| Research and development tax credits | (454) | (465) | (381) |
| Change in valuation allowance | (31) | (469) | 81 |
| Other | 258 | (615) | 993 |
| | <u>\$ 27,171</u> | <u>\$ 17,948</u> | <u>\$ 16,358</u> |

Notes to Consolidated Financial Statements

The Company's net deferred tax liability consists of the following:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|--|-----------------|-----------------|
| Deferred Tax Asset: | | |
| Net operating loss carryforwards | \$ 14,162 | \$ 13,719 |
| Lease liabilities | 6,393 | 6,855 |
| Inventory basis difference | 4,600 | 4,576 |
| Employee compensation | 4,368 | 3,189 |
| Reserves and accruals | 3,167 | 3,565 |
| Capitalized research expenses | 2,349 | 2,668 |
| Foreign, state, and alternative minimum tax credit carryforwards | 508 | 472 |
| Allowance for credit losses | 420 | 397 |
| Other | 48 | 213 |
| Deferred tax asset, gross | 36,015 | 35,654 |
| Less: valuation allowance | (9,212) | (9,609) |
| Deferred tax asset, net | 26,803 | 26,045 |
| Deferred Tax Liability: | | |
| Goodwill and intangible assets | (43,780) | (30,166) |
| Fixed asset basis difference | (6,009) | (4,964) |
| ROU assets | (5,431) | (5,812) |
| Provision for unremitted foreign earnings | (559) | (1,233) |
| Other | (1,819) | (1,574) |
| Deferred tax liability | (57,598) | (43,749) |
| Net deferred tax liability | \$ (30,795) | \$ (17,704) |

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 2021 was \$9,212,000, consisting of \$190,000 in the United States and \$9,022,000 in foreign jurisdictions. The decrease in the valuation allowance in 2021 of \$397,000 is related primarily to fluctuations in foreign currency exchange rates and utilization of foreign net operating losses, partially offset by an increase in valuation allowance associated with acquired net operating losses. 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 2021, 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 certain state jurisdictions. As of year-end 2021, the Company maintained valuation allowances in certain foreign jurisdictions because of the uncertainty of future profitability within those foreign jurisdictions.

At year-end 2021, the Company had U.S. federal and state net operating loss carryforwards of \$2,304,000 and \$30,830,000, respectively, and foreign net operating loss carryforwards of \$56,537,000. The U.S. federal net operating loss carryforward does not expire. The state net operating loss carryforwards begin to expire in 2024 and a portion does not expire. Of the foreign net operating loss carryforwards, \$1,499,000 will expire in the years 2024 through 2041, and the remainder do not expire. As of year-end 2021, the Company also had state disallowed business interest expense carryforwards of \$67,000 and foreign tax credits of \$368,000, of which \$120,000 came from the acquisition of SMH. The disallowed business interest expense carryforward does not expire, and the foreign tax credit carryforward begins to expire in 2024. The utilization of these tax attributes is limited to the Company's future taxable income, and certain of these tax attributes are subject to an annual limitation as a result of the acquisition of SMH, which constitutes a change of ownership as defined under Internal Revenue Code Section 382.

At year-end 2021, the Company had approximately \$245,079,000 of unremitted foreign earnings. During 2021, the Company repatriated \$116,853,000 of previously taxed foreign earnings to the United States and recognized a foreign exchange

Notes to Consolidated Financial Statements

gain of \$517,000 associated with these earnings. Of the earnings repatriated in 2021, \$100,765,000 related to a distribution of shares of a foreign subsidiary. The Company intends to repatriate the distributable reserves of select foreign subsidiaries back to the United States and has recognized \$570,000 of net tax expense on the estimated repatriation amount during 2021. Except for these select foreign subsidiaries, the Company intends to indefinitely reinvest \$223,035,000 of these earnings of its foreign subsidiaries in order to support the current and future capital needs of their operations, 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 \$4,116,000.

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 2021, the Company had a liability of \$9,731,000 for unrecognized tax benefits which, if recognized, would reduce the effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|--|-----------------|-----------------|
| Unrecognized Tax Benefits, Beginning of Year | \$ 8,337 | \$ 8,331 |
| Gross Increases—Tax Positions in Prior Periods | 2,409 | 4 |
| Gross Decreases—Tax Positions in Prior Periods | (2,182) | (21) |
| Gross Increases—Current-period Tax Positions | 1,920 | 1,468 |
| Lapses of Statutes of Limitations | (649) | (1,488) |
| Currency Translation | (104) | 43 |
| Unrecognized Tax Benefits, End of Year | <u>\$ 9,731</u> | <u>\$ 8,337</u> |

A portion of the unrecognized tax benefits generated in 2021 is offset by deferred tax assets in the accompanying consolidated balance sheet. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company has accrued \$1,704,000 at year-end 2021 and \$1,600,000 at year-end 2020 for the potential payment of interest and penalties. The interest and penalties included in the accompanying consolidated statement of income was a benefit of \$129,000 in 2021 and \$145,000 in 2020.

The Company is currently under audit in one of its foreign tax jurisdictions. During 2021, the Company finalized its examination with the Internal Revenue Service for the tax years 2017 and 2018 with no material adjustments. It is reasonably possible that over the next fiscal year the amount of liability for unrecognized tax benefits may be reduced by up to \$1,367,000 primarily from the expiration of tax statutes of limitations.

The Company remains subject to U.S. federal income tax examinations for the tax years 2019 through 2021, and to non-U.S. income tax examinations for the tax years 2008 through 2021. In addition, the Company remains subject to state and local income tax examinations in the United States for the tax years 2003 through 2021.

6. Short- and Long-Term Obligations

Short- and long-term obligations are as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 |
|--|-------------------|-------------------|
| Revolving Credit Facility, due 2023 | \$ 250,267 | \$ 217,963 |
| Senior Promissory Notes, due 2023 to 2028 | 10,000 | 10,000 |
| Finance Leases, due 2022 to 2026 | 1,610 | 1,631 |
| Other Borrowings, due 2022 to 2028 | 7,637 | 3,880 |
| Total | 269,514 | 233,474 |
| Less: Short-Term Obligations and Current Maturities of Long-Term Obligations | (5,356) | (1,474) |
| Long-Term Obligations | <u>\$ 264,158</u> | <u>\$ 232,000</u> |

See [Note 10](#), Derivatives, for the fair value information related to the Company's long-term obligations.

Notes to Consolidated Financial Statements

Revolving Credit Facility

The Company entered into an unsecured multi-currency revolving credit facility, dated as of March 1, 2017 (as amended and restated to date, the Credit Agreement). Pursuant to the Credit Agreement, the Company has a borrowing capacity of \$400,000,000, with an uncommitted, unsecured incremental borrowing facility of \$150,000,000 with a maturity date of December 14, 2023. Interest on borrowings outstanding accrues and is payable in arrears calculated at one of the following rates selected by the Company: (i) the Base Rate, as defined, plus a margin of 0% to 1.25%, or (ii) Eurocurrency Rate, CDOR Rate, and RFR, (with a zero percent floor), as applicable and defined, plus a margin of 1% to 2.25%. The 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 as defined in the Credit Agreement.

Obligations under the Credit Agreement may be accelerated upon the occurrence of an event of default, which includes customary events of default under such financing arrangements. In addition, 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, if the Company elects, 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.

The Company borrowed an aggregate \$151,944,000 under the Credit Agreement in fiscal 2021, including \$89,944,000 of euro-denominated borrowings, which were primarily used to fund the Company's acquisitions during the year. At year-end 2021, the outstanding balance under the Credit Agreement included \$78,267,000 of euro-denominated borrowings. The Company had \$149,920,000 of borrowing capacity available at year-end 2021, which was calculated by translating its foreign-denominated borrowings using the borrowing date foreign exchange rate.

The weighted average interest rate for the outstanding balance under the Credit Agreement was 1.50% as of year-end 2021.

See [Note 10](#), Derivatives, under the heading *Interest Rate Swap Agreements*, for information relating to the Company's swap agreement.

Senior Promissory Notes

In 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 accordance with the Note Purchase Agreement. The obligations of the Initial Notes may be accelerated upon an event of default as defined in the Note Purchase Agreement, which includes customary events of default under such financing arrangements.

The Initial Notes are *pari passu* with the Company's indebtedness under the Credit Agreement, and any other senior debt, subject to certain specified exceptions, and participate in a sharing agreement with respect to the obligations of the Company and its subsidiaries under the Credit Agreement. The Initial Notes are guaranteed by certain of the Company's domestic subsidiaries.

Debt Compliance

At year-end 2021, the Company was in compliance with the covenants related to its debt obligations.

Finance Leases

The Company's finance leases primarily relate to contracts for vehicles. See [Note 9](#), Leases, for further information relating to the Company's finance leases.

Other Borrowings

Other borrowings 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 was included in other current assets in the accompanying consolidated balance sheet, was \$1,408,000 at year-end 2021. The lease arrangement provides for a fixed price purchase option, net of the projected loan receivable, of \$1,508,000 at the end of the lease term in August 2022. If the

Notes to Consolidated Financial Statements

Company does not exercise the purchase option for the facility, it will receive cash from the landlord to settle the loan receivable. As of year-end 2021, \$3,297,000 was outstanding under this obligation.

Other borrowings also include \$4,331,000 of debt obligations outstanding at year-end 2021 assumed in the acquisition of Clouth, which has maturity dates ranging from 2022 to 2028 and interest rates up to 1.95%.

Annual Repayment Requirements

The following schedule presents the annual repayment requirements for the Company's short-and long-term obligations, excluding finance leases and the sale-leaseback financing arrangement, as of year-end 2021.

| (In thousands) | |
|-----------------------|-------------------|
| 2022 | \$ 1,197 |
| 2023 | 252,855 |
| 2024 | 2,319 |
| 2025 | 2,322 |
| 2026 | 2,150 |
| 2027 and Thereafter | 3,764 |
| | <u>\$ 264,607</u> |

7. Commitments and Contingencies

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 \$23,464,000 at year-end 2021. Certain of the Company's contracts 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 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 generally mature within six months of the origination date. The Company's Chinese subsidiaries 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 \$9,593,000 at year-end 2021 and \$7,568,000 at year-end 2020 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 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.

Notes to Consolidated Financial Statements

8. Other Costs, Net*Restructuring Costs*

During 2021, the Company recorded restructuring costs totaling \$481,000 within its Flow Control segment, including charges for the write-down of certain machinery and equipment of \$226,000 and an ROU asset of \$79,000, and severance costs of \$176,000 related to the reduction of three employees. These actions were taken to eliminate a redundant ceramic blade manufacturing operation in France that resulted from the Company's acquisition of Clouth in the third quarter of 2021.

During 2020, the Company recorded restructuring costs totaling \$1,118,000, representing severance costs of \$659,000 for 34 employees within its Flow Control segment, \$277,000 for 26 employees in its Industrial Processing segment, and \$182,000 for four employees in its Material Handling segment. The Company also reduced its workforce by 21 employees in its Industrial Processing segment with no associated severance costs. The Company took these cost-containment actions to reduce payroll-related overhead and operating costs in response to the slowdown in the global economy, largely driven by the COVID-19 pandemic.

During 2019, the Company experienced a significant decrease in revenue and operating results in its timber-harvesting product line included within its Industrial Processing segment. Given the decline in this business, the Company undertook a restructuring plan in the fourth quarter of 2019 and incurred \$192,000 of severance costs associated with the reduction of six employees in Canada.

The Company expects to incur additional restructuring charges in 2022 primarily for severance and facility closure costs related to its 2021 restructuring plan, which are not expected to be significant. The Company does not expect to incur additional charges related to the 2020 and 2019 restructuring plans. Restructuring costs are included in impairment and other costs, net in the accompanying consolidated statement of income.

A summary of the changes in accrued restructuring costs included in other accrued expenses in the accompanying consolidated balance sheet, which are expected to be paid in 2022, are as follows:

| <i>(In thousands)</i> | <i>Severance</i> |
|--------------------------------|------------------|
| 2021 Restructuring Plan | |
| Provision | \$ 176 |
| Usage | (19) |
| Currency translation | (1) |
| Balance at January 1, 2022 | <u>\$ 156</u> |
| 2020 Restructuring Plan | |
| Provision | \$ 1,118 |
| Usage | (1,052) |
| Currency translation | (5) |
| Balance at January 2, 2021 | <u>61</u> |
| Usage | (61) |
| Balance at January 1, 2022 | <u>\$ —</u> |
| 2019 Restructuring Plan | |
| Provision | \$ 192 |
| Usage | (109) |
| Currency translation | 1 |
| Balance at December 28, 2019 | <u>84</u> |
| Usage | (90) |
| Currency translation | 6 |
| Balance at January 2, 2021 | <u>\$ —</u> |

Other Income

Other income consisted of a gain of \$515,000 in 2021 related to the sale of a building in Theodore, Alabama, within the Company's Industrial Processing segment for net cash proceeds of \$1,634,000. The building was vacated as part of the Company's 2017 restructuring plan to consolidate three of its stock-preparation operations into a single new facility, which was completed in 2018.

Notes to Consolidated Financial Statements

9. Leases

The Company enters into operating and finance lease commitments primarily for its manufacturing and office space, vehicles, and equipment leases that expire on various dates over the next 13 years, some of which include one or more options to extend the lease for up to 5 years. In addition, the Company leases land associated with certain of its buildings in Canada and China under long-term leases expiring on various dates ranging from 2032 to 2071, one of which includes an assumed option to extend the lease for up to 10 years.

The components of lease expense are as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|-------------------------------|-----------------|-----------------|-------------------|
| Operating Lease Cost | \$ 5,895 | \$ 5,602 | \$ 5,534 |
| Short-Term Lease Cost | 674 | 671 | 715 |
| Finance Lease Cost: | | | |
| ROU asset amortization | 1,045 | 1,157 | 1,213 |
| Interest on lease liabilities | 46 | 74 | 94 |
| Total Finance Lease Cost | 1,091 | 1,231 | 1,307 |
| Total Lease Costs | \$ 7,660 | \$ 7,504 | \$ 7,556 |

Supplemental cash flow information related to leases is as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---|-----------------|-----------------|-------------------|
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | | |
| Operating cash flows from operating leases | \$ 12,474 | \$ 5,782 | \$ 5,636 |
| Operating cash flows from finance leases | \$ 46 | \$ 74 | \$ 93 |
| Financing cash flows from finance leases | \$ 1,044 | \$ 1,139 | \$ 1,144 |
| ROU Assets Obtained in Exchange for Lease Obligations (a): | | | |
| Operating leases | \$ 7,247 | \$ 2,560 | \$ 28,484 |
| Finance leases | \$ 1,147 | \$ 622 | \$ 3,847 |

(a) Included in 2019 were additions related to the transition adjustment for the adoption of ASC 842. The post-adoption additions of operating leases were \$13,167,000, of which \$10,994,000 related to ROU assets obtained as part of the acquisition of SMH in 2019. The post-adoption additions of finance leases were \$2,496,000, of which \$528,000 related to ROU assets obtained as part of the acquisition of SMH.

Supplemental balance sheet information related to leases is as follows:

| (In thousands) | Balance Sheet Line Item | January 1, 2022 | January 2, 2021 |
|-----------------------------------|-----------------------------|-----------------|-----------------|
| Operating Leases: | | | |
| ROU assets (a) | Other current assets | \$ 2,341 | \$ — |
| ROU assets | Other assets | 24,998 | 25,460 |
| Total operating lease assets | | \$ 27,339 | \$ 25,460 |
| Short-term liabilities | Other current liabilities | \$ 4,596 | \$ 4,396 |
| Long-term liabilities | Other long-term liabilities | 19,959 | 22,198 |
| Total operating lease liabilities | | \$ 24,555 | \$ 26,594 |

Notes to Consolidated Financial Statements

| (In thousands) | Balance Sheet Line Item | January 1, 2022 | January 2, 2021 |
|-------------------------------------|--|-----------------|-----------------|
| Finance Leases: | | | |
| ROU assets, at cost | Property, plant, and equipment, at cost | \$ 4,076 | \$ 3,707 |
| ROU assets accumulated amortization | Accumulated depreciation and amortization | (2,489) | (2,108) |
| ROU assets, net | Property, plant, and equipment, net | <u>\$ 1,587</u> | <u>\$ 1,599</u> |
| Short-term obligations | Short-term obligations and current maturities of long-term obligations | \$ 862 | \$ 915 |
| Long-term obligations | Long-term obligations | 748 | 716 |
| Total finance lease liabilities | | <u>\$ 1,610</u> | <u>\$ 1,631</u> |

(a) See Note 15, Subsequent Event, for further details.

| | January 1, 2022 | January 2, 2021 |
|--|-----------------|-----------------|
| Weighted Average Remaining Lease Term (in years): | | |
| Operating leases | 8.7 | 9.4 |
| Finance leases | 2.1 | 2.0 |
| Weighted Average Discount Rate: | | |
| Operating leases | 3.82 % | 3.88 % |
| Finance leases | 2.55 % | 3.52 % |

As of January 1, 2022, future lease payments for lease liabilities are as follows:

| (In thousands) | Operating Leases | Finance Leases |
|---------------------------------|------------------|-----------------|
| 2022 | \$ 5,379 | \$ 889 |
| 2023 | 4,316 | 561 |
| 2024 | 3,292 | 178 |
| 2025 | 2,727 | 17 |
| 2026 | 2,179 | 3 |
| 2027 and Thereafter | 11,343 | — |
| Total Future Lease Payments | <u>29,236</u> | <u>1,648</u> |
| Less: Imputed Interest | (4,681) | (38) |
| Present Value of Lease Payments | <u>\$ 24,555</u> | <u>\$ 1,610</u> |

As of January 1, 2022, the Company had no significant operating and finance leases that had not yet commenced.

10. Derivatives

Interest Rate Swap Agreements

In 2018, the Company entered into an interest rate swap agreement (2018 Swap Agreement) with Citizens Bank to hedge its exposure to movements in USD LIBOR on its U.S. dollar-denominated debt. The 2018 Swap Agreement has a \$15,000,000 notional value and expires on June 30, 2023. On a quarterly basis, the Company receives three-month USD LIBOR, which is subject to a zero percent floor, and pays a fixed rate of interest of 3.15% plus an applicable margin as defined in the Credit Agreement.

The Company designated its 2018 Swap Agreement as a cash flow hedge and structured it to be 100% effective. Unrealized gains and losses related to the fair value of the 2018 Swap Agreement are recorded to AOCI, net of tax. In the event of early termination, the Company will receive from or pay to the counterparty the fair value of the 2018 Swap Agreement, and the unrealized gain or loss outstanding will be recognized in earnings.

The counterparty to the 2018 Swap Agreement could demand an early termination of that agreement 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

Notes to Consolidated Financial Statements

counterparty is a member, and if it were to be unable to cure the default. See [Note 6](#), Short- and Long-Term Obligations, for further details.

Forward Currency-Exchange Contracts

The Company uses forward currency-exchange contracts that generally have maturities of twelve months or less to hedge exposures resulting from fluctuations in currency exchange rates. Such exposures result from assets and liabilities that are denominated in currencies other than the functional currencies of the Company's subsidiaries.

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. Deferred gains and losses are recognized in the statement of income in the period in which the underlying transaction occurs. The fair values of forward currency-exchange contracts that are designated as fair value hedges and forward currency-exchange contracts that are not designated as hedges are recognized currently in earnings.

Gains and losses reported within SG&A expenses in the accompanying consolidated statement of income associated with the Company's forward currency-exchange contracts that were not designated as hedges were not material in 2021, 2020, and 2019.

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

| (In thousands) | Balance Sheet Location | January 1, 2022 | | January 2, 2021 | |
|---|-----------------------------|-----------------------|---------------------|-----------------------|-----------------|
| | | Asset (Liability) (a) | Notional Amount (b) | Asset (Liability) (a) | Notional Amount |
| Derivatives Designated as Hedging Instruments: | | | | | |
| Derivatives in an Asset Position: | | | | | |
| Forward currency-exchange contract | Other Current Assets | \$ — | \$ — | \$ 25 | \$ 842 |
| Derivatives in a Liability Position: | | | | | |
| Forward currency-exchange contract | Other Current Liabilities | \$ (44) | \$ 842 | \$ — | \$ — |
| 2018 Swap Agreement | Other Long-Term Liabilities | \$ (550) | \$ 15,000 | \$ (1,099) | \$ 15,000 |
| Derivatives Not Designated as Hedging Instruments: | | | | | |
| Derivatives in an Asset Position: | | | | | |
| Forward currency-exchange contracts | Other Current Assets | \$ 14 | \$ 1,200 | \$ 12 | \$ 582 |
| Derivatives in a Liability Position: | | | | | |
| Forward currency-exchange contracts | Other Current Liabilities | \$ — | \$ — | \$ (7) | \$ 825 |

(a) See [Note 11](#), Fair Value Measurements and Fair Value of Financial Instruments, for the fair value measurements relating to these financial instruments.

(b) The year-end 2021 notional amounts are indicative of the level of the Company's recurring derivative activity during the year.

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 January 1, 2022:

| (In thousands) | Interest Rate Swap Agreements | Forward Currency-Exchange Contracts | Total |
|--|-------------------------------|-------------------------------------|----------|
| Unrealized (Loss) Gain, Net of Tax, at January 2, 2021 | \$ (846) | \$ 18 | \$ (828) |
| Loss (gain) reclassified to earnings (a) | 343 | (119) | 224 |
| Gain recognized in AOCI | 74 | 68 | 142 |
| Unrealized Loss, Net of Tax, at January 1, 2022 | \$ (429) | \$ (33) | \$ (462) |

(a) See [Note 14](#), Accumulated Other Comprehensive Items, for the income statement classification.

At year-end 2021, the Company expects to reclassify losses of \$337,000 from AOCI to earnings over the next twelve months based on the estimated cash flows of the interest rate swap agreement and the maturity date of the forward currency-exchange contract.

Notes to Consolidated Financial Statements

11. 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:

| (In thousands) | Fair Value as of January 1, 2022 | | | |
|---|----------------------------------|----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds and time deposits | \$ 13,458 | \$ — | \$ — | \$ 13,458 |
| Banker's acceptance drafts (a) | \$ — | \$ 8,049 | \$ — | \$ 8,049 |
| Forward currency-exchange contracts | \$ — | \$ 14 | \$ — | \$ 14 |
| Liabilities: | | | | |
| 2018 Swap Agreement | \$ — | \$ 550 | \$ — | \$ 550 |
| Forward currency-exchange contract | \$ — | \$ 44 | \$ — | \$ 44 |
| Fair Value as of January 2, 2021 | | | | |
| (In thousands) | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds and time deposits | \$ 8,054 | \$ — | \$ — | \$ 8,054 |
| Banker's acceptance drafts (a) | \$ — | \$ 9,445 | \$ — | \$ 9,445 |
| Forward currency-exchange contracts | \$ — | \$ 37 | \$ — | \$ 37 |
| Liabilities: | | | | |
| 2018 Swap Agreement | \$ — | \$ 1,009 | \$ — | \$ 1,009 |
| Forward currency-exchange contracts | \$ — | \$ 7 | \$ — | \$ 7 |

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

The Company uses the market approach technique to value its financial assets and liabilities, and there were no changes in valuation techniques during 2021. Banker's acceptance drafts are carried at face value which approximates their fair value due to the short-term nature of the negotiable instrument. The fair values of the forward currency-exchange contracts are based on quoted forward foreign exchange rates at the reporting date. The fair value of the 2018 Swap Agreement is based on USD LIBOR yield curves at the reporting date. The forward currency-exchange contracts and the 2018 Swap Agreement are hedges of either recorded assets or liabilities or anticipated transactions and represent the estimated amount the Company would receive or pay upon liquidation of the contracts. 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, excluding lease obligations, are as follows:

| (In thousands) | January 1, 2022 | | January 2, 2021 | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Debt Obligations: | | | | |
| Revolving credit facility | \$ 250,267 | \$ 250,267 | \$ 217,963 | \$ 217,963 |
| Senior promissory notes | 10,000 | 10,947 | 10,000 | 11,157 |
| Other | 4,331 | 4,331 | — | — |
| | <u>\$ 264,598</u> | <u>\$ 265,545</u> | <u>\$ 227,963</u> | <u>\$ 229,120</u> |

Notes to Consolidated Financial Statements

The carrying value of the revolving credit facility approximates the fair value as the obligation bears variable rates of interest, which adjust frequently, based on prevailing market rates. The fair values of the senior promissory notes are primarily calculated based on quoted market rates plus an applicable margin available to the Company at the respective period ends, which represent Level 2 measurements.

12. Business Segment and Geographical Information

The Company has combined its operating entities into three reportable operating segments: Flow Control, Industrial Processing, and Material Handling. The Flow Control segment consists of the fluid-handling and doctoring, cleaning, & filtration product lines; the Industrial Processing segment consists of the wood processing and stock-preparation product lines; and the Material Handling segment consists of the conveying and vibratory, baling, and fiber-based product lines. A description of each segment follows.

- *Flow Control* – Custom-engineered products, systems, and technologies that control the flow of fluids used in industrial and commercial applications to keep critical processes running efficiently in the packaging, tissue, food, metals, and other industrial sectors. The Company's primary products include rotary sealing devices, steam systems, expansion joints, doctor systems, roll and fabric cleaning devices, and filtration and fiber recovery systems.
- *Industrial Processing* – Equipment, machinery, and technologies used to recycle paper and paperboard and process timber for use in the packaging, tissue, wood products and alternative fuel industries, among others. The Company's primary products include stock-preparation systems and recycling equipment, chemical pulping equipment, debarkers, stranders, chippers, and logging machinery. In addition, the Company provides industrial automation and digitization solutions to process industries.
- *Material Handling* – Products and engineered systems used to handle bulk and discrete materials for secondary processing or transport in the aggregates, mining, food, and waste management industries, among others. The Company's primary products include conveying and vibratory equipment and balers. In addition, the Company manufactures and sells biodegradable, absorbent granules used as carriers in agricultural applications and for oil and grease absorption.

The following table presents financial information for the Company's reportable operating segments:

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---|---------------------|-------------------|-------------------|
| Revenue | | | |
| Flow Control (a) | \$ 288,788 | \$ 225,444 | \$ 250,339 |
| Industrial Processing | 328,762 | 261,577 | 301,948 |
| Material Handling (b) | 169,029 | 148,007 | 152,357 |
| | <u>\$ 786,579</u> | <u>\$ 635,028</u> | <u>\$ 704,644</u> |
| Income Before Provision for Income Taxes | | | |
| Flow Control (a,c) | \$ 65,509 | \$ 51,530 | \$ 55,343 |
| Industrial Processing (d) | 66,569 | 42,971 | 49,599 |
| Material Handling (b,e) | 17,543 | 14,375 | 11,600 |
| Corporate (f) | <u>(32,911)</u> | <u>(27,752)</u> | <u>(28,719)</u> |
| Total operating income | 116,710 | 81,124 | 87,823 |
| Interest expense, net (g) | (4,554) | (7,242) | (12,542) |
| Other expense, net (g,h) | <u>(104)</u> | <u>(195)</u> | <u>(6,359)</u> |
| | <u>\$ 112,052</u> | <u>\$ 73,687</u> | <u>\$ 68,922</u> |
| Total Assets | | | |
| Flow Control (a) | \$ 382,379 | \$ 263,141 | \$ 262,320 |
| Industrial Processing | 405,575 | 379,965 | 375,194 |
| Material Handling (b) | 334,785 | 273,909 | 281,057 |
| Corporate (i) | <u>9,473</u> | <u>10,556</u> | <u>20,816</u> |
| | <u>\$ 1,132,212</u> | <u>\$ 927,571</u> | <u>\$ 939,387</u> |

Notes to Consolidated Financial Statements

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Depreciation and Amortization | | | |
| Flow Control (a) | \$ 8,366 | \$ 6,333 | \$ 6,603 |
| Industrial Processing | 13,467 | 13,163 | 13,012 |
| Material Handling (b) | 12,341 | 11,628 | 12,528 |
| Corporate | 128 | 210 | 247 |
| | <u>\$ 34,302</u> | <u>\$ 31,334</u> | <u>\$ 32,390</u> |
| Capital Expenditures | | | |
| Flow Control (a) | \$ 4,128 | \$ 2,808 | \$ 2,639 |
| Industrial Processing | 6,412 | 3,123 | 5,113 |
| Material Handling (b) | 2,211 | 1,539 | 2,144 |
| Corporate | 20 | 125 | 61 |
| | <u>\$ 12,771</u> | <u>\$ 7,595</u> | <u>\$ 9,957</u> |
| Geographical Information | | | |
| Revenue (j): | | | |
| United States (b) | \$ 328,456 | \$ 286,015 | \$ 309,957 |
| China | 82,121 | 51,003 | 66,480 |
| Canada | 79,426 | 62,059 | 64,010 |
| Germany (a) | 37,178 | 23,292 | 29,076 |
| France | 28,258 | 19,725 | 21,054 |
| Other | 231,140 | 192,934 | 214,067 |
| | <u>\$ 786,579</u> | <u>\$ 635,028</u> | <u>\$ 704,644</u> |
| Long-lived Assets (k): | | | |
| United States (b) | \$ 43,418 | \$ 40,293 | \$ 42,094 |
| Germany (a) | 25,188 | 6,051 | 5,925 |
| Canada | 8,460 | 7,221 | 7,948 |
| Finland | 7,347 | 8,013 | 6,960 |
| China | 6,613 | 9,844 | 10,319 |
| Other | 16,963 | 13,220 | 12,786 |
| | <u>\$ 107,989</u> | <u>\$ 84,642</u> | <u>\$ 86,032</u> |

(a) Includes the Clouth business in 2021, which was acquired between July 19, 2021 and August 10, 2021 (see [Note 2](#), Acquisitions).

(b) Includes the Balemaster business in 2021, which was acquired on August 23, 2021 (see [Note 2](#), Acquisitions).

(c) Includes acquisition-related expenses of \$6,191,000 and impairment and restructuring charges of \$980,000 in 2021. Acquisition-related expenses include amortization expense associated with acquired profit in inventory and backlog, and acquisition costs.

(d) Includes \$1,861,000 of impairment charges in 2020 and \$2,336,000 in 2019.

(e) Includes acquisition-related expenses of \$2,851,000 in 2021, \$350,000 in 2020 and \$5,715,000 in 2019. Acquisition-related expenses include amortization expense associated with acquired profit in inventory and backlog, and acquisition costs.

(f) Represents general and administrative expenses.

(g) The Company does not allocate interest and other expense, net to its segments.

(h) Includes a pension plan settlement loss of \$5,887,000 in 2019.

(i) Primarily includes cash and cash equivalents, tax assets, ROU assets, and property, plant, and equipment, net.

(j) Revenue is attributed to countries based on customer location.

(k) Represents property, plant, and equipment, net.

Notes to Consolidated Financial Statements

13. Earnings per Share

Basic and diluted EPS were calculated as follows:

(In thousands, except per share amounts)

| | January 1, 2022 | January 2, 2021 | December 28, 2019 |
|---|-----------------|-----------------|-------------------|
| Net Income Attributable to Kadant | \$ 84,043 | \$ 55,196 | \$ 52,068 |
| Basic Weighted Average Shares | 11,579 | 11,482 | 11,235 |
| Effect of Stock Options, Restricted Stock Units and Employee Stock Purchase Plan Shares | 76 | 82 | 222 |
| Diluted Weighted Average Shares | 11,655 | 11,564 | 11,457 |
| Basic Earnings per Share | \$ 7.26 | \$ 4.81 | \$ 4.63 |
| Diluted Earnings per Share | \$ 7.21 | \$ 4.77 | \$ 4.54 |

The effect of outstanding and unvested RSUs of the Company's common stock totaling 14,200 shares in 2021, 22,900 shares in 2020, and 24,000 shares in 2019 was not included in the computation of diluted EPS for the respective periods 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.

14. 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 | Pension and Other Post-Retirement Benefit Liability Adjustments | Deferred Loss on Cash Flow Hedges | Total |
|--|---|---|-----------------------------------|-------------|
| Balance at January 2, 2021 | \$ (17,894) | \$ (770) | \$ (828) | \$ (19,492) |
| Other comprehensive items before reclassifications | (11,202) | (67) | 142 | (11,127) |
| Reclassifications from AOCI | — | 45 | 224 | 269 |
| Net current period other comprehensive items | (11,202) | (22) | 366 | (10,858) |
| Balance at January 1, 2022 | \$ (29,096) | \$ (792) | \$ (462) | \$ (30,350) |

Amounts reclassified out of AOCI are as follows:

| (In thousands) | January 1, 2022 | January 2, 2021 | December 28, 2019 | Statement of Income Line Item |
|-------------------------------------|-----------------|-----------------|-------------------|-------------------------------|
| Retirement Benefit Plans | | | | |
| Recognized net actuarial loss | \$ (50) | \$ (66) | \$ (70) | Other expense, net |
| Amortization of prior service cost | (12) | (55) | (6) | Other expense, net |
| Pension plan settlement loss | — | — | (5,887) | Other expense, net |
| Total expense before income taxes | (62) | (121) | (5,963) | |
| Income tax benefit (provision) | 17 | 153 | (641) | Provision for income taxes |
| | (45) | 32 | (6,604) | |
| Cash Flow Hedges (a) | | | | |
| Interest rate swap agreements | (451) | (333) | (8) | Interest expense |
| Forward currency-exchange contracts | — | 28 | (169) | Cost of revenue |
| Forward currency-exchange contracts | 157 | — | — | SG&A expense |
| Total expense before income taxes | (294) | (305) | (177) | |
| Income tax benefit | 70 | 73 | 54 | Provision for income taxes |
| | (224) | (232) | (123) | |
| Total Reclassifications | \$ (269) | \$ (200) | \$ (6,727) | |

(a) See [Note 10](#), Derivatives, for additional information.

Notes to Consolidated Financial Statements

15. Subsequent Event

The Company's largest subsidiary in China, which manufactures stock-preparation equipment, is located in an area that has become primarily residential. As a result, the Company entered into several agreements with the local government to sell its existing manufacturing building and land use rights for approximately \$25,140,000 and build a new facility in another location. These agreements will become effective when the Company receives the required down payment and secures a land use right in a new location. As of year-end 2021, the Company has received a 25% down payment on the agreed upon sale price with an additional required down payment of 6% expected in the first quarter of 2022. Once the agreements are effective, which is expected in the first quarter of 2022, the Company will recognize a gain on sale and a receivable for the remaining amount of the sale proceeds. The remaining amount of the sale proceeds is due the earlier of when the government sells the property or within two years from the effective date of the agreements. The Company's subsidiary will continue to occupy its current facility until construction on its new facility is complete. As of year-end 2021, the carrying value of the existing building and land use right totaling \$5,264,000 is included in other current assets in the accompanying consolidated balance sheet. In addition, in the fourth quarter of 2021, the Company entered into an agreement for a new land use right valued at \$3,719,000, which is included in other assets in the accompanying consolidated balance sheet.

EMPLOYMENT CONTRACT STATUTORY DIRECTOR

THE UNDERSIGNED:

1. the limited liability company **The Johnson Corporation Holland B.V.**, located at (1382 LG) Weesp, at Nijverheidslaan 25, hereby legally represented pursuant to article 10 of its articles of incorporation by R.A. Leerentveld, hereinafter referred to as: "the BV"; and
2. Mr. **F. Westerhout**, born on April 9, 1964, residing at (1213 TA) Hilversum at Plantaanweg 9, hereinafter referred to as: "Westerhout".

TAKING INTO CONSIDERATION:

- a. that Westerhout has already been employed by the BV since July 14, 1997, recently in the function of Deputy Director and before that as Finance & IT Manager;
- b. that Westerhout, by decision of the general meeting of shareholders of the BV dated March 17, 2003, has been appointed to one of the statutory directors of the BV as of May 1, 2003;
- c. that, based on the aforementioned decision, the parties wish to lay down the terms, which will be effective as of May 1, 2003, as follows in writing.

HAVE AGREED AS FOLLOWS:

Article 1: Function, effective date, duration and termination

- 1.1. Westerhout shall hold the function of statutory director as of May 1, 2003.
- 1.2. As director, Westerhout has all rights and obligations that are and will be conferred and imposed by law or pursuant to the articles of incorporation of the BV to the director. Westerhout shall be obliged to do or refrain from doing everything that a good statutory director should do or refrain from doing and shall deploy his person and full energy to his best ability for the BV.
- 1.3. This employment contract shall be concluded for an indefinite period of time.
- 1.4. This employment contract can be prematurely terminated by either party before the end of each month in writing, provided that a notice period of 2 months is observed by Westerhout and a notice period of 4 months by the BV, without prejudice to the provisions in the articles of incorporation regarding suspension and dismissal of Westerhout as director.

Article 2: Salary and vacation allowance

- 2.1. The gross salary of Westerhout shall amount to Euro 8,173.00 per month.
- 2.2. The salary will in any case be periodically increased in accordance with the percentage of the regular salary increases as these result from the collective agreement for the Metal and Electrical Engineering Industry.
- 2.3. Westerhout shall be entitled to a vacation allowance of 8% of the gross annual salary. By annual salary is meant in this context 12 times the monthly salary mentioned in 2.1.
The vacation allowance shall be paid in the month of May. When Westerhout has only been employed for part of the period, on which the vacation allowance is calculated, namely from July 1 through June 30, Westerhout shall be entitled to a pro rata vacation allowance. If the employment contract between the parties is ended before the payment date as aforementioned, the vacation allowance shall also be paid pro rata.

Article 3: Profit share

- 3.1. Westerhout shall be entitled to 0.75% over the consolidated profit (before corporate tax and royalties which are paid to the parent company) of the BV and all its participations in Europe. This profit share shall be maximized to an amount of Euro 35,000.00 per year.
- 3.2. The profit share shall be paid annually in the month of April or May over the previous fiscal year. If Westerhout has only been employed part of the fiscal year, the profit share shall be established in proportion to the number of full months that the employment contract has existed during the relevant fiscal year.
- 3.3. The amount of the profit share due to Westerhout shall be established each year by the parties. In case of disagreement, the profit share shall be calculated by the external accountant of the BV. His calculation shall be binding for both Johnson and Westerhout. Payment of the profit share by the BV shall occur within one month following receipt of the notice by the accountant regarding the determination.
- 3.4. Once per 3 years, therefore for the first time in 2006, it shall be mutually determined by the parties if adjustment of the maximization mentioned in paragraph 1 is appropriate.

Article 4: Working hours and place of employment

The employment contract has been concluded for 39 hours per week, with the provision that, in view of the function and remuneration, there is no compensation for any overtime.

Article 5: Place of employment

The place of employment shall be Weesp, but Westerhout shall be obliged to perform the work at another location than usual, unless this cannot be expected from him because of special circumstances.

Article 6: Vacation

6.1. The employee shall be entitled to 25 vacation days and 6.5 ATV days per calendar year based on a 5-day working week (39 hours). The vacation days and ATV days shall be accrued in proportion to the number of days (hours) worked per week. Maximum 3 ATV days shall be established by the BV per year.

6.2. The vacation days shall be accrued in proportion to the duration of the employment during the vacation year.

Article 7: Pension

The pension scheme valid at the start of this employment contract shall remain valid.

Article 8: Disability and health insurance

8.1. The schemes valid at the start of this employment contract regarding the continued payment of the salary during disability shall remain valid.

8.2. The BV shall pay a (gross) contribution in the costs of the health insurance of the employee of 50% of the premium due.

Article 9: Salary savings scheme

The salary savings scheme valid at the start of this employment contract shall remain valid if and insofar allowed for tax purposes.

Article 10: Liability

10.1. The Johnson Corporation shall explicitly and irrevocably indemnify Westerhout against all possible liabilities, losses, damages and claims which Westerhout

may be confronted with, insofar these result from and/or are related to the obligations of any nature, entered into in the name of or by Westerhout in his capacity of statutory director of the BV during the normal course of business and under the condition that Westerhout has not acted in conflict with the law or with the articles of incorporation of the BV.

- 10.2. Any amount that is payable pursuant to article 10.1 shall be paid by The Johnson Corporation to Westerhout on a bank account provided by Westerhout by fax and in the manner prescribed by Westerhout, at the time that the payment of the amount is due.

Article 11: Transport

Westerhout shall receive the fiscally allowed travel allowance based on his own means of transport.

Article 12: Telephone expenses

The telephone expenses to be incurred by Westerhout via his private telephone shall be compensated by the BV, provided that the compulsory fiscal fixed amount that may result from this is weekly settled with the salary mentioned in article 2.

Article 13: Business travel

Westerhout is prepared to make business trips for the BV abroad. All costs associated with these trips shall be compensated by the BV. Westerhout must provide written documents of these costs to the BV.

Article 14: Termination and indemnification

- 14.1. Upon termination of this employment contract at the initiative of the BV, and/or termination at the initiative of Westerhout due to such a change of circumstances that it cannot be reasonably expected of Westerhout to remain employed with the BV (for example, but not limited to the case of a merger or acquisition as a result of which the position of Westerhout substantially changes and/or in which case another director is appointed as a result of which the responsibilities of Westerhout are substantially reduced), the BV shall have to pay an indemnification to Westerhout, as further indicated in this article.

- 14.2. Westerhout is not entitled to an indemnification if the employment contract is terminated at the initiative of the BV through a legally valid dismissal with immediate effect because of an immediately reported reason to him within the meaning of article 7:677, paragraph 1 of the Dutch Civil Code or if the employment is terminated through a dissolution of the employment contract pursuant to article 7:685 of the Dutch Civil Code because of an urgent reason as referred to in article 7:677, paragraph 1 of the Dutch Civil Code.
- 14.3. The indemnification shall amount to at least 12 times the final monthly salary, to be increased with 1.5 of the monthly salary for each full year of service that Westerhout has been employed from May 1, 2006 by the BV from age 40 to age 50 and 2 monthly salaries for each year of service as of age 50. A period of half a year plus one day shall count as a full year of service. The indemnification is, however, maximized to the amount that Westerhout would have received in total monthly salaries in case of continuation of the employment contract until the retirement age; when calculating this maximum amount, the amount that Westerhout will actually receive when reaching age 62 until the retirement age based on the then existing early retirement scheme is taken into account.
- 14.4. The monthly salary referred to in 14.3 shall include the following elements:
- the fixed monthly salary
 - the vacation allowance over a fixed monthly salary
 - 1/12 of the average annual bonus over the past 3 fiscal years
- 14.5. All amounts referred to above shall be gross amounts. The indemnification will be paid by the BV to Westerhout within one month following the end of the employment contract in a fiscally permissible manner indicated by Westerhout.

Article 15: Other positions

Subject to written approval of the meeting of shareholders, Westerhout is not allowed to perform work for third parties and he will refrain from undertaking business on his own. Westerhout will neither accept or stipulate any financial or other advantage from third parties, either directly or indirectly, which can be deemed to be related to his activities with or for the BV.

Article 16: Competition clause

Westerhout shall be prohibited, without written exemption of the meeting of shareholders, to establish, conduct, have conducted, also conduct - either directly or indirectly - or be employed in any way in it - whether or not in exchange for payment - or have any share in a business in any form, that is equivalent, similar or related to the business of the BV (or a subsidiary of the BV), during a period of 2 years following termination of the present employment contract.

This prohibition shall not apply if the employment contract is terminated at the initiative of the BV, unless it is terminated by the BV through a legally valid dismissal with immediate effect because of an immediately reported reason to him within the meaning of article 7:677, paragraph 1 of the Dutch Civil Code or if the employment is terminated through a dissolution of the employment contract pursuant to article 7:685 of the Dutch Civil Code because of an urgent reason as referred to in article 7:677, paragraph 1 of the Dutch Civil Code.

Article 17: Confidentiality

Westerhout shall adhere to strict secrecy, both during and after employment, with regard to anything that comes to his knowledge during the exercise of his function relating to matters and interests of the company of the BV or an affiliated company. This confidentiality obligation shall also include all data and/or details of relations and clients of the BV of which Westerhout has gained knowledge in his position.

Following the end of his employment, Westerhout shall hand over all written and electronic information regarding the BV to the BV and not withhold any copies of this for his own use.

Following the end of his employment, Westerhout shall refrain from giving any negative statements to employees, suppliers and customers of the BV, as well as to the press or any third parties.

Article 18: Deviations and adjustments

18.1. This employment contract shall be deemed to provide a full representation of the agreements between the parties as these exist at the moment of the signing of the agreement.

18.2. Additions to, and deviations from this employment contract shall only be valid if and insofar they have been agreed upon in writing between the parties.

18.3. The collective agreement for the Metal Industry shall apply to matters that are not explicitly governed by this agreement.

Article 19: Disputes

This employment contract shall be governed by the laws of the Netherlands.

The court in which jurisdiction the BV is located shall be competent for any disputes resulting from this employment contract.

Agreed and drawn up in duplicate and signed

At: Three Rivers, MI, USA

Date: November 29, 2004

/s/ R. A Leerentveld

The Johnson Corporation Holland B.V.

At: WEESP

Date: November 29, 2004

/s/ Fred Westerhout

Mr. F. Westerhout

Regarding article 10

At: Three Rivers, MI, USA

Date: November 29, 2004

/s/ R. A Leerentveld

The Johnson Corporation

FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Fifth Amendment"), dated as of December 9, 2021 and, made by and among KADANT INC., a Delaware corporation (the "Borrower"), the Subsidiary Guarantors party hereto, the Foreign Subsidiary Borrowers party 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, that certain Limited Consent dated as of December 9, 2018, that certain Second Amendment to Amended and Restated Credit Agreement dated as of December 14, 2018, that certain Third Amendment to Amended and Restated Credit Agreement dated as of March 16, 2020 and that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of May 4, 2021 (the "Original Credit Agreement"), as amended by this Fifth Amendment and as further amended, modified or supplemented from time to time, the "Credit Agreement".

The Borrower has requested that the Agents and the Lenders amend the Original Credit Agreement in the manner set forth herein.

Capitalized terms not defined herein shall have the meanings given such terms in the Original Credit Agreement. This Fifth 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 Agreement. 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 Original Credit Agreement (excluding any exhibits and schedules) is hereby amended in its entirety as attached hereto as Annex A.
- (b) Exhibit 2.2(a) to the Original Credit Agreement (Notice of Borrowing Revolving Loans) is hereby amended and restated in its entirety as attached hereto as Annex B.
- (c) Exhibit 2.2(b) to the Original Credit Agreement (Notice of Borrowing Multicurrency Loans) is hereby amended and restated in its entirety as attached hereto as Annex C.

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 Fifth 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 Fifth Amendment;
- (b) the Agents and the Lenders shall have indicated their consent and agreement by executing this Fifth Amendment; and
- (c) the Borrower shall have paid all of the Agents' fees and expenses and all amounts required under the Loan Documents.

3. Miscellaneous.

(a) Ratification . The terms and provisions set forth in this Fifth 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 Fifth 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 Fifth Amendment, the Original Credit Agreement (as unmodified by this Fifth 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 Fifth 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 Fifth 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 Fifth Amendment shall survive the execution and delivery of this Fifth 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 Fifth Amendment, including without limitation, the reasonable costs and fees of the Agents' legal counsel.

(d) Severability . Any provision of this Fifth Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this

Fifth Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

(e) Applicable Law. This Fifth Amendment shall be governed by and construed in accordance with the laws of the State of New York.

(f) Successors and Assigns. This Fifth 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 Fifth 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 Fifth Amendment are for convenience only and shall not affect the interpretation of this Fifth Amendment.

(i) ENTIRE AGREEMENT. THIS FIFTH 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, Kadant Johnson LLC, Kadant Syntron Holdings, LLC, Syntron Material Handling Group, LLC, Syntron Material Handling Holdings, LLC, Syntron Material Handling Intermediate Holdings, LLC and Syntron Material Handling, LLC (collectively, the "Subsidiary Guarantors" and together with the Borrower, the "Guarantors"), hereby acknowledges the amendments effected pursuant to this Fifth 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. Notwithstanding anything to the contrary contained in this Fifth Amendment or the Original Credit Agreement to the contrary, the Foreign Subsidiary Borrowers shall only be liable for their own Foreign Subsidiary Borrower Obligations and not for the obligations of the Borrower or the other Foreign Subsidiary Borrowers contained in the Original Credit Agreement, as amended by the Fifth Amendment or in any other Loan Document.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth 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/ Jeffrey L. Powell
Name: Jeffrey L. Powell
Title: President and CEO

KADANT U.K. LIMITED
as a Foreign Subsidiary Borrower

By: /s/ Jeffrey L. Powell
Name: Jeffrey L. Powell
Title: Director

KADANT CANADA CORP.
as a Foreign Subsidiary Borrower

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

KADANT JOHNSON EUROPE B.V.
as a Foreign Subsidiary Borrower

By: /s/ Eric T. Langevin
Name: Eric T. Langevin
Title: Director

KADANT LUXEMBOURG S.à r.l.
as a Foreign Subsidiary Borrower

By: /s/ Thomas A. Martin
Name: Thomas A. Martin
Title: Class A Manager

By: /s/ Florence Gerardy
Name: Florence Gerardy
Title: Class B Manager

KADANT JOHNSON DEUTSCHLAND GmbH
as a Foreign Subsidiary Borrower

By: /s/ Eric T. Langevin
Name: Eric T. Langevin
Title: Director

KADANT CAYMAN LTD.
as a Foreign Subsidiary Borrower

By: /s/ Alastair Loxton
Name: Alastair Loxton
Title: Director

By: /s/ Michael Pearson
Name: Michael Pearson
Title: Director

By: /s/ Thomas A. Martin
Name: Thomas A. Martin
Title: Director

Subsidiary Guarantors:

Kadant Black Clawson LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Kadant International Holdings LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Kadant Johnson LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Kadant Syntron Holdings, LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Syntron Material Handling Group, LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Syntron Material Handling Holdings, LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Syntron Material Handling Intermediate Holdings, LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

Syntron Material Handling, LLC

By: /s/ Orrin H. Bean
Name: Orrin H. Bean
Title: Treasurer

CITIZENS BANK, N.A., as Administrative Agent and as a Lender

By: /s/ Robert Anastasio
Name: Robert Anastasio
Title: Senior Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-5)

CITIZENS BANK, N.A., as Multicurrency Administrative Agent and as a Lender

By: /s/ Robert Anastasio
Name: Robert Anastasio
Title: Senior Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-6)

CITIZENS BANK, N.A., as a Lender

By: /s/ Robert Anastasio
Name: Robert Anastasio
Title: Senior Vice President

[Signature Page-Fifth Amendment to Amended and Restated Credit Agreement]
(S-7)

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Christopher S. Allen
Name: Christopher S. Allen
Title: Senior Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-8)

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Kelsey Hehman
Name: Kelsey Hehman
Title: Assistant Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-9)

HSBC BANK USA, N.A.

By: /s/ Kyle Patterson
Name: Kyle Patterson
Title: Senior Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-10)

SANTANDER BANK, N.A.

By: /s/ Benjamin Hildreth
Name: Benjamin Hildreth
Title: Senior Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-11)

JPMORGAN CHASE BANK, N.A.

By: /s/ Amy U. Lesner
Name: Amy U. Lesner
Title: Authorized Officer

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-12)

HSBC BANK CANADA

By: /s/ Douglas Remington
Name: Douglas Remington
Title: Assistant Vice President

[Signature Page- Fifth Amendment to Amended and Restated Credit Agreement]
(S-13)

BANK OF AMERICA, N.A.

By: /s/ Robert C. Megan
Name: Robert C. Megan
Title: Senior Vice President

[Signature Page-Fifth Amendment to Amended and Restated Credit Agreement]
(S-14)

Annex A
Credit Agreement

See attached.

Conformed Copy through that certain First Amendment to Amended and Restated Credit Agreement and Limited Consent, dated as of May 24, 2017, that certain Second Amendment to Second Amended and Restated Credit Agreement, dated as of December 14, 2018, that certain Third Amendment to Amended and Restated Credit Agreement, dated as of March 16, 2020, that certain Fourth Amendment to Amended and Restated Credit Agreement, dated as of May 3, 2021, and that certain Fifth Amendment to Amended and Restated Credit Agreement, dated as of December 9, 2021.

\$400,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

among

KADANT INC.,

as Borrower,

The Foreign Subsidiary Borrowers, from Time to Time Parties Hereto,

The Several Lenders from Time to Time Parties Hereto,

CITIZENS BANK, N.A.,
as Administrative Agent

and

CITIZENS BANK, N.A.,

as Multicurrency Administrative Agent

Dated as of March 1, 2017

CITIZENS BANK, N.A., JPMORGAN CHASE BANK, N.A. and WELLS FARGO SECURITIES, LLC,
as Joint Lead Arrangers and Joint Bookrunners

WELLS FARGO BANK, NATIONAL ASSOCIATION and JPMORGAN CHASE BANK, N.A.,
as Syndication Agents

HSBC BANK USA, NATIONAL ASSOCIATION, HSBC BANK CANADA, SANTANDER BANK, N.A. and U.S. BANK NATIONAL ASSOCIATION,
as Documentation Agents

| | |
|---|-----------|
| SECTION 1. DEFINITIONS | <u>1</u> |
| 1.1 Defined Terms | <u>1</u> |
| 1.2 Other Definitional Provisions | <u>34</u> |
| 1.3 Accounting Terms | <u>35</u> |
| 1.4 Rounding | <u>35</u> |
| 1.5 Times of Day | <u>35</u> |
| 1.6 Letter of Credit Amounts | <u>35</u> |
| 1.7 Currency Conversion | <u>35</u> |
| 1.8 Currency Equivalents Generally | <u>36</u> |
| 1.9 Limited Condition Acquisition Generally. | <u>36</u> |
| 1.10 Rates. | <u>37</u> |
| 1.11 Divisions. | <u>37</u> |
| SECTION 2. AMOUNT AND TERMS OF COMMITMENTS | <u>38</u> |
| 2.1 Revolving Commitments | <u>38</u> |
| 2.2 Procedure for Revolving Loan Borrowing | <u>38</u> |
| 2.3 Swingline Commitment | <u>40</u> |
| 2.4 Procedure for Swingline Borrowing; Refunding of Swingline Loans | <u>40</u> |
| 2.5 Commitment Fees | <u>42</u> |
| 2.6 Termination or Reduction of Revolving Commitments | <u>42</u> |
| 2.7 Optional Prepayments | <u>42</u> |
| 2.8 Mandatory Prepayments of Multicurrency Revolving Loans | <u>43</u> |
| 2.9 Conversion and Continuation Options | <u>43</u> |
| 2.10 Limitations on Interest Period | <u>44</u> |
| 2.11 Interest Rates and Payment Dates | <u>44</u> |
| 2.12 Computation of Interest and Fees | <u>45</u> |
| 2.13 Inability to Determine Interest Rate | <u>46</u> |
| 2.14 Pro Rata Treatment and Payments | <u>47</u> |
| 2.15 Requirements of Law | <u>49</u> |
| 2.16 Taxes | <u>51</u> |
| 2.17 Indemnity | <u>54</u> |
| 2.18 Change of Lending Office | <u>54</u> |
| 2.19 Replacement of Lenders | <u>54</u> |
| 2.20 Judgment Currency | <u>55</u> |
| 2.21 Foreign Currency Exchange Rate | <u>55</u> |
| 2.22 Incremental Revolving Facility | <u>56</u> |
| 2.23 Defaulting Lenders | <u>57</u> |
| 2.24 Benchmark Replacement Setting | <u>59</u> |
| SECTION 3. LETTERS OF CREDIT | <u>60</u> |
| 3.1 L/C Commitment | <u>60</u> |
| 3.2 Procedure for Issuance of Letter of Credit | <u>61</u> |
| 3.3 Fees and Other Charges | <u>62</u> |
| 3.4 L/C Participations | <u>62</u> |
| 3.5 Reimbursement Obligation of the Borrower and the Foreign Subsidiary Borrowers | <u>63</u> |
| 3.6 Obligations Absolute | <u>63</u> |
| 3.7 Letter of Credit Payments | <u>64</u> |

| | |
|--|-----------|
| 3.8 Applications and Designated Letters of Credit | <u>64</u> |
| 3.9 Certain Reporting Requirements | <u>64</u> |
| SECTION 4. REPRESENTATIONS AND WARRANTIES | <u>64</u> |
| 4.1 Financial Condition | <u>64</u> |
| 4.2 No Change | <u>65</u> |
| 4.3 Existence; Compliance with Law | <u>65</u> |
| 4.4 Power; Authorization; Enforceable Obligations | <u>65</u> |
| 4.5 No Bar | <u>65</u> |
| 4.6 Litigation | <u>66</u> |
| 4.7 No Default | <u>66</u> |
| 4.8 Ownership of Property; Liens | <u>66</u> |
| 4.9 Intellectual Property | <u>66</u> |
| 4.10 Taxes | <u>66</u> |
| 4.11 Margin Stock | <u>66</u> |
| 4.12 Labor Matters | <u>66</u> |
| 4.13 ERISA | <u>67</u> |
| 4.14 Investment Company Act | <u>67</u> |
| 4.15 Subsidiaries | <u>67</u> |
| 4.16 Use of Proceeds | <u>67</u> |
| 4.17 Environmental Matters | <u>67</u> |
| 4.18 Accuracy of Information, etc | <u>68</u> |
| 4.19 Solvency | <u>69</u> |
| 4.20 Insurance | <u>69</u> |
| 4.21 Anti-Terrorism Law Compliance; OFAC; Anti-Corruption Laws | <u>69</u> |
| 4.22 EEA Financial Institution | <u>69</u> |
| SECTION 5. CONDITIONS PRECEDENT | <u>69</u> |
| 5.1 Conditions to Initial Extension of Credit | <u>69</u> |
| 5.2 Conditions to Each Extension of Credit | <u>70</u> |
| 5.3 Additional Conditions Applicable to the Foreign Subsidiary Borrowers | <u>71</u> |
| SECTION 6. AFFIRMATIVE COVENANTS | <u>72</u> |
| 6.1 Financial Statements | <u>72</u> |
| 6.2 Certificates; Other Information | <u>72</u> |
| 6.3 Payment of Obligations | <u>73</u> |
| 6.4 Maintenance of Existence; Compliance | <u>73</u> |
| 6.5 Maintenance of Property; Insurance | <u>73</u> |
| 6.6 Inspection of Property; Books and Records; Discussions | <u>73</u> |
| 6.7 Notices | <u>74</u> |
| 6.8 Environmental Laws | <u>74</u> |
| 6.9 Additional Subsidiary Guarantors | <u>75</u> |
| 6.10 Material Contracts | <u>75</u> |
| 6.11 Most Favored Covenant Status | <u>75</u> |
| 6.12 Reorganization | <u>76</u> |
| 6.13 Anti-Corruption Laws | <u>76</u> |
| SECTION 7. NEGATIVE COVENANTS | <u>76</u> |
| 7.1 Financial Condition Covenants | <u>76</u> |

| | | |
|-------|---|------------|
| 7.2 | Indebtedness | <u>76</u> |
| 7.3 | Liens | <u>78</u> |
| 7.4 | Fundamental Changes | <u>79</u> |
| 7.5 | Disposition of Property | <u>80</u> |
| 7.6 | Restricted Payments | <u>80</u> |
| 7.7 | Investments | <u>81</u> |
| 7.8 | Transactions with Affiliates | <u>82</u> |
| 7.9 | Sales and Leasebacks | <u>82</u> |
| 7.10 | Swap Agreements | <u>82</u> |
| 7.11 | Changes in Fiscal Periods | <u>82</u> |
| 7.12 | Clauses Restricting Subsidiary Distributions; Negative Pledges | <u>82</u> |
| 7.13 | Lines of Business | <u>82</u> |
| 7.14 | Discontinued Operations | <u>82</u> |
| 7.15 | Amendments of Organization Documents | <u>83</u> |
| 7.16 | Anti-Terrorism Laws | <u>83</u> |
| 7.17 | Sanctions; Anti-Corruption Laws | <u>83</u> |
| | SECTION 8. EVENTS OF DEFAULT | <u>83</u> |
| | SECTION 9. THE AGENTS | <u>87</u> |
| 9.1 | Appointment | <u>87</u> |
| 9.2 | Delegation of Duties | <u>87</u> |
| 9.3 | Exculpatory Provisions | <u>88</u> |
| 9.4 | Reliance by Administrative Agent and the Multicurrency Administrative Agent | <u>88</u> |
| 9.5 | Notice of Default | <u>88</u> |
| 9.6 | Non-Reliance on Agents and Other Lenders | <u>89</u> |
| 9.7 | Indemnification | <u>89</u> |
| 9.8 | Agent in Its Individual Capacity | <u>90</u> |
| 9.9 | Successor Administrative Agent | <u>90</u> |
| 9.10 | Administrative Agent May File Proofs of Claim | <u>90</u> |
| 9.11 | Erroneous Payments | <u>91</u> |
| | SECTION 10. MISCELLANEOUS | <u>93</u> |
| 10.1 | Amendments and Waivers | <u>93</u> |
| 10.2 | Notices | <u>95</u> |
| 10.3 | No Waiver; Cumulative Remedies | <u>96</u> |
| 10.4 | Survival of Representations and Warranties | <u>97</u> |
| 10.5 | Payment of Expenses and Taxes | <u>97</u> |
| 10.6 | Successors and Assigns; Participations and Assignments | <u>98</u> |
| 10.7 | Adjustments; Set-off | <u>100</u> |
| 10.8 | Counterparts; Electronic Execution | <u>101</u> |
| 10.9 | Severability | <u>101</u> |
| 10.10 | Integration | <u>101</u> |
| 10.11 | GOVERNING LAW | <u>101</u> |
| 10.12 | Submission To Jurisdiction; Waivers | <u>102</u> |
| 10.13 | Acknowledgements | <u>102</u> |
| 10.14 | Releases of Guarantees | <u>102</u> |
| 10.15 | Confidentiality | <u>103</u> |
| 10.16 | WAIVERS OF JURY TRIAL | <u>103</u> |

| | | |
|-------|---|------------|
| 10.17 | Reserved | <u>103</u> |
| 10.18 | Appointment of Process Agent | <u>103</u> |
| 10.19 | Liability of Foreign Subsidiary Borrowers | <u>104</u> |
| 10.20 | Anti-Money Laundering Legislation | <u>104</u> |
| 10.21 | Acknowledgement and Consent to Bail-In of Affected Financial Institutions | <u>104</u> |
| 10.22 | Acknowledgment and Restatement. | <u>104</u> |
| 10.23 | Acknowledgement Regarding Any Supported QFCs | <u>105</u> |

SCHEDULES:

- 1.1 Commitments
- 1.1A Mandatory Costs
- 3.1 Designated Letters of Credit
- 4.4 Consents, Authorizations, Filings and Notices
- 4.8 Material Locations
- 4.12 Labor Matters
- 4.15 Subsidiaries
- 7.2(e) Existing Indebtedness
- 7.3(g) Existing Liens
- 7.7(e) Existing Investments
- 7.8 Affiliate Transactions
- 10.22 Existing Credit

EXHIBITS:

- A Form of Guarantee Agreement
- B Form of Compliance Certificate
- C Subsidiary Certificate
- D Form of Assignment and Assumption
- E Reserved
- F Exemption Certificate
- G Form of Joinder Agreement
- H Reserved
- I Discontinued Operations
- J Form of Promissory Note
- 2.2(a) Notice of Borrowing Revolving Loans
- 2.2(b) Notice of Borrowing Multicurrency Loans

This AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), dated as of March 1, 2017, among KADANT INC., a Delaware corporation (the "Borrower"), the Foreign Subsidiary Borrowers from time to time parties hereto, Subsidiary Guarantors party hereto, the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders"), CITIZENS BANK, N.A., as administrative agent, and CITIZENS BANK, N.A., as multicurrency administrative agent.

WHEREAS, the Administrative Agent, the lenders party thereto, the Borrower and the Foreign Subsidiary Borrowers from time to time parties thereto have entered into financing arrangements pursuant to which such lenders have made loans and advances and provided other financial accommodations to Borrower and such Foreign Subsidiary Borrowers as set forth in the Credit Agreement, dated August 3, 2012, by and among Administrative Agent, such lenders, Borrower and such Foreign Subsidiary Borrowers, as amended by the First Amendment to Credit Agreement and Limited Consent, dated as of November 1, 2013, and Second Amendment to Credit Agreement, dated as of March 29, 2016 (the "Existing Credit Agreement", and together with all agreements, documents and instruments at any time executed and/or delivered in connection therewith or related thereto, as from time to time amended, modified, supplemented, extended, renewed, restated or replaced, collectively, the "Existing Loan Documents");

WHEREAS, Borrower has requested that the Administrative Agent and the Lenders amend and restate the Existing Credit Agreement and continue the existing financing arrangements with Borrower pursuant to which Lenders may make loans and provide other financial accommodations to Borrower; and

WHEREAS, the Administrative Agent and the Lenders have agreed to amend and restate the Existing Credit Agreement and each Lender (severally and not jointly) has agreed to make such loans and provide such other financial accommodations to Borrower on the terms and conditions set forth herein and the Administrative Agent has agreed to continue to act as agent for the Lenders on the terms and conditions set forth herein and the other Loan Documents;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"ACH Transactions": means any cash management or related services (including the Automated Clearing House processing of electronic funds transfers through the direct Federal Reserve Fedline system) provided by any Lender or its Affiliates for the account of the Borrower or its Subsidiaries.

"Additional Lender": as defined in Section 2.22(c).

"Adjusted Eurocurrency Rate": as to any Loan denominated in any applicable Currency (which, as of the date hereof, shall mean Dollars and Euros) for any Interest Period, an interest rate per annum equal to (a) the Eurocurrency Rate for such Currency for such Interest Period divided by (b) one minus the Eurocurrency Reserve Percentage.

“Administrative Agent”: Citizens Bank, N.A., as the administrative agent for the Lenders under this Agreement and the other Loan Documents, together with any of its successors. It is understood that matters concerning the Multicurrency Revolving Loans will be administered by the Multicurrency Administrative Agent and therefore all notices concerning such Multicurrency Revolving Loans will be required to be given at the Boston Funding Office.

“Affected Financial Institution”: (a) any EEA Financial Institution or (b) any UK Financial Institution.

“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.

“Agents”: collectively, the Administrative Agent and the Multicurrency Administrative Agent.

“Aggregate Exposure”: with respect to any Lender at any time, the amount of such Lender’s Revolving Commitment then in effect or, if the Revolving Commitments have been terminated, the amount of such Lender’s Outstanding Revolving Extensions of Credit.

“Aggregate Exposure Percentage”: with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender’s Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

“Agreement”: as defined in the preamble hereto.

“Agreement Currency”: as defined in Section 2.20(b).

“Applicable Creditor”: as defined in Section 2.20(b).

“Applicable Margin”: as set forth on the Pricing Grid.

“Application”: an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to open a Letter of Credit.

“Approved Fund”: as defined in Section 10.6(b).

“Assignee”: as defined in Section 10.6(b).

“Assignment and Assumption”: an Assignment and Assumption, substantially in the form of Exhibit D.

“Available Revolving Commitment”: as to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender’s Revolving Commitment then in effect over (b) such Lender’s Outstanding Revolving Extensions of Credit; provided that in calculating any Lender’s Outstanding Revolving Extensions of Credit for the purpose of determining such Lender’s Available Revolving Commitment pursuant to Section 2.5(a), the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

“Available Tenor”: as of any date of determination and with respect to the then-current Benchmark, as applicable, any tenor for such Benchmark or payment period for interest calculated with reference to such Benchmark, as applicable, that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt,

any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to [Section 2.24\(d\)](#).

“[Bail-In Action](#)”: the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“[Bail-In Legislation](#)”: (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time that is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“[Bank Product Agreements](#)”: means those certain agreements entered into from time to time by the Borrower or its Domestic Subsidiaries in connection with any of the Bank Products.

“[Bank Product Obligations](#)”: means all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by the Borrower or its Domestic Subsidiaries to any Person who at the time of the entry into the related Bank Product Agreement was a Lender or an Affiliate thereof pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

“[Bank Products](#)”: means any service or facility (which, for avoidance of doubt, excludes any lending arrangement not specified in (a) through (g) following) extended to the Borrower or its Domestic Subsidiaries by any Lender, or any Affiliate of such Lender, including: (a) credit cards (including e-credit cards), (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) foreign currency exchange agreements or other foreign currency agreements or arrangements

“[Base Rate](#)”: for any day, means a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1% (b) the rate of interest in effect for such day as publicly announced from time to time by Citizens as its “prime rate”, and (c) (i) prior to the USD LIBOR Transition Date, the Adjusted Eurocurrency Rate for Dollars for a one-month term in effect on such day (taking into account any floor set forth in the definition of “Eurocurrency Rate”) plus 1/2 of 1%, and (ii) on and after the USD LIBOR Transition Date, the Term RFR for Dollars for a one-month tenor in effect on such date plus 1/2 of 1%, or if Daily Simple RFR is the Benchmark for Dollars, Daily Simple RFR for Dollars on such day plus 1/2 of 1%, in each case taking into account any floor set forth in the definition of “Term RFR” or “Daily Simple RFR”, as applicable. The “prime rate” is a rate set by Citizens based upon various factors including Citizens’ costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Citizens shall take effect at the opening of business on the day specified in the public announcement of such change.

“[Base Rate Loans](#)”: Loans the rate of interest applicable to which is based upon the Base Rate.

“[Benchmark](#)”: initially, with respect to any:

(a) obligations, interest, fees, commissions, or other amounts denominated in, or calculated with respect to, Dollars, USD LIBOR; provided that if the USD LIBOR Transition Date has occurred with respect to USD LIBOR or a Benchmark Transition Event, a Term RFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date has occurred with respect to the then-current Benchmark for such Currency, then "Benchmark" means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.24;

(b) obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Pounds Sterling, the Daily Simple RFR applicable for such Currency; provided that if a Benchmark Transition Event or a Term RFR Transition Event has occurred with respect to such Daily Simple RFR or the then-current Benchmark for such Currency, then "Benchmark" means, with respect to such obligations, interest, fees, commissions or other amounts, the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.24;

(c) obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Euros, EURIBOR; provided that if a Benchmark Transition Event has occurred with respect to EURIBOR or the then-current Benchmark for such Currency, then "Benchmark" means, with respect to such Obligations, interest, fees, commissions or other amounts, the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.24; and

(d) obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Canadian Dollars, the CDOR Rate; provided that if a Benchmark Transition Event has occurred with respect to the CDOR Rate or the then-current Benchmark for such Currency, then "Benchmark" means, with respect to such Obligations, interest, fees, commissions or other amounts, the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.24.

"Benchmark Replacement":

(a) with respect to any Benchmark Transition Event for the then-current Benchmark (other than USD LIBOR), the sum of: (i) the alternate benchmark rate selected by the Administrative Agent as the replacement for such Benchmark giving due consideration to (A) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (B) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for such Benchmark for syndicated credit facilities denominated in the applicable Currency at such time and (ii) the related Benchmark Replacement Adjustment; provided that, if such Benchmark Replacement as so determined would be less than the Floor, such Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents; or

(b) with respect to the USD LIBOR Transition Date, for any Available Tenor of USD LIBOR, the first alternative set forth in the order below that can be determined by the Administrative Agent for the USD LIBOR Transition Date:

(i) Term SOFR;

(ii) Daily Simple SOFR; or

(iii) the sum of: (A) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower as the replacement for USD LIBOR giving due consideration to (x) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (y) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement rate for USD LIBOR for syndicated credit facilities denominated in Dollars at such time and (B) the related Benchmark Replacement Adjustment; provided that, if such Benchmark Replacement as so determined would be less than the Floor, such Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents; or

(c) with respect to any Term RFR Transition Event for any Currency, the Term RFR for such Currency.

“Benchmark Replacement Adjustment”: for purposes of clauses (a) and (b)(iii) of the definition of “Benchmark Replacement”, with respect to any replacement of any then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Available Tenor, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for syndicated credit facilities denominated in the applicable Currency at such time.

“Benchmark Replacement Date”: the earliest to occur of the following events with respect to the then-current Benchmark for any Currency:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event”, the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);

(b) in the case of clause (c) of the definition of “Benchmark Transition Event”, the date of the public statement or publication of information referenced therein;

(c) in the case of a Term RFR Transition Event for such Currency, the Term RFR Transition Date applicable thereto; or

(d) in the case of an Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.

For the avoidance of doubt, (A) if the event giving rise to the Benchmark Replacement Date for any Benchmark occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such Benchmark and for such determination and (B) the “Benchmark Replacement Date” will

be deemed to have occurred in the case of clause (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event”: the occurrence of one or more of the following events with respect to the then-current Benchmark (other than USD LIBOR):

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board, the FRBNY, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) or a Governmental Authority having jurisdiction over the Administrative Agent announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Start Date”: with respect to any Benchmark, in the case of a Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

“Benchmark Unavailability Period” means, with respect to (a) the Adjusted Eurocurrency Rate for Dollars, the period (if any) (x) beginning at the time that the USD LIBOR Transition Date has occurred pursuant to clause (a) of that definition if, at such time, no Benchmark Replacement has replaced the Adjusted Eurocurrency Rate for Dollars for all purposes hereunder and under the other Loan Documents in accordance with Section 2.24 and (y) ending at the time that a Benchmark Replacement has replaced the Adjusted Eurocurrency Rate for Dollars for all purposes hereunder and under the other Loan Documents in accordance with Section 2.24 and (b) any then-current Benchmark for any Currency other than the Adjusted Eurocurrency Rate for Dollars, the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (a) or (b) of that definition has occurred if, at such

time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes under this Agreement and under any other Loan Document in accordance with [Section 2.24](#) and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes under this Agreement and under any other Loan Document in accordance with [Section 2.24](#).

“[Benefitted Lender](#)”: as defined in Section 10.7(a).

“[Board](#)”: the Board of Governors of the Federal Reserve System of the United States (or any successor).

“[Borrower](#)”: as defined in the preamble hereto.

“[Borrowing Date](#)”: any Business Day specified by either the Borrower or a Foreign Subsidiary Borrower as a date on which the Borrower or any such Foreign Subsidiary Borrower requests the relevant Lenders to make Loans hereunder.

“[Boston Funding Office](#)”: the office of the Multicurrency Administrative Agent specified in Section 10.2 or such other office as may be specified from time to time by the Multicurrency Administrative Agent as its funding office by written notice to the Borrower, the Foreign Subsidiary Borrowers, the Administrative Agent and the Lenders.

“[Business](#)”: as defined in Section 4.17(b).

“[Business Day](#)”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that (a) if the applicable Business Day relates to any Eurocurrency Rate Loans denominated in Dollars, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurocurrency market, and (b) if the applicable Business Day relates to Obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, (i) Dollars, on and after the USD LIBOR Transition Date, any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities, (ii) Pounds Sterling, any day except for a Saturday, Sunday or a day on which banks are closed for general business in London, (iii) Euros, a Target Day and (iv) Canadian Dollars, any day except for a Saturday, Sunday or a day on which banks are not required or authorized to close in Toronto.

“[Calculation Date](#)”: with respect to each Foreign Currency, the fifteenth and last day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day) and such other days from time to time as the Administrative Agent shall designate as a “Calculation Date”; provided that the third Business Day preceding each Borrowing Date with respect to, and each date of any continuation of, any Multicurrency Revolving Loan shall also be a “Calculation Date” with respect to the relevant Foreign Currency.

“[Canadian Dollars](#)”: means the lawful currency of Canada.

“[Canadian Lending Branch](#)”: means, with respect to any Lender, any office, branch, subsidiary or Affiliate of such Lender that is designated in writing by such Lender to the Administrative Agent and the Multicurrency Administrative Agent as being responsible for funding or maintaining the portion of the Revolving Commitment, Loans or other extensions of credit of such Lender hereunder to a Foreign Subsidiary Borrower domiciled in Canada which Canadian Lending Branch shall deliver a joinder to this Agreement in form and substance acceptable to the Agents and the Borrower; provided,

that if any portion of a Revolving Commitment, Loan or other extension of credit hereunder is being provided by a Canadian Lending Branch of any Lender, then, except as specifically set forth in this Agreement, (i) such Lender and its Canadian Lending Branch shall constitute a single "Lender" and "Multicurrency Lender" under this Agreement and the other Loan Documents, (ii) the commitments of such Lender and its Canadian Lending Branch shall constitute a single "Revolving Commitment" and "Multicurrency Revolving Subcommitment" under this Agreement and the other Loan Documents and (iii) any consent given by such Lender with respect to any amendment, waiver or other modification of any term of this Agreement or any other Loan Document shall be deemed given on behalf of itself and the Canadian Lending Branch.

"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, 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 Collateral Account": as defined in Section 2.8(a).

"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 Lender or 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 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 Lender or 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 Lender or 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.

"CDOR Rate": with respect to each day during each Interest Period pertaining to a Multicurrency Revolving Loan denominated in Canadian Dollars, is a rate per annum equal to the average of the annual yield rates applicable to Canadian Dollar banker's acceptances at or about 10:00 a.m. (Toronto, Ontario time) two Business Days prior to the beginning of such Interest Period as reported on the "CDOR page" (or any display substituted therefor) of Reuters Monitor Money Rates Service (or such other page or commercially available source displaying Canadian interbank bid rates for Canadian Dollar bankers' acceptances as may be designated by the Multicurrency Administrative Agent from time to time) for a term equivalent to such Interest Period (or if such Interest Period is not equal to a number of months, for a term equivalent to the number of months closest to such Interest Period); provided that, in no event shall the CDOR Rate be less than 0%.

"CDOR Rate Loans": any Loan bearing interest at a rate based on the CDOR Rate.

"Change in Law": means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control": (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 Borrower or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated, appointed or approved by the board of directors of the Borrower 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 Borrower's proxy statement).

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commitment Fee Rate": as set forth on the Pricing Grid.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

“Conforming Changes”: with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of breakage provisions, and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“Consolidated EBITDA”: 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 Loans), (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 Borrower 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 Administrative Agent, provided that the Company has demonstrated to the reasonable satisfaction of the Administrative Agent 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 Borrower or any Subsidiary shall have made any Pro Formable Disposition (as defined below), 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 Borrower or any Subsidiary shall have made a Pro Formable Acquisition (as defined below), 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 Borrower and its Subsidiaries; and "Pro Formable Disposition" means any Disposition of property or series of related Dispositions of property outside of the ordinary course of business that yields gross proceeds to the Borrower or any of its Subsidiaries.

"Consolidated Interest Coverage Ratio": 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": for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of the Borrower and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Borrower 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": 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 such Reference Period.

"Consolidated Net Income": for any period, the consolidated net income (or loss) of the Borrower 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 Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries.

"Consolidated Tangible Assets": the total assets of the Borrower and its consolidated Subsidiaries less their consolidated Intangible Assets. For purposes of this definition, "Intangible Assets" means the amount of (i) all write-ups in the book value of any asset owned by the Borrower or a consolidated Subsidiary and (ii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service.

"Consolidated Total Assets": as of any date of determination, the total amount of all assets of the Borrower and its consolidated Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

"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.

“**Contractual Obligation**”: 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**”: 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.

“**Corresponding Tenor**”: with respect to any Available Tenor, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

“**Currency**”: Dollars and any Foreign Currency.

“**Daily Simple RFR**”: for any day (an “**RFR Rate Day**”), a rate per annum equal to, with respect to (a) Dollars, on and after the USD LIBOR Transition Date, the greater of (i) Spread Adjusted SOFR for the day (such day “i”) that is five (5) Business Days prior to (A) if such RFR Rate Day is a Business Day, such RFR Rate Day or (B) if such RFR Rate Day is not a Business Day, the Business Day immediately preceding such RFR Rate Day, in each case, utilizing the SOFR component of such Spread Adjusted SOFR that is published by the SOFR Administrator on the SOFR Administrator’s Website, and (ii) the Floor, and (b) Pounds Sterling, the greater of (i) Spread Adjusted SONIA for the day (such day “i”) that is five Business Days prior to (A) if such RFR Rate Day is a Business Day, such RFR Rate Day or (B) if such RFR Rate Day is not a Business Day, the Business Day immediately preceding such RFR Rate Day, in each case, as such SONIA is published by the SONIA Administrator on the SONIA Administrator’s Website, and (ii) the Floor. If by 5:00 P.M. (local time for the applicable RFR) on the second Business Day immediately following any day “i”, the RFR in respect of such day “i” has not been published on the applicable RFR Administrator’s Website and a Benchmark Replacement Date with respect to the applicable Daily Simple RFR has not occurred, then the RFR for such day “i” will be the RFR as published in respect of the first preceding Business Day for which such RFR was published on the RFR Administrator’s Website; provided that any RFR determined pursuant to this sentence shall be utilized for purposes of calculation of Daily Simple RFR for no more than ten consecutive RFR Rate Days. Any change in Daily Simple RFR due to a change in the applicable RFR shall be effective from and including the effective date of such change in the RFR without notice to the Borrower.

“**Daily Simple RFR Loan**”: any Loan bearing interest at a rate based on the Daily Simple RFR other than pursuant to clause (c) of the definition of “Base Rate”.

“**Default**”: any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“**Defaulting Lender**”: means, subject to Section 2.23(e), any Lender that has (a) failed to (i) fund all or any portion of the Revolving Loans, participations in L/C Obligations, participations in Swingline Loans, required to be funded by it hereunder within two (2) Business Days of the date required to be funded by it hereunder, unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable Default, shall be specifically identified in such writing) has not been satisfied or (ii) pay to Administrative Agent, any Issuing Lender, any Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within two (2) Business Days of the date when due, (b) notified Borrower, the Administrative Agent, the Multicurrency Administrative Agent, any Issuing Lender, the Swingline Lender, or any Lender in writing that it does not

intend to comply with any of its funding obligations under this Agreement or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable Default, shall specifically be identified in such writing or public statement) cannot be satisfied), (c) failed, within three Business Days after written request by the Administrative Agent or the Multicurrency Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans; provided that any such Lender shall cease to be a Defaulting Lender under this clause (c) upon receipt of such confirmation by the Administrative Agent or the Multicurrency Administrative Agent, (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any debtor relief law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender or (e) become the subject of a Bail –in Action. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (e) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.23(e)) upon delivery of written notice of such determination to the Borrower, each Issuing Lender, each Swingline Lender and each Lender.

“Designated Jurisdiction”: means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Designated Letters of Credit”: each letter of credit and/or bank guarantee designated on the Effective Date by the Borrower, with the consent of the issuer of such letter of credit, as a “Letter of Credit” hereunder in Schedule 3.1. The issuer of any such Designated Letter of Credit shall be deemed to be an Issuing Lender for the purposes hereof and shall have all the rights and be subject to all the limitations of an Issuing Lender hereunder.

“Discontinued Operations”: as described on Exhibit I.

“Disposition”: 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.

“Disregarded Default”: all Defaults or Events of Default, other than those Events of Default set forth in Sections 8(a), 8(f), 8(i) and 8(j).

“Division”: the division of the assets, liabilities and/or obligations of a Person (the “Dividing Person”) among two or more Persons, whether pursuant to a “plan of division” or similar arrangement pursuant to Section 18-217 of the Delaware Limited Liability Company Act or any similar provision under the laws of any other applicable jurisdiction and pursuant to which the Dividing Person may or may not survive.

“Documentation Agents”: HSBC Bank USA, National Association, HSBC Bank Canada, Santander Bank, N.A., and U.S. Bank National Association.

“Dollar Equivalent”: at any time as to any amount denominated in a Foreign Currency except as otherwise provided in Section 2.21, the equivalent amount in Dollars as determined by the Multicurrency Administrative Agent at such time on the basis of the Exchange Rate for the purchase of Dollars with such Foreign Currency on the most recent Calculation Date for such Foreign Currency.

“Dollar L/C Obligations”: at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Dollar Letters of Credit and (b) the aggregate amount of drawings under Dollar Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

“Dollar Letter of Credit”: any Letter of Credit and/or bank guarantee denominated in Dollars.

“Dollar Revolving Lender”: any Lender that holds a Dollar Revolving Loan.

“Dollar Revolving Loans”: as defined in Section 2.1(a).

“Dollars” and “\$”: dollars in lawful currency of the United States.

“Domestic Subsidiary”: any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

“Early Opt-in Election”: if the then-current Benchmark for obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Dollars is USD LIBOR, the occurrence of:

(a) a notification by the Administrative Agent to (or the request by the Borrower to the Administrative Agent to notify) each of the other parties to this Agreement that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and

(b) the joint election by the Administrative Agent and the Borrower to trigger a fallback from USD LIBOR and the provision by the Administrative Agent of written notice of such election to the Lenders.

“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.

“EEA Financial Institution”: (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country”: any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority”: any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Date”: March 1, 2017 the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied (or waived in accordance with Section 10.1).

“EMU”: the Economic and Monetary Union as contemplated in the Treaty.

“EMU Legislation”: means the legislative measures of the European Council (including the European Council regulations) for the introduction of, changeover to or operation of the Euro in one or more member states.

“Environmental Laws”: 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.

“Equity Interests”: means, with respect to any Person, all of the shares of Capital Stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Erroneous Payment” has the meaning assigned to such term in Section 9.11(a).

“Erroneous Payment Deficiency Assignment” has the meaning assigned to such term in Section 9.11(d)(i).

“Erroneous Payment Impacted Class” has the meaning assigned to such term in Section 9.11(d)(i).

“Erroneous Payment Return Deficiency” has the meaning assigned to such term in Section 9.11(d)(i).

“Erroneous Payment Subrogation Rights” has the meaning assigned to such term in Section 9.11(e).

“EU Bail-In Legislation Schedule”: means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“EURIBOR”: as defined in the definition of “Eurocurrency Rate”.

“EURIBOR Rate”: as defined in the definition of “Eurocurrency Rate”.

“Euro”: the single currency of Participating Member States of the EMU introduced in accordance with the provisions of Article 123 of the Treaty and, in respect of all payments to be made under this Agreement in Euro, means immediately available, freely transferable funds in such currency.

“Eurocurrency Rate”: with respect to any Loan for any Interest Period:

(a) denominated in Dollars, the greater of (i) the rate per annum equal to the London interbank offered rate as administered by the IBA (or any other Person that takes over the administration of such rate) for Dollars for a period equal in length to such Interest Period, as displayed on the applicable Reuters or Bloomberg page (or on any successor or substitute page or service providing such quotations as determined by the Administrative Agent from time to time; in each case, the “USD LIBOR Rate”) at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period; and (ii) the Floor; and

(b) denominated in Euros, the greater of (i) the rate per annum equal to the Euro Interbank Offered Rate (“EURIBOR”) as administered by the European Money Markets Institute (or any other Person that takes over the administration of such rate) for a period equal in length to such Interest Period, as displayed on the applicable Reuters or Bloomberg page (or on any successor or substitute page or service providing such quotations as determined by the Administrative Agent from time to time; in each case, the “EURIBOR Rate”) at approximately 11:00 a.m. (Brussels time) two Business Days prior to the commencement of such Interest Period; and (ii) the Floor.

“Eurocurrency Rate Loan”: a Loan that bears interest at a rate based on the Adjusted Eurocurrency Rate other than pursuant to clause (c) of the definition of Base Rate.

“Eurocurrency Reserve Percentage”: for any day during any Interest Period, the reserve percentage in effect on such day, whether or not applicable to any Lender, under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, special, supplemental or other marginal reserve requirement) with respect to eurocurrency funding (currently referred to as “Eurocurrency liabilities” in Regulation D) or any other reserve ratio or analogous requirement of any central banking or financial regulatory authority imposed in respect of the maintenance of the Revolving Commitments or the funding of the Loans. The Adjusted Eurocurrency Rate for each outstanding Eurocurrency Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurocurrency Reserve Percentage.

“Event of Default”: any of the events specified in Section 8; provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Exchange Act”: the Securities and Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“Exchange Rate”: on any day, with respect to any Currency, the 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 Administrative Agent, or, in the event no such service is selected, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Currency are then being conducted, at or about

11:00 A.M., local time, on such date for the purchase of the relevant Currency for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Borrower, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

“Existing Credit Agreement”: as defined in the recitals.

“Existing Loan Documents”: as defined in the recitals.

“FATCA”: Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

“FCA”: as defined in Section 1.10.

“Federal Funds Rate”: for any day, a rate per annum (expressed as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, (b) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average of the quotations for such day on such transactions received by Administrative Agent from three federal funds brokers of recognized standing selected by it and (c) if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Fee Payment Date”: (a) the third Business Day following the last day of each March, June, September and December; provided that in the event that the Borrower shall not have received an invoice from the Administrative Agent prior to such third Business Day specifying the amount of fees due and payable on any such date, the Borrower shall not be required to make such payment until one Business Day following such receipt and (b) the last day of the Revolving Commitment Period.

“Fifth Amendment”: the Fifth Amendment to Amended and Restated Credit Agreement, dated as of December 9, 2021, entered into among the Agents, the Borrower, the Foreign Subsidiary Borrowers and the Subsidiary Guarantors.

“Fifth Amendment Effective Date”: the date all of the conditions precedent in the Fifth Amendment are satisfied.

“Floor”: zero percent (0.00%).

“Foreign Currency”: Pounds Sterling, Euros and Canadian Dollars.

“Foreign Subsidiary”: any Subsidiary of the Borrower that is not a Domestic Subsidiary.

“Foreign Subsidiary Borrower Obligations”: as defined in Section 1.1 of the Guarantee Agreement.

“Foreign Subsidiary Borrowers”: each Foreign Subsidiary of the Borrower that becomes a party hereto as of the date hereof or hereafter; provided that, without the prior written consent of the Administrative Agent and each of the Lenders, the only Foreign Subsidiaries of the Borrower permitted to become parties hereto shall be Kadant U.K. Limited, Kadant Johnson Europe B.V, Kadant Canada Corp., Kadant Johnson Deutschland GmbH, Kadant Cayman Ltd. and Kadant Luxembourg S.à.r.l.

“FRBNY”: the Federal Reserve Board of New York.

“Funding Office”: the office of the Administrative Agent specified in Section 10.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

“GAAP”: generally accepted accounting principles in the United States as in effect from time to time.

“Governmental Authority”: 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).

“Group Members”: the collective reference to the Borrower and its Subsidiaries.

“Guarantee Agreement”: the Amended and Restated Guarantee Agreement to be executed and delivered by the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A.

“Guarantee Obligation”: 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 Borrower in good faith.

“IBA”: as defined in Section 1.10.

“Incremental Revolving Commitment Increase”: as defined in Section 2.22(a).

“Incremental Revolving Commitment Increase Lender”: as defined in Section 2.22(e).

“Indebtedness”: of any Person at any date, 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) Capital Stock of such Person that is subject to mandatory redemption on or prior to the date that is 90 days prior to the Revolving Termination Date or (2) all Capital Stock of such Person redeemable at the option of the holder thereof, in whole or in part on or prior to the date that is 90 days prior to the Revolving Termination Date, (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 Section 8(e) only, the Swap Termination Value 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.

“Indemnified Liabilities”: as defined in Section 10.5.

“Indemnitee”: as defined in Section 10.5.

“Insolvency”: with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

“Insolvent”: pertaining to a condition of Insolvency.

“Intellectual Property”: the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date”: (a) as to any Base Rate Loan (other than any Swingline Loan) or Daily Simple RFR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan; (b) as to any Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan having an Interest Period of three months or less, the last day of such Interest Period; (c) as to any Eurocurrency Rate Loan or Term RFR Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of

such Interest Period and the last day of such Interest Period, (d) as to any Loan (other than any Revolving Loan that is an Base Rate Loan and any Swingline Loan), the date of any repayment or prepayment made in respect thereof; (e) as to any Loan, the Revolving Termination Date; and (f) as to any Swingline Loan, the day that such Loan is required to be repaid.

“Interest Period”: as to any Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Loan and ending one, three or (except in the case of CDOR Rate Loans) six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Loan and ending one, three or (except in the case of CDOR Rate Loans) six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M., New York City time, in the case of Revolving Loans denominated in Dollars, and 11:00 A.M., New York City time, in the case of Multicurrency Revolving Loans, on the date that is four Business Days prior to the last day of the then current Interest Period with respect thereto; provided, that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) the Loan Parties may not select an Interest Period that would extend beyond the Revolving Termination Date;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iv) the Loan Parties shall select Interest Periods so as not to require a payment or prepayment of any Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan during an Interest Period for such Loan.

“Investments”: as defined in Section 7.7.

“Issuing Lender”: in the case of letters of credit: (a) Citizens Bank, N.A. or any Affiliate thereof, or any other consenting Lender reasonably acceptable to the Borrower and the Administrative Agent, or any consenting Affiliate thereof, in each case, in its capacity as issuer of any Letter of Credit and (b) any issuer of any Designated Letter of Credit; and in the case of bank guarantees, any Lender or any Affiliate thereof reasonably acceptable to the Borrower and the Administrative Agent which has expressly agreed in writing to issue bank guarantees.

“Joint Lead Arrangers”: Citizens Bank, N.A., JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners.

“Judgment Currency”: as defined in Section 2.20(b).

“L/C Commitment”: \$80,000,000. The L/C Commitment is part of, and not in addition to, the Revolving Commitment.

"L/C Obligations": the collective reference to Dollar L/C Obligations and Multicurrency L/C Obligations.

"L/C Participants": the collective reference to all the Revolving Lenders other than the applicable Issuing Lender.

"LCA Election": as defined in Section 1.9.

"LCA Test Date": as defined in Section 1.9.

"Lenders": as defined in the preamble hereto and the Canadian Lending Branch of any Lender (subject to the definition of Canadian Lending Branch) .

"Letters of Credit": as defined in Section 3.1(a).

"Lien": 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).

"Limited Condition Acquisition" any Permitted Acquisition by one or more of the Borrower or any of its Subsidiaries of or in any assets, business or Person permitted by this Agreement whose consummation is not conditioned on the availability of, or on obtaining, third party financing.

"Limited Condition Acquisition Target" the target entity or entities in a Limited Condition Acquisition.

"Limited Condition Financing" any incurrence of Indebtedness related to, and identified at the time of, any Limited Condition Acquisition.

"Limited Funding Conditions" (1) The representations and warranties (x) set forth in Sections 4.3(a), 4.3(e), 4.4, 4.11, 4.14, 4.19 and 4.21 as those representations and warranties relate to the Borrower, and (y) (limited to the best of the knowledge of the Loan Parties) those representations and warranties made by or with respect to the Limited Condition Acquisition Target in the acquisition agreement entered into in connection with the applicable Limited Condition Acquisition as are material to the interests of the Lenders, but only to the extent the applicable Loan Party is entitled to terminate such Limited Condition Acquisition agreement on the basis of such representations and warranties, are, in each case, true, accurate and complete; (2) the Limited Condition Acquisition shall constitute a "Permitted Acquisition", except that 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 (3) on the date of the Revolving Loan for a Limited Condition Financing in connection with the consummation of the applicable Limited Condition Acquisition, the Borrower shall (I) certify that no Default or Event of Default (based on the Borrower's knowledge with respect to the applicable Limited Condition Acquisition Target) has occurred or is continuing both before and after giving effect to such Loan and the applicable Limited Condition Acquisition or Limited Condition Financing, 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 applicable Loan for the Limited Condition Acquisition and provide a list of all Disregarded Defaults (and with respect to the Limited Condition Acquisition Target based upon the Borrower's or any of its Subsidiaries' knowledge) that have occurred and are continuing as of such date. The Lenders' commitment to fund any Revolving Loan for a Limited Condition Acquisition 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 Limited Condition Acquisition or Limited Condition Financing 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 Limited Funding Conditions apply solely to a Limited Condition Acquisition and Limited Condition Financing and not to any other funding under this Agreement.

“Loan”: any loan made by any Lender pursuant to this Agreement.

“Loan Documents”: this Agreement, the Guarantee Agreement, the Notes, any Sharing Agreement, each Application and other documents relating to a Letter of Credit, and any amendment, waiver, supplement or other modification to any of the foregoing.

“Loan Parties”: each Group Member that is a party to a Loan Document from time to time.

“Mandatory Costs”: the percentage rate per annum calculated by the Administrative Agent in accordance with Schedule 1.1A.

“March 5 Statements”: as defined in Section 1.10.

“Material Acquisition”: 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 a Permitted Acquisition as a Material Acquisition for purposes of Section 7.1(a).

“Material Adverse Effect”: means (A) a material adverse change in, or a material adverse effect on, the operations, business, assets, properties, liabilities (actual or contingent), or condition (financial or otherwise) of the Borrower and its Subsidiaries, in each case, taken as a whole, (B) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Documents, or (C) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or its Subsidiaries of any Loan Document to which it is a party .

“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”: each Domestic Subsidiary that is also a Material Subsidiary.

“Material Indebtedness”: means as to Borrower or any of its Subsidiaries, any Indebtedness of the Borrower 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”: any (a) Foreign Subsidiary Borrower and (b) any other Subsidiary of the Borrower (i) the Consolidated Tangible Assets of which exceed 10% of the Consolidated Tangible

Assets of the Borrower 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 Borrower 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 Borrower 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 Borrower (or, if the Borrower 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.

“Materials of Environmental Concern”: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

“Multicurrency Administrative Agent”: Citizens Bank, N.A., together with its Affiliates and any successors.

“Multicurrency L/C Obligations”: at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Multicurrency Letters of Credit and (b) the aggregate amount of drawings under Multicurrency Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

“Multicurrency Lender”: any Lender with a Multicurrency Revolving Subcommitment or that holds Multicurrency Revolving Extensions of Credit and for purposes of Sections 2.15, 2.16 and 2.17.

“Multicurrency Letter of Credit”: any Letter of Credit denominated in one or more Foreign Currencies.

“Multicurrency Revolving Extensions of Credit”: as to any Multicurrency Lender at any time, an amount equal to the sum of (a) the aggregate principal amount (based on the Dollar Equivalent thereof) of all Multicurrency Revolving Loans held by such Lender then outstanding and (b) such Multicurrency Lender’s Multicurrency Revolving Percentage of the Multicurrency L/C Obligations then outstanding (based on the Dollar Equivalent thereof).

“Multicurrency Revolving Loans”: as defined in Section 2.1(c).

“Multicurrency Revolving Percentage”: as to any Multicurrency Lender at any time, the percentage which such Lender’s Multicurrency Revolving Subcommitment then constitutes of the Total Multicurrency Revolving Subcommitments or, at any time after the Multicurrency Revolving Subcommitments shall have expired or terminated, the percentage which the aggregate amount of such Lender’s Multicurrency Revolving Extensions of Credit then outstanding constitute of the aggregate amount of the Multicurrency Revolving Extensions of Credit then outstanding.

“Multicurrency Revolving Subcommitment”: as to any Lender, the obligation of such Lender to make Multicurrency Revolving Loans and participate in Multicurrency Letters of Credit in an aggregate principal amount (based on the Dollar Equivalent thereof) not to exceed the amount set forth under the heading “Multicurrency” 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.

“Multicurrency Sublimit”: \$250,000,000, which shall part of and included in the Revolving Commitment.

“Multiemployer Plan”: a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Net Revenue”: 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.

“Non-Consenting Lender”: as defined in Section 10.1.

“Non-Excluded Taxes”: as defined in Section 2.16(a).

“Non-U.S. Lender”: as defined in Section 2.16(d).

“Notes”: the collective reference to any promissory note evidencing Loans.

“Notice of Borrowing of Multicurrency Loan”: as defined in Section 2.2(b).

“Notice of Borrowing of Revolving Loan”: as defined in Section 2.2(a).

“Obligations”: the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest and fees accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower and any Foreign Subsidiary Borrower, whether or not a claim for post-filing or post-petition interest or fees are allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower and the Foreign Subsidiary Borrowers to the Administrative Agent, the Multicurrency Administrative Agent or to any Lender (or in the case of any Specified Swap Agreement, or Bank Products Obligations, any Person that was a Lender or an Affiliate of a Lender at the time such Specified Swap Agreement or the Bank Product Agreement creating such Bank Product Obligations, as applicable, was entered into), including without limitation, Bank Product Obligations, or obligations under any Specified Swap Agreement, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, any Specified Swap Agreement, Bank Product Agreement or any other document made, delivered or given in connection herewith or therewith, in each case either direct or indirect, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent, the Multicurrency Administrative Agent or to any Lender that are required to be paid by the Borrower or any Foreign Subsidiary Borrower pursuant hereto) or otherwise. For the avoidance of doubt, “Obligations” shall include all Foreign Subsidiary Borrower Obligations.

“OFAC”: means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Organization Documents”: (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.

“Other Taxes”: any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Outstanding Revolving Extensions of Credit”: as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans (or the Dollar Equivalent thereof in the case of Multicurrency Revolving Loans) held by such Lender then outstanding, (b) such Lender’s Revolving Percentage of the L/C Obligations (or the Dollar Equivalent thereof in the case of Multicurrency L/C Obligations) then outstanding, and (c) such Lender’s Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding.

“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 Borrower and its Subsidiaries arising under or in connection with the PAAL Lease.

“Participant”: as defined in Section 10.6(c).

“Participating Member State”: a member of the European Union that adopts or has adopted the Euro as its currency in accordance with EMU Legislation.

“Payment Recipient” has the meaning assigned to such term in Section 9.11(a).

“PBGC”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Permitted Acquisition”: any acquisition, by merger or otherwise, by the Borrower 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 any such Capital Stock becoming a Subsidiary and, to the extent required by Section 6.9, 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 Borrower 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 Section 7.2), with the covenants set forth in Section 7.1, 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 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,

(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 Borrower or its Subsidiaries are engaged on the Effective Date which is the industrial processing equipment or services business or businesses reasonably related thereto,

(h) the Administrative Agent receives at least 5 days prior written notice of such acquisition and satisfactory evidence demonstrating pro forma compliance with the financial covenants contained in Section 7.1(a) and (b) at the time of such acquisition after giving effect thereto, and

(i) such acquisition, if a Limited Condition Acquisition, complies with Section 1.9 hereof.

"Permitted Sale Leaseback": any Sale Leaseback consummated by the Borrower or any of its Subsidiaries; **provided** that any such Sale Leaseback not between the Borrower 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 Borrower or any such Subsidiary.

"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.

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Borrower 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.

"Platform": IntraLinks or another similar electronic system on which information and materials can be posted and made available for review.

“Pounds” or “£” or “Pounds Sterling”: the lawful money of the United Kingdom.

“Pricing Grid”: means the table set forth below.

| Level | Consolidated Leverage Ratio | Commitment (bps) | Eurocurrency Rate, CDOR Rate and RFR (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 | 0.0 |

For the purposes of the Pricing Grid, changes in the Applicable Margin or the Commitment Fee Rate resulting from changes in the Consolidated Leverage Ratio shall become effective on the date that is three Business Days after the date on which financial statements are delivered to the Lenders pursuant to Section 6.1 and shall remain in effect until the next change to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified in Section 6.1, then, until the date that is three Business Days after the date on which such financial statements are delivered, the highest rate set forth in each column of the Pricing Grid shall apply. In addition, at all times while an Event of Default shall have occurred and be continuing, the highest rate set forth in each column of the Pricing Grid shall apply. Level V shall apply until the date that is three (3) Business Days after the date on which financial statements are delivered to the Lenders pursuant to Section 6.1 and shall remain in effect until the next change to be effected pursuant to this paragraph.

“Properties”: as defined in Section 4.17(a).

“Reference Period”: as defined in the definition of Consolidated EBITDA.

“Reference Time” means, with respect to any setting of the then-current Benchmark for any Currency (a) if such Benchmark is a Daily Simple RFR, (i) if the RFR for such Benchmark is SOFR, then four Business Days prior to (A) if the date of such setting is a Business Day, such date or (B) if the date of such setting is not a Business Day, the Business Day immediately preceding such date, and (ii) if the RFR for such Benchmark is SONIA, then four Business Days prior to (A) if the date of such setting is a Business Day, such date or (B) if the date of such setting is not a Business Day, the Business Day immediately preceding such date, (b) if such Benchmark is an Adjusted Eurocurrency Rate, (i) if the applicable Adjusted Eurocurrency Rate for such Benchmark is based upon USD LIBOR, then 11:00 a.m. (London time) on the day that is two Business Days preceding the date of such setting, and (ii) if the applicable Adjusted Eurocurrency Rate for such Benchmark is based upon EURIBOR, then 11:00 a.m. (Brussels time) on the day that is two Business Days preceding the date of such setting, (c) if such Benchmark is the CDOR Rate, then 10:00 a.m. (Toronto, Ontario time) on the day that is two Business Days preceding the date of such setting, and (d) otherwise, then the time determined by the Administrative Agent, including in accordance with the Conforming Changes.

“Refunded Swingline Loans”: as defined in Section 2.4(b).

“Register”: as defined in Section 10.6(b).

“Regulation U”: Regulation U of the Board as in effect from time to time.

“Reimbursement Obligation”: the obligation of the Borrower or any Foreign Subsidiary Borrower, as the case may be, to reimburse any Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

“Related Parties”: with respect to any Person, such Person’s Affiliates and the partners, members, directors, officers, employees, agents, trustees, administrators, managers, advisors, attorneys-in-fact and representatives of such Person and of such Person’s Affiliates.

“Relevant Governmental Body”: (a) with respect to a Benchmark Replacement in respect of obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Dollars, the Federal Reserve Board or the FRBNY, or a committee officially endorsed or convened by the Federal Reserve Board or the FRBNY, or any successor thereto, (b) with respect to a Benchmark Replacement in respect of obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Pounds Sterling, the Bank of England, or a committee officially endorsed or convened by the Bank of England or, in each case, any successor thereto, (c) with respect to a Benchmark Replacement in respect of obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, Euros, the European Central Bank, or a committee officially endorsed or convened by the European Central Bank or, in each case, any successor thereto, and (d) with respect to a benchmark replacement in respect of obligations, interest, fees, commissions or other amounts denominated in, or calculated with respect to, any other Currency, (1) the central bank for the Currency in which such obligations, interest, fees, commissions or other amounts are denominated, or calculated with respect to, or any central bank or other supervisor which is responsible for supervising either (A) such benchmark replacement or (B) the administrator of such benchmark replacement or (2) any working group or committee officially endorsed or convened by (A) the central bank for the currency in which such obligations, interest, fees, commissions or other amounts are denominated, or calculated with respect to, (B) any central bank or other supervisor that is responsible for supervising either (i) such benchmark replacement or (ii) the administrator of such benchmark replacement, (C) a group of those central banks or other supervisors or (D) the Financial Stability Board or any part thereof.

“Reorganization”: with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event”: 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.

“Required Lenders”: at any time, the holders of more than 50% of the Revolving Commitments then in effect or, if the Revolving Commitments have been terminated, the Outstanding Revolving Extensions of Credit. (The Revolving Commitments or the Outstanding Revolving Extensions of Credit, as applicable, of any Defaulting Lender shall be disregarded in determining “Required Lenders” at any time.)

“Requirement of Law”: as to any Person, the Organization Documents, 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.

“Reset Date”: as defined in Section 2.21.

“Resolution Authority”: an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Responsible Officer”: the chief executive officer, president, chief financial officer, treasurer or executive vice president of the Borrower, but in any event, with respect to financial matters, the chief financial officer or treasurer of the Borrower.

“Restricted Payments”: as defined in Section 7.6.

“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.

“Revolving Commitment Period”: the period from and including the Effective Date to the Revolving Termination Date.

“Revolving Credit Facility”: the Total Revolving Commitments and the extensions of credit made thereunder, including the multicurrency subfacility.

“Revolving Lender”: each Lender that has a Revolving Commitment or that holds Revolving Loans.

“Revolving Loans”: the collective reference to Dollar Revolving Loans and Multicurrency Revolving Loans.

“Revolving Percentage”: as to any Revolving Lender at any time, the percentage which such Lender’s Revolving Commitment then constitutes of the Total Revolving Commitments or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender’s Outstanding Revolving Extensions of Credit then outstanding constitutes of the aggregate Outstanding Revolving Extensions of Credit of all Lenders then outstanding.

“Revolving Termination Date”: December 14, 2023 unless sooner terminated in accordance with the terms hereof.

“RFR”: for any Loan denominated in (a) Dollars, on and after the USD LIBOR Transition Date, SOFR, and (b) Pounds Sterling, SONIA.

“RFR Administrator”: the SOFR Administrator or the SONIA Administrator, as applicable.

“RFR Administrator’s Website”: the SOFR Administrator’s Website or the SONIA Administrator’s Website, as applicable.

“RFR Loan”: a Daily Simple RFR Loan or a Term RFR Loan, as applicable.

“RFR Rate Day”: as defined in the definition of “Daily Simple RFR”.

“Sale Leaseback”: shall mean any transaction or series of related transactions pursuant to which the Borrower 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.

“Sanction(s)”: means any international economic sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant Governmental Authority.

“Screen Rate”: for any Eurocurrency Rate Loan denominated in Euros, the EURIBOR Rate, and for any Eurocurrency Rate Loan denominated in Dollars, the USD LIBOR Rate.

“SEC”: the Securities and Exchange Commission, any successor thereto.

“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.

“Sharing Agreement”: an agreement, in form and substance reasonably acceptable to the Administrative Agent, entered into among the Administrative Agent and the holder of Material Indebtedness (or such holder’s representative) which contains agreements, without limitation, regarding the sharing of distributions or realizations in any action or proceeding against the Borrower and/or any of its Subsidiaries.

“Single Employer Plan”: any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

“SOFR”: with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“SOFR Administrator”: the FRBNY (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website”: the website of the FRBNY, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“Solvent”: when used with respect to any Person, means 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.

“SONIA”: a rate equal to the Sterling Overnight Index Average as administered by the SONIA Administrator.

“SONIA Administrator”: the Bank of England (or any successor administrator of the Sterling Overnight Index Average).

“SONIA Administrator’s Website”: the Bank of England’s website, currently at <http://www.bankofengland.co.uk>, or any successor source for the Sterling Overnight Index Average identified as such by the SONIA Administrator from time to time.

“Specified Swap Agreement”: any Swap Agreement entered into by the Borrower and any Person that was a Lender or Affiliate thereof at the time such Swap Agreement was entered into.

“Spread Adjusted SOFR”: with respect to any Business Day, a rate per annum equal to the sum of (a) the secured overnight financing rate for such Business Day plus (b) 0.26161% (26.161 basis points).

“Spread Adjusted SONIA”: with respect to any Business Day, a rate per annum equal to the sum of (a) SONIA plus (b) 0.1193% (11.93 basis points).

“Spread Adjusted Term SOFR”: for any Available Tenor and Interest Period, a rate per annum equal to the sum of (a) the forward-looking term rate for a period comparable to such Available Tenor based on the SOFR that is published by an authorized benchmark administrator and is displayed on a screen or other information service, each as identified or selected by the Administrative Agent in its reasonable discretion at approximately a time and as of a date prior to the commencement of such Interest Period determined by the Administrative Agent in its reasonable discretion in a manner substantially consistent with market practice and (b) (i) 0.11448% (11.448 basis points) for an Available Tenor of one-month’s duration, (ii) 0.26161% (26.161 basis points) for an Available Tenor of three-months’ duration and (iii) 0.42826% (42.826 basis points) for an Available Tenor of six-months’ duration

“Subordinated Indebtedness”: Indebtedness of the Borrower 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 shall be paid prior to any such prepayment of such Indebtedness) and (d) which contains subordination provisions reasonably satisfactory to the Administrative Agent. Subordinated Indebtedness may be issued only if no Default or Event of Default has occurred or will result therefrom.

“Subsidiary”: 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 Borrower and, unless otherwise expressly noted, shall not include the Discontinued Operations.

“Subsidiary Guarantor”: each existing and future direct and indirect Material Domestic Subsidiary of the Borrower and each other Domestic Subsidiary of the Borrower from time to time party to the Guarantee Agreement as a Subsidiary Guarantor; provided that the Discontinued Operations shall not be a Subsidiary Guarantor.

“Swap Agreement”: 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 Borrower or any of its Subsidiaries shall be a “Swap Agreement”.

“Swap Termination Value”: in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements, (a) for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined based upon one or more mid-market or other readily available quotations for such Swap Agreements provided by any recognized dealer in such Swap Agreements (which may include a Lender or any Affiliate of a Lender).

“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.

“Swingline Lender”: Citizens Bank, N.A., in its capacity as the lender of Swingline Loans.

“Swingline Loans”: as defined in Section 2.3.

“Swingline Participation Amount”: as defined in Section 2.4.

“Syndication Agents”: collectively, Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A.

“Syntron Lease Obligations”: all obligations of the Borrower and its Subsidiaries arising under or in connection with the Syntron Leases.

“Syntron Leases”: 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 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.

“Target Day”: any day on which TARGET2 (or if such payment system ceases to be operative, such other payment system, if any, determined by the Administrative Agent to be a suitable replacement) is open for settlement of payments in Euro.

“**TARGET2**”: the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on November 19, 2007.

“**Term RFR**”: with respect to any Currency for any Interest Period, a rate per annum equal to (a) for amounts denominated in Dollars, the greater of (i) Spread Adjusted Term SOFR and (ii) the Floor and (b) for amounts denominated in Pounds Sterling, the greater of (i) the forward-looking term rate for a period comparable to such Interest Period based on the RFR for such Currency that is published by an authorized benchmark administrator and is displayed on a screen or other information service, each as identified or selected by the Administrative Agent in its reasonable discretion at approximately a time and as of a date prior to the commencement of such Interest Period determined by the Administrative Agent in its reasonable discretion in a manner substantially consistent with market practice and (ii) the Floor.

“**Term RFR Loan**”: a Loan that bears interest at a rate based on Term RFR other than pursuant to clause (c) of the definition of “Base Rate”.

“**Term RFR Notice**”: a notification by the Administrative Agent to the Lenders and the Borrower of the occurrence of a Term RFR Transition Event.

“**Term RFR Transition Date**”: in the case of a Term RFR Transition Event, the date (which shall be at least thirty (30) calendar days after the date of the Term RFR Notice) that is specified in the Term RFR Notice provided by the Administrative Agent to the Lenders and the Borrower pursuant to [Section 2.24](#) hereof.

“**Term RFR Transition Event**” means, with respect to any Currency for any Interest Period, the determination by the Administrative Agent that (a) the applicable Term RFR for such Currency is determinable for each Available Tenor, (b) the administration of such Term RFR is administratively feasible for the Administrative Agent, (c) the RFR Administrator publishes, publicly announces or makes publicly available that such Term RFR is administered in accordance with the International Organization of Securities Commission’s Principles for Financial Benchmarks, (d) such Term RFR is used as a benchmark rate in at least five currently outstanding syndicated credit facilities denominated in the applicable Currency (and such syndicated credit facilities are identified and are publicly available for review), and (e) such Term RFR is recommended for use by a Relevant Governmental Body.

“**Term SOFR**”: for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“**Total Multicurrency Revolving Subcommitments**”: at any time, the aggregate amount of the Multicurrency Revolving Subcommitments then in effect.

“**Total Revolving Commitments**”: at any time, the aggregate amount of the Revolving Commitments then in effect.

“**Transferee**”: any Assignee or Participant.

“**Treaty**”: the Treaty establishing the European Economic Community, being the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1987, the Maastricht Treaty (which was signed at Maastricht on February 7, 1992 and came into force on November 1, 1993), the Amsterdam

Treaty (which was signed at Amsterdam on October 2, 1997 and came into force on May 1, 1999) and the Nice Treaty (which was signed on February 26, 2001), each as amended from time to time and as referred to in legislative measures of the European Union for the introduction of, changeover to or operating of the Euro in one or more member states.

“Type”: as to any Loan, its nature as an Base Rate Loan, a Eurocurrency Rate Loan, a CDOR Rate Loan or an RFR Loan.

“UK Financial Institution”: any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority”: the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement”: the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“United States”: the United States of America.

“USD LIBOR”: the London interbank offered rate for U.S. Dollars.

“USD LIBOR Rate”: as defined in the definition of “Eurocurrency Rate”.

“USD LIBOR Transition Date”: the earlier of: (a) the date that all Available Tenors of USD LIBOR have either (i) permanently or indefinitely ceased to be provided by IBA; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of USD LIBOR or (ii) been announced by the FCA pursuant to public statement or publication of information to be no longer representative and (b) the Benchmark Replacement Date pursuant to clause (d) of the definition thereof.

“Wholly Owned Subsidiary”: 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.

“Write-Down and Conversion Powers”: (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any reference herein to any Person shall be construed to include such Person's successors and assigns, (ii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iii) all references in a Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (iv) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, and (vi) references to agreements, Loan Documents or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements, Loan Documents or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time (but subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Documents.

(c) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.3 Accounting Terms. (a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) 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 Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders 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, operating and

capital leases will be classified and accounted for in accordance with GAAP in effect on the Effective Date.

1.4 Rounding. Any financial ratios required to be maintained by the Borrower 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).

1.5 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.6 Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

1.7 Currency Conversion. (a) If more than one currency or currency unit are at the same time recognized by the central bank of any country as the lawful currency of that country, then (i) any reference in the Loan Documents to, and any obligations arising under the Loan Documents in, the currency of that country shall be translated into or paid in the currency or currency unit of that country designated by the Administrative Agent and (ii) any translation from one currency or currency unit to another of any country shall be at the official rate of exchange recognized by the central bank for conversion of that currency or currency unit into the other, rounded up or down by the Administrative Agent as it deems appropriate.

(b) If a change in any currency of a country occurs, this Agreement shall be amended (and each party hereto agrees to enter into any supplemental agreement necessary to effect any such amendment) to the extent that the Administrative Agent determines such amendment to be necessary to reflect the change in currency and to put the Lenders in the same position, so far as possible, that they would have been in if no change in currency had occurred.

1.8 Currency Equivalents Generally. For purposes of determining compliance under Section 7.2, Section 7.3, Section 7.5, Section 7.6, Section 7.7 and Section 7.9 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 Dollar Equivalent thereof at the Exchange Rate in effect at the time of such incurrence or advancement. For purposes of determining compliance under Section 7.1 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 the Administrative Agent during the three month fiscal period most recently ended prior to the calculation date.

1.9 Limited Condition Acquisition Generally.

At the option of the Borrower by giving written notice to the Administrative Agent (the Borrower's election to exercise such option in connection with any Limited Condition Acquisition, an "LCA Election") for purposes of (i) determining compliance with any applicable provision in this

Agreement which requires the calculation of the Consolidated Leverage Ratio or the Consolidated Interest Coverage Ratio or (ii) determining compliance with any applicable conditions precedent, representations and/or warranties, and the absence of Defaults and/or Events of Default, in each case, in connection with a Limited Condition Acquisition, the date of determination of whether any such Limited Condition Acquisition is permitted hereunder, shall be deemed to be the date the definitive agreements for such Limited Condition Acquisition is executed (the "LCA Test Date") (but solely to the extent that such Limited Condition Acquisition is consummated within one hundred twenty (120) days after the LCA Test Date and assuming that such Limited Condition Acquisition is consummated substantially in accordance with the terms of such definitive agreement (giving effect to any amendments and/or waivers that, taken as a whole, would not be materially adverse to the Lenders unless consented to by (i) the Administrative Agent and each Incremental Revolving Commitment Increase Lender providing an Incremental Revolving Commitment Increase for such Limited Condition Acquisition and (ii) if no Loans from an Incremental Revolving Commitment Increase are being obtained, the Required Lenders (in each case of (i) and (ii) immediately preceding, such consent not to be unreasonably withheld, delayed or conditioned)), if, after giving pro forma effect to the Limited Condition Acquisition and any Limited Condition Financing in connection therewith as if they had occurred at the beginning of the most recent Reference Period ending prior to the LCA Test Date, the Borrower would have been in compliance with the provisions, conditions, representations or absence of defaults described in clauses (i) and (ii) above as of the relevant LCA Test Date, such provisions, conditions, representations or absence of defaults shall be deemed to have been complied with in connection with the Limited Condition Acquisition. The Borrower shall make the LCA Election as of or prior to the LCA Test Date. If the Borrower has made an LCA Election for any Limited Condition Acquisition, then in connection with any subsequent determination of the Consolidated Leverage Ratio or the Consolidated Interest Coverage Ratio following the relevant LCA Test Date and on or prior to the earlier of (1) the date on which such Limited Condition Acquisition is consummated or (2) the date that the definitive agreement for such Limited Condition Acquisition is terminated or expires without consummation of such Limited Condition Acquisition, any such ratios shall be calculated on a pro forma basis (both before and after giving effect to such Limited Condition Acquisition and the Limited Condition Financing) assuming such Limited Condition Acquisition and the Limited Condition Financing therefor (but not for purposes of calculating the financial performance covenants set forth in Section 7.1 or the Applicable Margin) and other transactions in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) have been consummated. There will be no more than three (3) Limited Condition Acquisitions funded by Loans advanced under any Incremental Revolving Commitment Increase under this Agreement permitted during the term of this Agreement.

1.10 Rates.

The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority (the "FCA") announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administration, the "IBA") for purposes of the IBA setting the London interbank offered rate. On March 5, 2021, the IBA and the FCA stated (the "March 5 Statements") that the IBA will cease publication of USD LIBOR settings for all tenors available under this Agreement on June 30, 2023. As a result, on that date, the London interbank offered rate may become unavailable for the purposes of this Agreement. As a result of the 2017 announcement by the FCA, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. Under the circumstances as set forth in Section 2.24, an alternative rate of interest may be selected and implemented in accordance with the mechanism contained in such Section. The Administrative Agent will notify the Borrower, pursuant to Section 2.24, in advance of any change to the reference rate upon

which the interest rate on Eurocurrency Rate Loans denominated in Dollars is based. However, the Administrative Agent will not be required to give any further notice with respect to the occurrence, substance or effect of the March 5 Statements, and the Administrative Agent does not intend to take any immediate action with respect to the March 5 Statements. The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Base Rate, any Benchmark, any component definition thereof or rates referred to in the definition thereof or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Base Rate or any Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Administrative Agent and its affiliates or other related entities may engage in transactions that affect the calculation of the Base Rate, any Benchmark, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain the Base Rate or the Benchmark, in each case pursuant to the terms of this Agreement, and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

1.11 Divisions.

For all purposes under the Loan Documents, in connection with a Division: (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Revolving Commitments. (a) Subject to the terms and conditions hereof, each Lender which has a Revolving Commitment severally agrees to make revolving credit loans denominated in Dollars ("Dollar Revolving Loans") to the Borrower or any Foreign Subsidiary Borrower from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's Revolving Percentage of the sum of the other Outstanding Revolving Extensions of Credit, does not exceed the amount of such Lender's Revolving Commitment. During the Revolving Commitment Period, the Borrower or any Foreign Subsidiary Borrower may use the Revolving Commitments by borrowing, prepaying the Dollar Revolving Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Dollar Revolving Loans may from time to time be (i) Base Rate Loans or (ii)(A) prior to the USD LIBOR Transition Date, Eurocurrency Rate Loans or (B) on and after the USD LIBOR Transition Date, RFR Loans, in each case, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 or 2.9.

(b) The Borrower and each Foreign Subsidiary Borrower shall repay all outstanding Dollar Revolving Loans on the Revolving Termination Date.

(c) Subject to the terms and conditions hereof, each Multicurrency Lender severally agrees, from time to time during the Revolving Commitment Period, to make revolving credit loans denominated in one or more Foreign Currencies (the "Multicurrency Revolving Loans") to the Borrower or any of the Foreign Subsidiary Borrowers, in an aggregate principal amount (based on the Dollar Equivalent of such Multicurrency Revolving Loans) at any one time outstanding which (a) when added to such Multicurrency Lender's Multicurrency Revolving Percentage of the other Multicurrency Revolving Extensions of Credit, shall not exceed such Multicurrency Lender's Multicurrency Revolving Subcommitment and (b) when added to such Lender's Revolving Percentage of the other Outstanding Revolving Extensions of Credit, shall not exceed such Lender's Revolving Commitment. Neither Borrower nor any Foreign Subsidiary Borrower shall request and no Multicurrency Lender shall be required to make any Multicurrency Revolving Loan if, after making such Multicurrency Revolving Loan (i) the Outstanding Revolving Extensions of Credit shall exceed the Revolving Commitments then in effect or (ii) the Dollar Equivalent of the aggregate outstanding Multicurrency Revolving Extensions of Credit shall exceed the Multicurrency Sublimit. During the Revolving Commitment Period, the Borrower and each Foreign Subsidiary Borrower may borrow, prepay and reborrow Multicurrency Revolving Loans, respectively, in whole or in part, all in accordance with the terms and conditions hereof. The Multicurrency Revolving Loans shall be (i) if denominated in Euros, Eurocurrency Rate Loans, (ii) if denominated in Pounds Sterling, RFR Loans, and (iii) if denominated in Canadian Dollars, CDOR Rate Loans.

(d) Each of the Borrower and the Foreign Subsidiary Borrowers shall repay all of its outstanding Multicurrency Revolving Loans on the Revolving Termination Date and as provided in Section 2.8.

2.2 Procedure for Revolving Loan Borrowing. (a) The Borrower or any Foreign Subsidiary Borrower may borrow Dollar Revolving Loans under the Revolving Commitments during the Revolving Commitment Period on any Business Day; provided that the Borrower shall give the Administrative Agent irrevocable notice ("Notice of Borrowing of Revolving Loan") in the form as attached as Exhibit 2.2(a) or such other similar form reasonably requested by the Administrative Agent, duly completed, (which notice must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurocurrency Rate Loans denominated in Dollars, or (b) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans; provided that any Notice of Borrowing of Revolving Loan of Base Rate Loans to finance payments required by Section 3.5 may be given not later than 10:00 A.M., New York City time, on the date of the proposed borrowing), specifying (i) the amount and Type of Revolving Loans to be borrowed, (ii) the requested Borrowing Date, (iii) in the case of Eurocurrency Rate Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor, and (iv) the actual borrower of such Dollar Revolving Loans, whether the Borrower or a specified Foreign Subsidiary Borrower. Each borrowing of Dollar Revolving Loans under the Revolving Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurocurrency Rate Loans, \$2,000,000 or a whole multiple of \$1,000,000 in excess thereof; provided, further, that the Swingline Lender may request, on behalf of the Borrower, borrowings of Dollar Revolving Loans in any amount under the Revolving Commitments that are Base Rate Loans in other amounts pursuant to Section 2.7. Upon receipt of any Notice of Borrowing of Revolving Loan from the Borrower, the Administrative Agent shall promptly notify each Revolving Lender thereof. Each Revolving Lender will make the amount of its pro rata share of each borrowing of Dollar Revolving Loans available to the Administrative Agent in Dollars for the account of the Borrower or the Foreign Subsidiary Borrower specified in clause (iv) above, as applicable, at the Funding Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing

of Dollar Revolving Loans will then be made available to the Borrower or the Foreign Subsidiary Borrower specified in clause (iv) above, as applicable, by the Administrative Agent crediting the account of the Borrower or such Foreign Subsidiary Borrower on the books of such office or by wire transfer of such amounts to an account, reasonably acceptable to the Administrative Agent, designated in writing by the Borrower or applicable Foreign Subsidiary Borrower to the Administrative Agent, with the aggregate of the amounts made available to the Administrative Agent by the Revolving Lenders and in like funds as received by the Administrative Agent.

(b) The Borrower or any Foreign Subsidiary Borrower may borrow Multicurrency Revolving Loans under the Multicurrency Revolving Subcommitments during the Revolving Commitment Period on any Business Day; provided that the Borrower or such Foreign Subsidiary Borrower shall give the Multicurrency Administrative Agent irrevocable written notice ("Notice of Borrowing of Multicurrency Loan") in the form as attached as Exhibit 2.2(b) or such other similar form reasonably requested by the Multicurrency Administrative Agent, duly completed, (which notice must be received by the Multicurrency Administrative Agent prior to 11:00 A.M., New York City time, five Business Days prior to the requested Borrowing Date), specifying (i) the requested Borrowing Date, (ii) the respective amounts of each Multicurrency Revolving Loan in each Foreign Currency and (iii) if applicable the respective lengths of the initial Interest Period therefor. Each borrowing under the Multicurrency Revolving Subcommitments shall be in an amount equal to (x) in the case of Multicurrency Revolving Loans denominated in Pounds Sterling, £1,000,000 or a whole multiple of £1,000,000 in excess thereof (y) in the case of Multicurrency Revolving Loans denominated in Euros, €1,000,000 or a whole multiple of €1,000,000 in excess thereof and (z) in the case of Multicurrency Revolving Loans denominated in Canadian Dollars, C\$1,000,000 or a whole multiple of C\$1,000,000 in excess thereof. Upon receipt of any Notice of Borrowing of Multicurrency Loan from the Borrower or any Foreign Subsidiary Borrower, the Multicurrency Administrative Agent shall promptly notify each Multicurrency Lender and the Administrative Agent thereof. Each Multicurrency Lender will make the amount of its pro rata share of each borrowing available to the Multicurrency Administrative Agent for the account of the Borrower or the applicable Foreign Subsidiary Borrower at the Boston Funding Office prior to 11:00 A.M., New York City time, in each case, on the Borrowing Date requested by the Borrower or such Foreign Subsidiary Borrower in funds immediately available in the relevant Foreign Currency to the Multicurrency Administrative Agent. Such borrowing will then be made available to the Borrower or the applicable Foreign Subsidiary Borrower by the Multicurrency Administrative Agent crediting the account of the Borrower or such Foreign Subsidiary Borrower on the books of such office with the aggregate of the amounts made available to the Multicurrency Administrative Agent by the Multicurrency Lenders and in like funds as received by the Multicurrency Administrative Agent or by wire transfer of such amounts to an account designated in writing by the Borrower or applicable Foreign Subsidiary Borrower to the Multicurrency Administrative Agent in connection with the relevant borrowing. The outstanding principal amount of any Multicurrency Revolving Loan made by a Lender shall constitute usage under the Revolving Credit Facility for all purposes including determining the availability of borrowings from such Lender thereunder.

(c) Reserved.

(d) At the request of any Lender, the Loans made by such Lender shall be evidenced by a promissory note of the Borrower or the Foreign Subsidiary Borrower, in the form attached hereto as Exhibit J or in such other form as reasonably requested by such Lender payable to such Lender in a principal amount equal to its Revolving Commitment or Swingline Commitment as the case may be, and otherwise duly completed.

2.3 Swingline Commitment. (a) Subject to the terms and conditions hereof, the Swingline Lender agrees to make a portion of the credit otherwise available to the Borrower under the

Revolving Commitments from time to time during the Revolving Commitment Period by making swing line loans ("Swingline Loans") in Dollars to the Borrower; provided that (i) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed the Swingline Commitment then in effect (notwithstanding that the Swingline Loans outstanding at any time, when aggregated with the Swingline Lender's other outstanding Revolving Loans, may exceed the Swingline Commitment then in effect) and (ii) the Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan if, after giving effect to the making of such Swingline Loan and, if applicable, the repayment at such time of any Revolving Loans, the aggregate amount of the Available Revolving Commitments would be less than zero. During the Revolving Commitment Period, the Borrower may use the Swingline Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swingline Loans shall be Base Rate Loans only.

(b) The Borrower shall repay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Termination Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Loan is borrowed, the Borrower shall repay all Swingline Loans then outstanding.

2.4 Procedure for Swingline Borrowing; Refunding of Swingline Loans. (a) Whenever the Borrower desires that the Swingline Lender make Swingline Loans it shall give the Swingline Lender irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Swingline Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date (which shall be a Business Day during the Revolving Commitment Period). Each borrowing under the Swingline Commitment shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in a notice in respect of Swingline Loans, the Swingline Lender shall make available to the Administrative Agent at the Funding Office an amount in Dollars and in immediately available funds equal to the amount of the Swingline Loan to be made by the Swingline Lender. The Administrative Agent shall make the proceeds of such Swingline Loan available to the Borrower on such Borrowing Date by depositing such proceeds in the account of the Borrower with the Administrative Agent on such Borrowing Date in immediately available funds.

(b) The Swingline Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf), on one Business Day's notice given by the Swingline Lender no later than 12:00 Noon, New York City time, request each Revolving Lender to make, and each Revolving Lender hereby agrees to make, a Dollar Revolving Loan, in an amount equal to such Revolving Lender's Revolving Percentage of the aggregate amount of the Swingline Loans (the "Refunded Swingline Loans") outstanding on the date of such notice, to repay the Swingline Lender. Each Revolving Lender shall make the amount of such Dollar Revolving Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Dollar Revolving Loans shall be immediately made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Refunded Swingline Loans. The Borrower irrevocably authorizes the Swingline Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) after the date such Swingline Loan is required to be repaid by the Borrower in order to immediately pay the amount of such Refunded Swingline Loans to the extent amounts received from the Revolving Lenders are not sufficient to repay in full such Refunded Swingline Loans.

(c) If prior to the time a Dollar Revolving Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8(f) shall have occurred and be continuing with respect to the Borrower or if for any other reason, as determined by the Swingline Lender in its sole discretion, Dollar Revolving Loans may not be made as contemplated by Section 2.4(b), each Revolving Lender shall, on the date such Dollar Revolving Loan was to have been made pursuant to the notice referred to in Section 2.4(b), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "Swingline Participation Amount") equal to (i) such Revolving Lender's Revolving Percentage times (ii) the sum of the aggregate principal amount of Swingline Loans then outstanding that were to have been repaid with such Dollar Revolving Loans.

(d) Whenever, at any time after the Swingline Lender has received from any Revolving Lender such Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided, further, that in the event that such payment received by the Swingline Lender is required to be returned, such Dollar Revolving Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

(e) Each Revolving Lender's obligation to make the Dollar Revolving Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Dollar Revolving Lender or the Borrower may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.5 Commitment Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee for the period from and including the Effective Date to the last day of the Revolving Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on each Fee Payment Date, commencing on the first such date to occur after the Effective Date.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates as set forth in any fee agreements with the Administrative Agent and to perform any other obligations contained therein.

2.6 Termination or Reduction of Revolving Commitments. The Borrower shall have the right, upon not less than three Business Days' written notice to the Administrative Agent, to terminate the Revolving Commitments (and, for the avoidance of doubt, the Multicurrency Revolving Subcommitments) or, from time to time, to reduce the amount of the Revolving Commitments (and, for the avoidance of doubt, the Multicurrency Revolving Subcommitments); provided that no such termination or reduction of Revolving Commitments (and, for the avoidance of doubt, the Multicurrency Revolving Subcommitments) shall be permitted if, after giving effect thereto and to any prepayments of

the Revolving Loans and Swingline Loans made on the effective date thereof, (i) the Outstanding Revolving Extensions of Credit would exceed the Total Revolving Commitments and (ii) the sum of the Multicurrency Revolving Extensions of Credit would exceed the Multicurrency Sublimit. Any such reduction shall be in a minimum principal amount of \$5,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Commitments (and, for the avoidance of doubt, the Multicurrency Revolving Subcommitments) then in effect. If the Borrower opts to reduce the Revolving Commitments, the Multicurrency Sublimit shall subsequently be reduced on a pro rata basis.

2.7 Optional Prepayments. (a) The Borrower or any Foreign Subsidiary Borrower may at any time and from time to time prepay the Loans (other than Multicurrency Revolving Loans), in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent no later than 11:00 A.M., New York City time, three Business Days prior thereto, in the case of Eurocurrency Rate Loans, Term RFR Loans or CDOR Rate Loans, and no later than 11:00 A.M., New York City time, one Business Day prior thereto, in the case of other Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurocurrency Rate Loans, CDOR Rate Loans, Daily Simple RFR Loans, Term RFR Loans or Base Rate Loans; provided that if a Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower or the applicable Foreign Subsidiary Borrower shall also pay any amounts owing pursuant to Section 2.17. Upon receipt of any such notice, the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Loans that are Swingline Loans) accrued interest to such date of prepayment on the amount prepaid. Partial prepayments of Revolving Loans shall be in a minimum principal amount of \$1,000,000 or a whole multiple thereof. Partial prepayments of Swingline Loans shall be in a minimum principal amount of \$100,000 or a whole multiple thereof.

(b) The Borrower or any Foreign Subsidiary Borrower may at any time and from time to time prepay Multicurrency Revolving Loans, respectively, in whole or in part, without premium or penalty, upon irrevocable notice (which notice must be received by the Multicurrency Administrative Agent prior to 11:00 A.M., New York City time, five Business Days before the date of prepayment) specifying the date and amount of prepayment. Upon receipt of any such notice the Multicurrency Administrative Agent shall promptly notify each Multicurrency Lender, and the Administrative Agent thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to Section 2.17 and accrued interest to such date of prepayment on the amount prepaid. Partial prepayments of Multicurrency Revolving Loans shall be in a minimum principal amount of (x) £1,000,000 or a whole multiple of £1,000,000 in excess thereof, in the case of Loans denominated in Pounds Sterling, (y) €1,000,000 or a whole multiple of €1,000,000 in excess thereof, in the case of Loans denominated in Euros and (z) C\$1,000,000 or a whole multiple of C\$1,000,000 in excess thereof, in the case of Loans denominated in Canadian Dollars.

2.8 Mandatory Prepayments of Multicurrency Revolving Loans. (a) If, on any Calculation Date, the Outstanding Revolving Extensions of Credit or the Dollar Equivalent of the Multicurrency Revolving Extensions of Credit exceeds 105% of the Revolving Commitments or the Multicurrency Sublimit, respectively, the Borrower and/or any Foreign Subsidiary Borrower shall, without notice or demand, immediately repay such of its outstanding Revolving Loans (or cash collateralize its Letters of Credit in accordance with this Section 2.8(a)) in an aggregate principal amount such that, after giving effect thereto, (x) the Outstanding Revolving Extensions of Credit do not exceed the Revolving Commitments and (y) the Dollar Equivalent of the Multicurrency Revolving Extensions of Credit outstanding on such date is equal to or less than the Multicurrency Sublimit t, respectively, and in each of (x) and (y) immediately preceding, together with interest accrued to the date of such payment or prepayment on the principal so prepaid and any amounts payable under Section 2.17 in connection

therewith, as provided in subsection 2.8(b). The Borrower and/or any Foreign Subsidiary Borrower may, in lieu of prepaying Revolving Loans in order to comply with this paragraph, deposit amounts in a Cash Collateral Account, for the benefit of the Lenders, equal to (A) the aggregate principal amount of Revolving Loans required to be prepaid or (B) the aggregate amount of such excess over the Revolving Commitments or the Multicurrency Sublimit as the case may be. The Administrative Agent shall apply any cash deposited in any Cash Collateral Account (to the extent thereof) to repay Revolving Loans at the end of the Interest Periods therefor, as the case may be; provided that (x) the Administrative Agent shall release to the Borrower and/or any applicable Foreign Subsidiary Borrower from time to time such portion of the amount on deposit in any Cash Collateral Account to the extent such amount is not required to be so deposited in order for the Borrower and/or the applicable Foreign Subsidiary Borrower to be in compliance with this Section 2.8 and (y) the Administrative Agent may so apply such cash at any time after the occurrence and during the continuation of an Event of Default. "Cash Collateral Account" means an account specifically established by the Borrower and/or any Foreign Subsidiary Borrower with the Administrative Agent for purposes of this Section 2.8 and that will be pledged to the Administrative Agent and over which the Administrative Agent shall have exclusive dominion and control, including the right of withdrawal for application in accordance with this Section 2.8.

(b) If any prepayment occurs pursuant to this Section 2.8 on a day that is not the last day of the then current Interest Period with respect thereto, the Borrower and/or any Foreign Subsidiary Borrower shall pay to the Multicurrency Lenders such amounts, if any, as may be required pursuant to Section 2.17.

2.9 Conversion and Continuation Options . (a) The Borrower may elect from time to time to convert Eurocurrency Rate Loans denominated in Dollars to Base Rate Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., New York City time, on the Business Day preceding the proposed conversion date; provided that, subject to Section 2.17, any such conversion of Eurocurrency Rate Loans denominated in Dollars, may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans to Eurocurrency Rate Loans denominated in Dollars, by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., New York City time, on the third Business Day preceding the proposed conversion date (which notice shall specify the length of the initial Interest Period therefor); provided that no Base Rate Loan may be converted into a Eurocurrency Rate Loan denominated in Dollars, when any Event of Default has occurred and is continuing and the Administrative Agent or the Required Lenders have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurocurrency Rate Loan or CDOR Rate Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans; provided that no Eurocurrency Rate Loan denominated in Dollars may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined in its or their sole discretion not to permit such continuations; provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans denominated in Dollars shall be automatically converted to Base Rate Loans on the last day of such then expiring Interest Period and, if the Borrower shall fail to give such notice of continuation of a Multicurrency Revolving Loan prior to the third Business Day preceding such continuation, such Multicurrency Revolving Loan shall be automatically continued for an Interest Period of one month. Upon receipt of any such notice the

Administrative Agent shall promptly notify each relevant Lender and, if applicable, the Multicurrency Administrative Agent thereof.

2.10 Limitations on Interest Period. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurocurrency Rate Loans and CDOR Rate Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that no more than ten Interest Periods shall be outstanding at any one time.

2.11 Interest Rates and Payment Dates. (a) Each Eurocurrency Rate Loan and CDOR Rate Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Adjusted Eurocurrency Rate or CDOR Rate, as applicable, determined for such day plus the Applicable Margin for such Loans.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin for Base Rate Loans.

(c) Each Daily Simple RFR Loan shall bear interest at a rate per annum equal to the Daily Simple RFR in effect from time to time for such Currency plus the Applicable Margin for Daily Simple RFR Loans.

(d) Each Term RFR Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Term RFR for such Interest Period and for such Currency plus the Applicable Margin for Term RFR Loans.

(e) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans and Reimbursement Obligations (whether or not overdue) shall bear interest at a rate per annum equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2% (unless such overdue amount is denominated in a Foreign Currency, in which case such overdue amount shall bear interest of a rate per annum equal to the highest rate then applicable under this Agreement to Multicurrency Revolving Loans denominated in such Foreign Currency plus 2%), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(f) Interest shall be payable in arrears on each Interest Payment Date; provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

(g) Notwithstanding the other provisions of this Section 2, the Loans denominated in Euros outstanding on the Fifth Amendment Effective Date in the aggregate principal amount of €90,000,000 which are subject to an Interest Period ending on December 31, 2021 shall remain outstanding and continue to bear interest through such date in accordance with the terms of this Agreement as in effect immediately before giving effect to the Fifth Amendment. The Borrower shall convert such existing Loans to a Type permitted by the terms of this Agreement at the end of such Interest Period, and if no such notice of conversion is delivered in accordance with the terms of this Agreement then such Loan shall be automatically converted to a Eurocurrency Rate Loan denominated in Euros (i.e., EURIBOR) with an Interest Period of one month.

(h) In connection with the use or administration of any Daily Simple RFR, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. The Administrative Agent will promptly notify the Borrower and the Lenders of the effectiveness of any Conforming Changes in connection with the use or administration of any Daily Simple RFR.

2.12 **Computation of Interest and Fees.** (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to (i) Base Rate Loans, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed and (ii) Multicurrency Revolving Loans denominated in Pounds Sterling, interest shall be calculated on the basis of a 365-day year for actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower, the relevant Foreign Subsidiary Borrower, if applicable, and the Lenders of each determination of an Adjusted Eurocurrency Rate or the CDOR Rate. Any change in the interest rate on a Loan resulting from reserve or other requirements as determined by the Administrative Agent, shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower, the relevant Foreign Subsidiary Borrower, if applicable, and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the relevant Foreign Subsidiary Borrower, if applicable, and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower or the relevant Foreign Subsidiary Borrower deliver to the Borrower or the relevant Foreign Subsidiary Borrower, as applicable, a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.11.

(c) For purposes of the *Interest Act* (Canada) and disclosure thereunder, whenever any interest or fee to be paid by a Foreign Subsidiary Borrower domiciled in Canada hereunder or under any other Loan Document is to be calculated on the basis of a 360-day year or any other period of time less than a calendar year, the yearly rate of interest or fees to which the rate used in such calculation is equivalent, is the rate so used (x) multiplied by the actual number of days in the applicable calendar year and (y) divided by 360 or such other period of time.

2.13 **Inability to Determine Interest Rate.** (a) With respect to Loans that are not Eurocurrency Rate Loans or CDOR Rate Loans, if the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that "Daily Simple RFR" with respect to any Currency cannot be determined pursuant to the definition thereof, the Administrative Agent will promptly so notify the Borrower and each Lender. Upon notice thereof by the Administrative Agent to the Borrower, (A) any obligation of the Lenders to make or continue RFR Loans in each such Currency shall be suspended (to the extent of the affected RFR Loans) until the Administrative Agent revokes such notice and (B) if such determination affects the calculation of Base Rate, the Administrative Agent shall during the period of such suspension compute Base Rate without reference to any provision of the definition of "Base Rate" determining the Base Rate by reference to such Daily Simple RFR until the Administrative Agent revokes such notice. Upon receipt of such notice, (x) the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of RFR Loans in each such Currency (to the extent of the affected RFR Loans) or, failing that, such request shall be ineffective and (y)(A) any outstanding affected RFR Loans denominated in any such Currency, at the Borrower's election, shall either (1) be converted into Base Rate Loans denominated in Dollars (in an amount equal to the Dollar Equivalent of such Currency) immediately or (2) be prepaid in full immediately; provided that if no

election is made by the Borrower by the date that is three (3) Business Days after receipt by the Borrower of such notice, the Borrower shall be deemed to have elected clause (1) above. Upon any such prepayment or conversion, the Borrower shall also pay any additional amounts required pursuant to Section 2.17.

(b) With respect to Eurocurrency Rate Loans and CDOR Rate Loans, if, on or prior to the first day of any Interest Period:

(i) the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that (1) by reason of circumstances affecting the applicable offshore interbank market for the applicable Currency, the applicable Adjusted Eurocurrency Rate or CDOR Rate, as applicable, cannot be determined pursuant to the definition thereof, including because the Screen Rate for the applicable Currency is not available or published on a current basis or (2) a fundamental change has occurred in the foreign exchange or interbank markets with respect to such Currency (including changes in national or international financial, political or economic conditions or currency exchange rates or exchange controls), or

(ii) the Administrative Agent (upon notice from the Required Lenders, if applicable) or the Required Lenders determine that for any reason in connection with any request for a Eurocurrency Rate Loan or CDOR Rate Loan or a conversion thereto or a continuation thereof that (1) deposits in the applicable Currency are not being offered to banks in the applicable offshore interbank market for the applicable Currency, amount and Interest Period of such Eurocurrency Rate Loan or CDOR Rate Loan, or (2) the Adjusted Eurocurrency Rate or CDOR Rate for any requested Currency or Interest Period with respect to a proposed Eurocurrency Rate Loan or CDOR Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan,

the Administrative Agent (upon notice from the Required Lenders, if applicable) will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurocurrency Rate Loans or CDOR Rate loans in each such Currency shall be suspended (to the extent of the affected Eurocurrency Rate Loans or CDOR Rate Loans or Interest Periods) until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of Eurocurrency Rate Loans or CDOR Rate Loans in each such Currency (to the extent of the affected Eurocurrency Rate Loans or CDOR Rate Loans or Interest Periods) or, failing that, (x) then such request shall be ineffective and (y) any outstanding affected Eurocurrency Rate Loans or CDOR Rate Loans, as applicable, at the Borrower's election, shall either (1) be converted into Base Rate Loans denominated in U.S. Dollars (in an amount equal to the Dollar Equivalent of such Currency) at the end of the applicable Interest Period or (2) be prepaid in full at the end of the applicable Interest Period; provided that if no election is made by the Borrower by the earlier of (x) the date that is three (3) Business Days after receipt by the Borrower of such notice and (y) the last day of the current Interest Period for the applicable Eurocurrency Rate Loan or CDOR Rate Loan, the Borrower shall be deemed to have elected clause (1) above.

(c) Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to clause (a) above.

2.14 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower or the Foreign Subsidiary Borrowers from the Lenders hereunder, each payment by the Borrower on account of any commitment fee and any reduction of the Revolving Commitments of the Lenders shall be made pro rata according to the respective Revolving Percentages of the relevant Lenders; provided that each borrowing by the Borrower or the Foreign Subsidiary Borrowers of Multicurrency Revolving Loans from the Multicurrency Lenders hereunder and any reduction of the Multicurrency Revolving Subcommitments of the Multicurrency Lenders shall be made pro rata according to the respective Revolving Percentages of the Lenders; provided, further, that the Multicurrency Sublimit shall be reduced pro rata with any reduction in the Revolving Commitments.

(b) Each payment (including each prepayment) by the Borrower or any Foreign Subsidiary Borrower on account of principal of and interest on the Dollar Revolving Loans shall be made pro rata according to the respective outstanding principal amounts of the Dollar Revolving Loans then held by the Dollar Revolving Lenders and each payment (including each prepayment) by the Borrower or any Foreign Subsidiary Borrower on account of principal of and interest on the Multicurrency Revolving Loans shall be made pro rata according to the respective outstanding principal amounts of the Multicurrency Revolving Loans then held by the Multicurrency Lenders.

(c) All payments (including prepayments) to be made by the Borrower or any Foreign Subsidiary Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds (or, in the case of principal or interest relating to Multicurrency Revolving Loans, prior to 11:00 A.M., New York City time, on the due date thereof to the Multicurrency Administrative Agent, for the account of the Multicurrency Lenders, at its Boston Funding Office, in the relevant Foreign Currency and in immediately available funds). The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurocurrency Rate Loans and CDOR Rate Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurocurrency Rate Loan or CDOR Rate Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(d) Unless the Administrative Agent or the Multicurrency Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, the Administrative Agent or the Multicurrency Administrative Agent, as applicable, may assume that such Lender is making such amount available to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, and the Administrative Agent or the Multicurrency Administrative Agent, as applicable, may, in reliance upon such assumption, make available to the Borrower or the relevant Foreign Subsidiary Borrower, as applicable, a corresponding amount. If such amount is not made available to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, by the required time on the Borrowing Date therefor, the Defaulting Lender shall pay to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, on demand, (i) in the case of amounts denominated in Dollars, such amount with interest thereon, at a rate equal to the greater of (X) the Federal Funds Rate and (Y) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the

Administrative Agent or (ii) in the case of amounts denominated in Foreign Currencies, such amount with interest thereon at a rate determined by the Multicurrency Administrative Agent to be the cost to it of funding such amount until such Lender makes such amount immediately available to the Multicurrency Administrative Agent. A certificate of the Administrative Agent or the Multicurrency Administrative Agent, as applicable, submitted to any Defaulting Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If a Defaulting Lender's share of such borrowing is not made available to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, by such Defaulting Lender within three Business Days after such Borrowing Date, the Administrative Agent or the Multicurrency Administrative Agent, as applicable, shall also be entitled to recover (i) in the case of amounts denominated in Dollars, such amount with interest thereon at the rate per annum applicable to Base Rate Loans, on demand, from the Borrower or (ii) in the case of amounts denominated in Foreign Currencies, such amount with interest thereon at a rate determined by the Multicurrency Administrative Agent to be the cost to it of funding such amount, on demand, from the relevant Foreign Subsidiary Borrower. Nothing herein shall be deemed to limit the rights of any Borrower or any Foreign Subsidiary Borrower against any Defaulting Lender.

(e) Unless the Administrative Agent or the Multicurrency Administrative Agent, as applicable, shall have been notified in writing by the Borrower or the relevant Foreign Subsidiary Borrower prior to the date of any payment due to be made by the Borrower or the relevant Foreign Subsidiary Borrower hereunder that the Borrower or the relevant Foreign Subsidiary Borrower will not make such payment to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, the Administrative Agent or the Multicurrency Administrative Agent, as applicable, may assume that the Borrower or the relevant Foreign Subsidiary Borrower is making such payment, and the Administrative Agent or the Multicurrency Administrative Agent, as applicable, may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent or the Multicurrency Administrative Agent, as applicable, by the Borrower or the relevant Foreign Subsidiary Borrower within three Business Days after such due date, the Administrative Agent or the Multicurrency Administrative Agent, as applicable, shall be entitled to recover, on demand, from each applicable Lender to which any amount which was made available pursuant to the preceding sentence, (i) in the case of amounts denominated in Dollars, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Rate and (ii) in the case of amounts denominated in Foreign Currencies, such amount with interest thereon at a rate per annum determined by the Multicurrency Administrative Agent to be the cost to it of funding such amount. Nothing herein shall be deemed to limit the rights of the Administrative Agent, the Multicurrency Administrative Agent or any Lender against the Borrower or any Foreign Subsidiary Borrower.

2.15 Requirements of Law. (a) If any Change in Law subsequent to the Effective Date:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.16 and changes in the rate of tax on the overall net income or franchise taxes or branch profit taxes of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Adjusted Eurocurrency Rate; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, of making, converting into, continuing or maintaining Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled; provided that the Borrower shall not be required to compensate any Lender pursuant to this paragraph for any amounts incurred more than 90 days prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; provided, further, that if the circumstances giving rise to such claim have a retroactive effect, then such 90-day period shall be extended to include the period of such retroactive effect.

(b) If any Lender shall have determined that any Change in Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the Effective Date shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such Change in Law (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction; provided that the Borrower shall not be required to compensate any Lender pursuant to this paragraph for any amounts incurred more than 180 days prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; provided, further, that if the circumstances giving rise to such claim have a retroactive effect, then such 180-day period shall be extended to include the period of such retroactive effect.

(c) If any Governmental Authority of the jurisdiction of any Foreign Currency (or any other jurisdiction in which the funding operations of any Multicurrency Lender shall be conducted with respect to such Foreign Currency) shall have in effect any reserve, liquid asset or similar requirement with respect to any category of deposits or liabilities customarily used to fund loans in such Foreign Currency, or by reference to which interest rates applicable to loans in such Foreign Currency are determined, and the result of such requirement shall be to increase the cost to such Multicurrency Lender of making or maintaining any Multicurrency Revolving Loan in such Foreign Currency, and such Multicurrency Lender shall deliver to the Borrower and the relevant Foreign Subsidiary Borrower a notice requesting compensation under this paragraph, then the Borrower or relevant Foreign Subsidiary Borrower will pay to such Multicurrency Lender on each Interest Payment Date with respect to each affected Multicurrency Revolving Loan, an amount that will compensate such Multicurrency Lender, for such additional cost; provided that the Borrower and the relevant Foreign Subsidiary Borrower shall not be required to compensate a Multicurrency Lender pursuant to this paragraph for any amounts incurred more than 180 days prior to the date that such Multicurrency Lender notifies the Borrower and the relevant Foreign Subsidiary Borrower of such Multicurrency Lender's intention to claim compensation therefor; provided, further, that if the circumstances giving rise to such claim have a retroactive effect, then such 180 day period shall be extended to include the period of such retroactive effect.

(d) Notwithstanding any other provision of this Agreement, if, (i) (A) the adoption of any law, rule or regulation after the date of this Agreement, (B) any Change in Law or (C) compliance by any Lender with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement, shall make it unlawful for any such Lender to make or maintain any Revolving Loan of any Type, or to give effect to its obligations as contemplated hereby with respect to any Revolving Loan of any Type, or (ii) there shall have occurred any change in national or international financial, political or economic conditions (including the imposition of or any change in exchange controls, but excluding conditions otherwise covered by this Section 2.15) which would make it impracticable for the Lenders to make or maintain Revolving Loans of any Type, denominated in the relevant currency after the Effective Date to, or for the account of, the Borrower or the relevant Foreign Subsidiary Borrower, then, by written notice to the Borrower or relevant Foreign Subsidiary Borrower and to the Administrative Agent or Multicurrency Administrative Agent, as the case may be:

(i) such Lender or Lenders may declare that Revolving Loans of that Type (in the affected currency or currencies to the applicable Borrower or relevant Foreign Subsidiary Borrower), will not thereafter (for the duration of such unlawfulness) be made by such Lender or Lenders hereunder (or be continued for additional Interest Periods to the applicable Borrower or relevant Foreign Subsidiary Borrower), whereupon any request for a Revolving Loan of that Type (in the affected currency or currencies to the applicable Borrower or relevant Foreign Subsidiary Borrower) or to continue a Revolving Loan of that Type (in the affected currency or currencies to the applicable Borrower or relevant Foreign Subsidiary Borrower), as the case may be, for an additional Interest Period) shall, as to such Lender or Lenders only, be of no force and effect, unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Revolving Loans of that Type (in the affected currency or currencies to the applicable Borrower or relevant Foreign Subsidiary Borrower), made by it be converted to Base Rate Loans (unless repaid by the Borrower or relevant Foreign Subsidiary Borrower), in which event all such Revolving Loans of that Type, respectively (in the affected currency or currencies to the applicable Borrower or relevant Foreign Subsidiary Borrower), shall be converted to Base Rate Loans as of the effective date of such notice as provided in paragraph (e) below and at the Exchange Rate on the date of such conversion or, at the option of the Borrower or the relevant Foreign Subsidiary Borrower, repaid on the last day of the then current Interest Period with respect thereto or, if earlier, the date on which the applicable notice becomes effective.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the converted Revolving Loans of such Lender shall instead be applied to repay the Base Rate Loans made by such Lender resulting from such conversion.

(e) For purposes of Section 2.15(d), a notice to Borrower or the relevant Foreign Subsidiary Borrower by any Lender shall be effective as to each Revolving Loan of such Type made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Revolving Loan; in all other cases such notice shall be effective on the date of receipt thereof by the Borrower or relevant Foreign Subsidiary Borrower.

(f) The Borrower shall pay, without duplication of any amounts covered by Section 2.15(a)(ii), to each Lender, (i) as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Loan equal to

the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), and (ii) as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which in each case shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least ten (10) days' prior notice (with a copy to the Administrative Agent) of such additional interest or costs from such Lender. If a Lender fails to give notice ten (10) days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

2.16 **Taxes.** (a) All payments made by the Borrower or any Foreign Subsidiary Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes, branch profit taxes and franchise taxes imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided that neither the Borrower nor any Foreign Subsidiary Borrower shall be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d), (e) or (g) of this Section, (ii) that are United States, French, Netherlands, United Kingdom, or Canadian federal or provincial withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower or any Foreign Subsidiary Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph or (iii) United States federal withholding taxes imposed under FATCA.

(b) In addition, the Borrower and each Foreign Subsidiary Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower or any Foreign Subsidiary Borrower, as promptly as possible thereafter the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be, shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be, showing payment thereof or other evidence of payment reasonably acceptable to the Administrative Agent. If the Borrower or any Foreign Subsidiary Borrower, as the case may be, fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower or such Foreign Subsidiary Borrower, as the case may be, shall indemnify the Administrative Agent and the

Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) (i) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Borrower and to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable, or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", an exemption certificate in the form of Exhibit E and a Form W-8BEN or W-8BEN-E, as applicable, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower and any Foreign Subsidiary Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver. Each Lender (or Transferee) that is a "U.S. Person" as defined in Section 7701(a)(30) of the Code shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender (or Transferee) becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent) copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding taxes.

(ii) If a payment made to a Lender under any Loan Document would be subject to United States federal withholding tax imposed under FATCA if such Lender were to fail to comply with the applicable reporting and other requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (d)(ii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement. For purposes of determining withholding Taxes imposed under FATCA, from and after the effective date of this Agreement, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent and the Borrower to treat) the Agreement as no longer qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower or any Foreign Subsidiary Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or any Foreign Subsidiary

Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate; provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or any Foreign Subsidiary Borrower, as the case may be, or with respect to which the Borrower or any Foreign Subsidiary Borrower, as the case may be, has paid additional amounts pursuant to this Section 2.16, it shall pay over such refund to the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or such Foreign Subsidiary Borrower, as the case may be, under this Section 2.16 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the Borrower or such Foreign Subsidiary Borrower, as the case may be, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower or such Foreign Subsidiary Borrower, as the case may be (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or such Foreign Subsidiary Borrower or any other Person.

(g) Each Lender that is not incorporated or organized under the laws of the jurisdiction under which a Foreign Subsidiary Borrower is incorporated or organized or is not a resident for taxation purposes of such Foreign Subsidiary Borrower's country of tax residence, shall upon written request by such Foreign Subsidiary Borrower, deliver to such Foreign Subsidiary Borrower or the applicable Governmental Authority or taxing authority, as the case may be, any form or certificate required in order that any payment by such Foreign Subsidiary Borrower under this Agreement to such Lender may be made free and clear of, and without deduction or withholding for or on account of any tax (or to allow any such deduction or withholding to be at a reduced rate) imposed on such payment under the laws of the jurisdiction under which such Foreign Subsidiary Borrower is incorporated or organized or is otherwise a resident for taxation purposes; provided that such Lender is legally entitled to complete, execute and deliver such form or certificate and such completion, execution or submission would not materially prejudice the legal position of such Lender.

(h) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.17 Indemnity. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower or any Foreign Subsidiary Borrower in making a borrowing of, conversion into or continuation of Eurocurrency Rate Loans or CDOR Rate Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower or any Foreign Subsidiary Borrower in making any prepayment of or conversion from Eurocurrency Rate Loans or CDOR Rate Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurocurrency Rate Loans or CDOR Rate Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued,

for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank LIBOR or other applicable market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.15 or 2.16(a) with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage; provided, further, that nothing in this Section shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 2.15 or 2.16(a).

2.19 Replacement of Lenders. The Borrower shall be permitted to replace with a replacement financial institution (a) any Lender that requests reimbursement or for whom the Borrower is required to make payments, for amounts owing pursuant to Section 2.15 or 2.16(a), (b) any Defaulting Lender, (c) any L/C Participant to the extent that the issuance of any Letter of Credit would conflict with, or cause such L/C Participant to exceed any limits imposed by, any applicable Requirement of Law or (d) a Non-Consenting Lender; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender or L/C Participant shall have taken no action under Section 2.21 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.15 or 2.16(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender or L/C Participant on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender or L/C Participant under Section 2.17 if any Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender or L/C Participant, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender or L/C Participant shall be replaced in accordance with the provisions of Section 10.6 (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (viii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.15 or 2.16(a), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender or L/C Participant.

2.20 Judgment Currency. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures in the relevant jurisdiction, the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the relevant Foreign Subsidiary Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor")

shall, notwithstanding any judgment in a currency (the “Judgment Currency,”) other than the currency in which such sum is stated to be due hereunder (the “Agreement Currency,”), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrower as a separate obligation and notwithstanding any such judgment, agrees to indemnify the Applicable Creditor against such loss. The obligations of the relevant Foreign Subsidiary Borrower contained in this Section 2.20 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

2.21 Foreign Currency Exchange Rate. (a) No later than 1:00 P.M., New York City time, on each Calculation Date with respect to a Foreign Currency, the Administrative Agent shall determine the Exchange Rate as of such Calculation Date with respect to such Foreign Currency; provided that upon receipt of a borrowing request pursuant to Section 2.3(b) or the issuance of any Multicurrency Letter of Credit, the Administrative Agent shall determine the Exchange Rate with respect to the relevant Foreign Currency on the related Calculation Date. The Exchange Rates so determined shall become effective on the relevant Calculation Date (a “Reset Date”), shall remain effective until the next succeeding Reset Date and shall for all purposes of this Agreement (other than Section 2.15(d) and any other provision requiring the use of a current Exchange Rate) be the Exchange Rates employed in converting any amounts between Dollars and Foreign Currencies.

(b) No later than 5:00 P.M., New York City time, on each Reset Date, the Administrative Agent shall determine the aggregate amount of the Dollar Equivalents of the principal amounts of the relevant Multicurrency Revolving Extensions of Credit then outstanding (after giving effect to any Multicurrency Revolving Extensions of Credit to be made or repaid on such date).

(c) The Administrative Agent shall promptly notify the Borrower and the Foreign Subsidiary Borrower of each determination of an Exchange Rate hereunder.

2.22 Incremental Revolving Facility. (a) The Borrower may, at any time or from time to time after the Effective Date, by written notice to the Administrative Agent (whereupon the Administrative Agent shall promptly deliver a copy to each of the Lenders), request one or more (but, in any event, no more than three) increases in the amount of the Revolving Commitments (each such increase, an “Incremental Revolving Commitment Increase”); provided that, subject to Section 2.22(d) and (e), (A) both at the time of any such request and after giving effect to the effectiveness of any Incremental Revolving Commitment Increase, no Default or Event of Default shall exist and the conditions in Section 5.2 shall be satisfied and (B) the Borrower shall be in compliance, on a pro forma basis after giving effect to any such Incremental Revolving Commitment Increase, with the covenants set forth in Section 7.1, as such covenants are recomputed as at the last day of the most recent fiscal quarter as if such Incremental Revolving Commitment Increase (taking into account only the amount of the Dollar Equivalent of Outstanding Revolving Extensions of Credit outstanding at the time of and after giving effect to any extensions of credit in connection with such Incremental Revolving Commitment Increase and the consummation of any transactions contemplated thereby) had been outstanding on the first day of such period.

(b) Each Incremental Revolving Commitment Increase shall be in an aggregate principal amount that is not less than \$10,000,000 (provided that such amount may be less than \$10,000,000 if such amount represents all remaining availability under the limit set forth in the next sentence). Notwithstanding anything to the contrary herein, the aggregate amount of all Incremental Revolving Commitment Increases shall not exceed \$150,000,000.

(c) Each notice from the Borrower pursuant to this Section 2.22 shall set forth the requested amount of the Incremental Revolving Commitment Increase. Incremental Revolving Commitment Increases may be provided, by any existing Lender (it being understood that no existing Lender will have any obligation to provide a portion of any Incremental Revolving Commitment Increase or any right to consent to any Incremental Revolving Commitment Increase) or by any other bank or other financial institution (any such other bank or other financial institution being called an "Additional Lender"); provided that the Administrative Agent shall have consented to such Lender's or Additional Lender's providing such Incremental Revolving Commitment Increases if such consent would be required under Section 10.6(b) for an assignment of Loans or Revolving Commitments, as applicable, to such Lender or Additional Lender.

(d) (i) Subject to the provisions of 2.22(d)(ii), the effectiveness of any Incremental Revolving Commitment Increase shall be subject to the satisfaction on the date thereof of the conditions in Section 5.2 and such other conditions as the parties thereto shall agree which may include, without limitation, increasing the Applicable Margin for Revolving Loans advanced under the Incremental Revolving Commitment Increase. The Borrower and the Foreign Subsidiary Borrowers may use the proceeds of the Incremental Revolving Commitment Increases for any purpose not prohibited by this Agreement;

(ii) Notwithstanding anything to the contrary in this Agreement, if the Incremental Revolving Commitment Increase is to be used solely for purposes of financing a Limited Condition Acquisition, including the repayment of any indebtedness and payment of fees, costs and expenses in connection therewith, and the Borrower has made an LCA Election therefor, only the Limited Funding Conditions (after giving effect to Section 1.09) must be satisfied as a condition to the Loan under the Incremental Revolving Commitment Increase for the Limited Condition Acquisition to which such Incremental Revolving Commitment Increase applies.

(e) Upon each increase in the Revolving Commitments pursuant to this Section 2.22, each Lender with a Revolving Commitment immediately prior to such increase will automatically and without further act be deemed to have assigned to each Lender providing a portion of the Incremental Revolving Commitment Increase (each an "Incremental Revolving Commitment Increase Lender") in respect of such increase, and each such Incremental Revolving Commitment Increase Lender will automatically and without further act be deemed to have assumed, a portion of such Lender's participations hereunder in outstanding Revolving Letters of Credit and Swingline Loans such that, after giving effect to each such deemed assignment and assumption of participations, the percentage of the aggregate outstanding (i) participations hereunder in Revolving Letters of Credit and (ii) participations hereunder in Swingline Loans held by each Lender with a Revolving Commitment (including each such Incremental Revolving Commitment Increase Lender) will equal the percentage of the aggregate Revolving Commitments of all Lenders represented by such Lender's Revolving Commitment after giving effect to the Incremental Revolving Commitment Increase. If, on the date of such increase, there are any Revolving Loans outstanding, such Revolving Loans shall on or prior to the effectiveness of such Incremental Revolving Commitment Increase be prepaid from the proceeds of additional Revolving Loans made hereunder (reflecting such increase in Revolving Commitments), which prepayment shall be accompanied by accrued interest on the Revolving Loans being prepaid and any costs incurred by any Lender in accordance with Section 2.17. The Administrative Agent and the Lenders hereby agree that the minimum borrowing, *pro rata* borrowing and *pro rata* payment requirements contained elsewhere in this Agreement shall not apply to the transactions effected pursuant to the immediately preceding sentence.

2.23 Defaulting Lenders. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(a) That Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders.

(b) Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article 8 or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 10.7), shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent in its capacity as Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by that Defaulting Lender to the Issuing Lender or Swingline Lender hereunder; *third*, if so determined by the Administrative Agent or requested by the Issuing Lender or Swingline Lender, to be held as Cash Collateral for future funding obligations of that Defaulting Lender of any participation in any Swingline Loan or Letter of Credit; *fourth*, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of that Defaulting Lender to fund Loans under this Agreement; *sixth*, to the payment of any amounts owing to the Lenders, the Issuing Lender or Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Lender or Swingline Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or Letter of Credit in respect of which that Defaulting Lender has not fully funded its appropriate share and (y) such Loans or Letters of Credit were made at a time when the conditions set forth in Section 5.1 or 5.2, as applicable, were satisfied or waived, such payment shall be applied solely to pay the Loans of, and Letter of Credit owed to, all non-Defaulting Lenders on a pro rata basis prior to be applied to the payment of any Loans of, or Letters of Credit owed to, that Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owned by a Defaulting Lender or to post Cash Collateral pursuant to this Agreement shall be deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(c) That Defaulting Lender (x) shall be entitled to receive any Commitment Fee pursuant to Section 2.5 for any period during which that Lender is a Defaulting Lender only to extent allocable to the sum of (1) the outstanding amount of the Loans funded by it and (2) its Aggregate Exposure Percentage of the stated amount of Letters of Credit and Swingline Loans for which it has provided Cash Collateral pursuant to this Agreement (and the Borrower shall (A) be required to pay to each of the Issuing Lender and the Swingline Lender, as applicable, the amount of such fee allocable to its Fronting Exposure arising from that Defaulting Lender and (B) not be required to pay the remaining amount of such fee that otherwise would have been required to have been paid to that Defaulting Lender) and (y) shall be limited in its right to receive Letter of Credit Fees as provided in Section 3.3.

(d) During any period in which there is a Defaulting Lender, for purposes of computing the amount of the obligation of each non-Defaulting Lender to acquire, refinance or fund Loans, participations in Letters of Credit or Swingline Loans, the "Aggregate Exposure Percentage", "Revolving Percentage" and "Multicurrency Revolving Percentage" of each non-Defaulting Lender shall

be computed without giving effect to the Commitment of that Defaulting Lender; provided that, (i) each such reallocation shall be given effect only if, at the date the applicable Lender becomes a Defaulting Lender, no Default or Event of Default exists or on such later date if and when such Default or Event of Default is cured or waived; and (ii) the aggregate obligation of each non-Defaulting Lender to acquire, refinance or fund Loans, participations in Letters of Credit and Swingline Loans shall not exceed the positive difference, if any, of (1) the Revolving Commitment of that non-Defaulting Lender minus (2) the aggregate outstanding amount of the Loans of that Lender.

(e) If the Borrower, the Administrative Agent, Swingline Lender and the Issuing Lender agree in writing, in their sole discretion, that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held on a pro rata basis by the Lenders in accordance with their Aggregate Exposure Percentages (without giving effect to Section 2.23(d)), whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

2.24 Benchmark Replacement Setting.

(a) Benchmark Replacement.

(i) If the USD LIBOR Transition Date has occurred prior to the Reference Time in respect of any setting of the Adjusted Eurocurrency Rate for Dollars, then (x) if a Benchmark Replacement is determined in accordance with clause (b)(i) or (b)(ii) of the definition of "Benchmark Replacement" for the USD LIBOR Transition Date, such Benchmark Replacement will replace such Benchmark for all purposes under this Agreement and under any other Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (b)(iii) of the definition of "Benchmark Replacement" for the USD LIBOR Transition Date, such Benchmark Replacement will replace such Benchmark for all purposes under this Agreement and under any other Loan Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document (other than Conforming Changes made in accordance with Section 2.24(b)), so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

(ii) Upon the occurrence of a Benchmark Transition Event with respect to any Benchmark, the Administrative Agent and the Borrower may amend this Agreement to replace such Benchmark with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 P.M. (Eastern Time) on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written

notice of objection to such amendment from Lenders comprising the Required Lenders. No replacement of a Benchmark with a Benchmark Replacement pursuant to this clause (ii) will occur prior to the applicable Benchmark Transition Start Date.

(b) **Conforming Changes.** In connection with the implementation of a Benchmark Replacement (including in connection with any Term RFR Transition Event), the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary in this Agreement or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

(c) **Notices; Standards for Decisions and Determinations.** The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Benchmark Transition Event, a Term RFR Transition Event, an Early Opt-in Election or the USD LIBOR Transition Date, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement (including in connection with any Term RFR Transition Event), (iii) the effectiveness of any Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to [Section 2.24\(d\)](#) and (v) the commencement or conclusion of any Benchmark Unavailability Period, provided that the failure to give such notice under this clause (v) shall not affect the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this [Section 2.24](#), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this [Section 2.24](#).

(d) **Unavailability of Tenor of Benchmark.** Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement or Term RFR Transition Event), (i) if the then-current Benchmark is a term rate (including the CDOR Rate or USD LIBOR) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then the Administrative Agent may modify the definition of "Interest Period" for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Interest Period" for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(e) **Benchmark Unavailability Period.** Upon the commencement of a Benchmark Unavailability Period with respect to any Benchmark, the Borrower may revoke any pending request for a borrowing of, conversion to or continuation of any Loans to be made, converted or continued with respect to the then-current affected Benchmark during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, (i) the obligation of the Lenders to make or maintain Loans with respect to such Benchmark shall be suspended, (ii) any request for a borrowing of,

conversion to or continuation of Loans with respect to such Benchmark shall be ineffective and will be deemed to have been a request for a borrowing of or conversion to Base Rate Loans and, in the case of Loans in a Currency other than Dollars, the conversion of such Loans to Base Rate Loans denominated in Dollars, and (iii) the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(f) Term RFR Transition Event. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document and subject to the proviso below in this paragraph, if a Term RFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of any then-current Benchmark, then the applicable Benchmark Replacement will replace such then-current Benchmark for all purposes under this Agreement or under any other Loan Document in respect of such Benchmark setting and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document; provided that this Section 2.24(f) shall not be effective unless the Administrative Agent has delivered to the Lenders and the Borrower a Term RFR Notice. For the avoidance of doubt, the Administrative Agent shall not be required to deliver a Term RFR Notice after a Term RFR Transition Event and may do so in its sole discretion.

SECTION 3. LETTERS OF CREDIT

3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Revolving Lenders set forth in Section 3.4(a), agrees to issue letters of credit and/or bank guarantees, but, with regard to bank guarantees, only to the extent a Lender has agreed in writing to issue bank guarantees (together with any Designated Letters of Credit, "Letters of Credit") for the account of the Borrower, any Foreign Subsidiary Borrower, or any other Subsidiary of the Borrower (provided that the Borrower shall be a co-applicant, and be jointly and severally liable, with respect to each Letter of Credit issued for the account of any Subsidiary of the Borrower, and the Borrower shall be deemed to be a co-applicant, and shall be jointly and severally liable, with respect to each Designated Letter of Credit issued for the account of any Subsidiary of the Borrower) on any Business Day during the Revolving Commitment Period in such form as may be approved from time to time by such Issuing Lender; provided that such Issuing Lender shall not issue or extend any Letter of Credit if, after giving effect to such issuance or extension, in the case of the Borrower and the Foreign Subsidiaries, (i) the L/C Obligations would exceed the L/C Commitment, (ii) the sum of Outstanding Revolving Extensions of Credit would exceed the Total Revolving Commitments or (iii) the sum of the Multicurrency Revolving Extensions of Credit would exceed the Multicurrency Sublimit. Each Letter of Credit shall (i) be denominated in Dollars or any one of the Foreign Currencies, as specified by the Borrower, and (ii) expire no later than the earlier of (x) the second anniversary of its date of issuance and (y) the date that is five Business Days prior to the Revolving Termination Date; provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit if such issuance would conflict with, or cause such Issuing Lender or any L/C Participant, to exceed any limits imposed by, any applicable Requirement of Law. No Lender shall at any time be obligated to issue any bank guaranty unless it has expressly agreed in writing to issue bank guarantees.

(c) (i) Schedule 3.1, lists the Designated Letters of Credit, (ii) such Designated Letters of Credit shall be deemed to be Letters of Credit issued pursuant to and in compliance with this Section 3.1, (iii) the face amount of such Designated Letters of Credit shall be included in the calculation of the available L/C Commitment and the Outstanding Revolving Extensions of Credit, (iv) the provisions of this Agreement shall apply thereto, and the Borrower, if applicable, the Foreign Subsidiary Borrowers

or any other Subsidiary of the Borrower and the Lenders hereunder hereby expressly assume all obligations with respect to such Letters of Credit that they would have if such Letters of Credit had been issued pursuant to this Agreement and (v) all liabilities of the Borrower and, if applicable, any Foreign Subsidiary Borrower or other Subsidiary of the Borrower, with respect to such Designated Letters of Credit shall constitute obligations of the Borrower or the applicable Foreign Subsidiary Borrower hereunder.

3.2 Procedure for Issuance of Letter of Credit. The Borrower or any Foreign Subsidiary Borrower may from time to time request that an Issuing Lender issue a Letter of Credit by delivering to the relevant Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of such Issuing Lender, and such other certificates, documents and other papers and information as such Issuing Lender may request. Upon receipt of any Application, such Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall any Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by such Issuing Lender and the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be. The relevant Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be, promptly following the issuance thereof. The relevant Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof) in accordance with Section 3.9.

3.3 Fees and Other Charges. (a) The Borrower will pay a fee to the Revolving Lenders on all outstanding Letters of Credit issued for the account of the Borrower and any Foreign Subsidiary Borrower at a per annum rate equal to the Applicable Margin then in effect with respect to Eurocurrency Rate Loans, shared ratably among the Revolving Lenders and payable quarterly in arrears on each Fee Payment Date after the issuance date. In addition, the Borrower shall pay to each Issuing Lender for its own account a fronting fee of 0.125% per annum on the undrawn and unexpired amount of each Letter of Credit, payable quarterly in arrears on each Fee Payment Date after the issuance date.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each respective Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 L/C Participations. (a) Each Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce each Issuing Lender to issue Letters of Credit for the account of the Borrower or any Foreign Subsidiary Borrower, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from each such Issuing Lender, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Percentage in each Issuing Lender's obligations and rights under and in respect of each Letter of Credit. Each L/C Participant hereby agrees with each Issuing Lender that, if a draft is paid under any Letter of Credit for which any Issuing Lender is not reimbursed in full by the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be, in accordance with the terms of this Agreement, such L/C Participant, shall pay to such Issuing Lender upon demand at such Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. Each L/C Participant's obligation to pay such amount shall be absolute and unconditional and shall not be affected

by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such L/C Participant may have against any Issuing Lender, the Borrower or any Foreign Subsidiary Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any Foreign Subsidiary Borrower, (iv) any breach of this Agreement or any other Loan Document by the Borrower or any Foreign Subsidiary Borrower, any other Loan Party or any other L/C Participant, or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) If any amount required to be paid by any L/C Participant to any Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by any Issuing Lender under any Letter of Credit is paid to such Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to such Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to such Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to such Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, such Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans. A certificate of such Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after an Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 3.4(a), such Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower, any Foreign Subsidiary Borrower or otherwise, including proceeds of collateral applied thereto by such Issuing Lender), or any payment of interest on account thereof, such Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided that in the event that any such payment received by such Issuing Lender shall be required to be returned by such Issuing Lender, such L/C Participant shall return to such Issuing Lender the portion thereof previously distributed by such Issuing Lender to it.

3.5 Reimbursement Obligation of the Borrower and the Foreign Subsidiary Borrowers. If any draft is paid under any Letter of Credit, the Borrower or the applicable Foreign Subsidiary Borrower, as the case may be, shall reimburse the relevant Issuing Lender for the amount of (a) the draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by such Issuing Lender in connection with such payment, not later than 12:00 Noon, New York City time, on (i) the Business Day that the Borrower or the applicable Foreign Subsidiary Borrower, as the case may be, receives notice of such draft, if such notice is received on such day prior to 10:00 A.M., New York City time in the case of Letters of Credit denominated in Dollars, and 11:00 A.M., New York City time, in the case of Letters of Credit denominated in a Foreign Currency, or (ii) if clause (i) above does not apply, the Business Day immediately following the day that the Borrower or the applicable Foreign Subsidiary Borrower, as the case may be, receives such notice. Each Issuing Lender agrees to forward any such notice to the Administrative Agent or the Multicurrency Administrative Agent, as applicable. Each such payment shall be made to such Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds. Interest shall be payable on any such amounts from the date on which the relevant draft is paid until payment in full at the rate set forth in (x) until the Business Day next succeeding the date of the relevant notice, Section 2.11(b) and (y) thereafter, Section 2.11(c).

3.6 **Obligations Absolute.** The Borrower's and each applicable Foreign Subsidiary Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower or any relevant Foreign Subsidiary Borrower may have or have had against any Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower and each relevant Foreign Subsidiary Borrower also agree with each Issuing Lender that no Issuing Lender shall be responsible for, and the Borrower's and each applicable Foreign Subsidiary Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower or any relevant Foreign Subsidiary Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower any relevant Foreign Subsidiary Borrower against any beneficiary of such Letter of Credit or any such transferee. No Issuing Lender shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Issuing Lender. The Borrower and each relevant Foreign Subsidiary Borrower agree that any action taken or omitted by any Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Borrower or each relevant Foreign Subsidiary Borrower and shall not result in any liability of any Issuing Lender to the Borrower and each relevant Foreign Subsidiary Borrower. Nothing herein shall be deemed to limit the rights of the Borrower or any Foreign Subsidiary Borrower against the Issuing Lender for any actions or inactions taken by the Issuing Lender that are found by a final and non-appealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Lender.

3.7 **Letter of Credit Payments.** If any draft shall be presented for payment under any Letter of Credit, the relevant Issuing Lender shall promptly notify the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be, of the date and amount thereof. The responsibility of an Issuing Lender to the Borrower or the relevant Foreign Subsidiary Borrower, as the case may be, in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are substantially in conformity with such Letter of Credit.

3.8 **Applications and Designated Letters of Credit.** To the extent that any provision of any Application related to any Letter of Credit or any Designated Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

3.9 **Certain Reporting Requirements.** Each Issuing Lender will report in writing to the Administrative Agent (i) on the fifth Business Day prior to the end of each fiscal quarter of the Borrower, the aggregate stated amount of Letters of Credit issued by it and outstanding as of the last Business Day of the preceding week and (ii) on or prior to each Business Day on which an Issuing Lender expects to issue or amend any Letter of Credit, the date of such issuance or amendment and the aggregate stated amount of Letters of Credit to be issued by it and outstanding after giving effect to such issuance or amendment (and such Issuing Lender shall advise the Administrative Agent on such Business Day whether such issuance or amendment occurred and whether the amount thereof changed).

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 Financial Condition. (a) The audited consolidated balance sheets of the Borrower and its consolidated Subsidiaries as at January 2, 2016 and January 3, 2015, and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, reported on by and accompanied by an unqualified report from KPMG LLP, present fairly the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. All such financial statements, including the related schedules, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

(b) The unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal quarter ended October 1, 2016, and the related unaudited consolidated statements of income and cash flows for the nine-month period ended on such date, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended (subject to normal year end audit adjustments and the absence of footnotes). All such financial statements, including the related schedules, have been prepared in accordance with GAAP applied consistently throughout the periods involved.

(c) As of the date of this Agreement, no Group Member has any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long term leases or unusual forward or long term commitments, including any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives that are made outside the ordinary course of business that are not reflected in the financial statements referred to in clauses (a) and (b) above. During the period from January 2, 2016 to and including the Effective Date, there has been no Disposition by any Group Member of any material part of the business or property of the Group Members, taken as a whole.

4.2 No Change. Since January 2, 2016, there has been no development or event that has had or would reasonably be expected to have a Material Adverse Effect.

4.3 Existence; Compliance with Law. (a) Each of the Borrower, each other Loan Party 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 Group Member (other than the Borrower and each Material Subsidiary) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (c) each Group Member 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, (d) each Group Member 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 and (e) each Group Member is in compliance with all Requirements of Law, except in the case of clause (b), (c), (d) or (e) above, to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4 Power; Authorization; Enforceable Obligations. Each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, on and after the Effective Date, and each Foreign Subsidiary Borrower, on or after the date such Foreign Subsidiary Borrower joined this Agreement, to obtain extensions of credit hereunder. Each Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower and the Foreign Subsidiary Borrowers, to authorize the extensions of credit on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with (A) the extensions of credit hereunder or (B) the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect. Each Loan Document has been duly executed and delivered on behalf of each Loan Party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 No Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any material Requirement of Law or any material Contractual Obligation of the Borrower or any Material Subsidiary and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation. No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries would reasonably be expected to have a Material Adverse Effect.

4.6 Litigation. No litigation or proceeding of or before any arbitrator or Governmental Authority is pending nor, to the knowledge of the Borrower, is any litigation, investigation or proceeding of or before any arbitrator or Governmental Authority threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby or (b) that would reasonably be expected to have a Material Adverse Effect.

4.7 No Default. No Group Member is in default under or with respect to any of its Contractual Obligations in any respect that would reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. Each Group Member has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, a valid leasehold interest in or a valid license to use, all its other property except for such defects in title that would not reasonably be expected to have a Material Adverse Effect, and none of such property is subject to any Lien except as permitted by Section 7.3.

4.9 Intellectual Property. Each Group Member owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted, except to the extent that the failure to own or have a license to use would not reasonably be expected to have a Material Adverse Effect. No claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property that would reasonably be expected to have a Material Adverse Effect, nor does the Borrower know of any valid basis

for any such claim. The use of Intellectual Property by each Group Member does not infringe on the rights of any Person except to the extent that any such infringement would not reasonably be expected to have a Material Adverse Effect.

4.10 Taxes. Each Group Member has filed or caused to be filed all Federal, state and other tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than (a) any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the relevant Group Member or (b) the failure to so file or so pay would not reasonably be expected to have a Material Adverse Effect).

4.11 Margin Stock. No part of the proceeds of any Loans, 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, including, without limitation, Regulations U, T and X, or (b) for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

4.12 Labor Matters. Except as, in the aggregate, would not reasonably be expected to have a Material Adverse Effect and except as disclosed on Schedule 4.12: (a) there are no strikes or other labor disputes against any Group Member pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payment made to employees of each Group Member have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from any Group Member on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Group Member.

4.13 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 (other than the termination of each of a noncontributory defined benefit retirement plan for eligible employees at one of the Borrower’s U.S. divisions and its corporate office and a supplemental benefit plan for certain executive officers as disclosed in the Borrower’s Quarterly Report on Form 10-Q for the fiscal quarter year ended September 29, 2018 and updated in subsequent filings with the U.S. Securities and Exchange Commission), and no Lien in favor of the PBGC or a Plan has arisen, 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 Borrower 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 Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower 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.

4.14 Investment Company Act. No Loan Party is an “investment company”, within the meaning of the Investment Company Act of 1940, as amended.

4.15 Subsidiaries. On the Effective Date, the Borrower does not have any Subsidiaries other than the Subsidiaries (including the Discontinued Operations) listed on Schedule 4.15. Except as disclosed to the Administrative Agent, (a) Schedule 4.15 sets forth, as of the Effective Date, the name and jurisdiction of incorporation of each Subsidiary of the Borrower (including the Discontinued Operations) and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party and whether such Subsidiary is a Material Subsidiary and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options or restricted stock or restricted stock units granted to employees or directors and directors’ qualifying shares) of any nature relating to any Capital Stock of the Borrower or any Subsidiary, except as created by or permitted under the Loan Documents.

4.16 Use of Proceeds. The proceeds of the Loans shall be used (i) to refinance certain existing indebtedness of the Borrower and its Subsidiaries, (ii) to pay fees and expenses incurred in connection with the Revolving Credit Facility; (iii) for Permitted Acquisitions and Restricted Payments permitted hereunder; (iv) for Capital Expenditures; and (v) to provide ongoing working capital and for other general corporate purposes of the Borrower and its Subsidiaries.

4.17 Environmental Matters. Except as, in the aggregate, would not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties owned, leased or operated by any Group Member (the “Properties”) do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;

(b) no Group Member has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by any Group Member (the “Business”), nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which any Group Member is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of any Group Member in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;

(f) the Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and

(g) no Group Member has assumed any liability of any other Person under Environmental Laws.

4.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document, or any other document, certificate or statement furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not materially misleading in light of the circumstances under which such statements were made. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount and may not be achieved. As of the Effective Date, there is no fact known to any Loan Party that would reasonably be expected to have a Material Adverse Effect since January 2, 2016, that has not been expressly disclosed herein, in the other Loan Documents, or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

4.19 Solvency. The Loan Parties, 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.

4.20 Insurance. The Borrower and each of its Subsidiaries maintains with financially sound and reputable insurers (not related to or affiliated with the Borrower or any of its Subsidiaries) insurance with respect to its properties and business and against at least such liabilities, casualties and contingencies and in at least such types and amounts as is customary in the case of corporations engaged in the same or a similar business or having similar properties similarly situated.

4.21 Anti-Terrorism Law Compliance; OFAC; Anti-Corruption Laws. Neither the Borrower nor any of its Subsidiaries (a) is in violation of any applicable law or regulation, or is identified in any list of any government agency (including, without limitation, the OFAC list, Executive Order No. 13224 or the USA Patriot Act), in each case, that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender or Issuing Lender from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Borrower and (b) is, nor to the knowledge of the Borrower, is any director, officer or employee of Borrower or any Subsidiary thereof, an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority, or (iii) except to the extent permitted by applicable law located, organized or resident in a Designated Jurisdiction. The Borrower and its Subsidiaries have conducted their businesses in material compliance with applicable anti-corruption laws and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

4.22 Affected Financial Institution. No Group Member is an Affected Financial Institution.

SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make their initial Revolving Loans on the effective date of this Agreement requested to be made by it and of any Issuing Lender to issue or extend Letters of Credit hereunder is subject to the satisfaction, prior to or concurrently with the making of such extension of credit, of the following conditions precedent:

(a) Credit Agreement; Guarantee Agreement. The Administrative Agent shall have received (i) this Agreement executed and delivered by the Administrative Agent, the Borrower, the Multicurrency Administrative Agent and each Person listed on Schedule 1.1, (ii) the Guarantee Agreement, executed and delivered by the Borrower and each Subsidiary Guarantor and, (iii) if requested promissory notes in favor of each Lender requesting a promissory note.

(b) Refinancing. The Lenders and the Administrative Agent shall have received satisfactory evidence that all existing Indebtedness and all other amounts outstanding under the Existing Credit Agreement being refinanced hereby and the related loan documents thereby shall be contemporaneously repaid in full and all commitments to provide additional extensions of credit thereunder shall have terminated.

(c) Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel), on or before the Effective Date. All such amounts will be paid with the proceeds of the Revolving Loans to be made on the Effective Date and will be reflected in the funding instructions given by the Borrower to the Administrative Agent on or before the Effective Date.

(d) Closing Certificate; Certified Certificate of Incorporation; Good Standing Certificates. The Administrative Agent shall have received (i) such certificates or resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party; (ii) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each of the Borrower and its Subsidiaries are validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect and including certified copies of the Organization Documents of each Loan Party; (iii) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in Sections 5.2(a) and (b) (and Section 5.3, if applicable) have been satisfied, (B) that there has been no event or circumstance since January 2, 2016 that has had or would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, (C) there is no pending litigation or proceeding of or before any arbitrator or Governmental Authority and, to the knowledge of the Borrower, there is no investigation or litigation, proceeding of or before any Governmental Authority threatened by or against any Group Member or against any of their respective properties or revenues (i) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby or (ii) that would reasonably be expected to have a Material Adverse Effect, and (D) any approvals required to enter into the transaction contemplated herein by any Governmental Authority or material third party have been obtained; (iv) certificates attesting to the Solvency of the Loan Parties as a whole before and after giving effect to the Loans, from its chief

financial officer; and (v) evidence that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in effect.

- (e) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:
 - (i) the legal opinion of Wilmer Cutler Pickering Hale and Dorr LLP, special New York counsel of the Borrower and its Subsidiaries reasonably acceptable to the Administrative Agent; and
 - (ii) if requested by the Administrative Agent, legal opinions from firms reasonably acceptable to the Administrative Agent for each Foreign Subsidiary Borrower.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require.

5.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any date (including its initial extension of credit and any borrowing by a Foreign Subsidiary Borrower but excluding any conversion to, or continuation of, a Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan) is subject to the satisfaction of the following conditions precedent:

- (a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct on and as of such date as if made on and as of such date, except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct as of such date.
- (b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.
- (c) Commitment Amount. After giving effect to any such extension of credit under the Revolving Commitment, the amount of all outstanding Loans and Reimbursement Obligations for all undrawn Letters of Credit and bank guarantees, to the extent any have been issued thereunder, will not exceed the Revolving Commitment.

Each such borrowing by and issuance or extension of a Letter of Credit on behalf of the Borrower, any Subsidiary of the Borrower and any Foreign Subsidiary Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

5.3 Additional Conditions Applicable to the Foreign Subsidiary Borrowers. The agreement of each Lender to make any Loan and of any Issuing Lender to issue or extend any Letter of Credit (other than Designated Letters of Credit as to which the Borrower is a co-applicant and any conversion to, or continuation of, a Eurocurrency Rate Loan, CDOR Rate Loan or Term RFR Loan) requested to be made by it to any Foreign Subsidiary Borrower on any date is subject to the satisfaction or waiver of, in addition to the conditions precedent set forth in Sections 5.1 and 5.2 to be fulfilled by such Foreign Subsidiary Borrower, the truthfulness and correctness in all material respects on and as of such date of the following additional representations and warranties:

(i) Pari Passu. The obligations of such Foreign Subsidiary Borrower under this Agreement, when executed and delivered by such Foreign Subsidiary Borrower, will rank at least pari passu with all unsecured Indebtedness of such Foreign Subsidiary Borrower.

(ii) No Immunities, etc. The assets of such Foreign Subsidiary Borrower shall be available without material limitation to satisfy the Foreign Subsidiary Borrower Obligations of such Foreign Subsidiary Borrower under laws of the jurisdiction in which such Foreign Subsidiary Borrower is organized and existing provided that such assets of a Foreign Subsidiary Borrower may be subject to liens permitted under Section 7.3.

(iii) Recordation. This Agreement is in proper legal form under the law of the jurisdiction in which such Foreign Subsidiary Borrower is organized and existing for the enforcement hereof or thereof against such Foreign Subsidiary Borrower under the law of such jurisdiction. No recordation, filing or registration, and no payment of any charge or tax is necessary under the law of the jurisdiction in which such Foreign Subsidiary Borrower is organized and existing or for the enforcement hereof or thereof against such Foreign Subsidiary Borrower under the law of such jurisdiction or such recordation, filing or registration has been made and is in full force and effect or such charge or tax paid.

(iv) Exchange Controls. The execution, delivery and performance by such Foreign Subsidiary Borrower of this Agreement or the other Loan Documents is, under applicable foreign exchange control regulations of the jurisdiction in which such Foreign Subsidiary Borrower is organized and existing, not subject to any notification or authorization except (i) such as have been made or obtained or (ii) such as cannot be made or obtained until a later date; provided that any notification or authorization described in immediately preceding clause (ii) shall be made or obtained as soon as is reasonably practicable.

Each such borrowing or such issuance by any Foreign Subsidiary Borrower hereunder shall constitute a representation and warranty by each of the Borrower and such Foreign Subsidiary Borrower as of the date of such borrowing or such issuance that the conditions contained in this Section 5.4 have been satisfied.

SECTION 6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

6.1 Financial Statements. Furnish to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, on EDGAR (or upon the request of any Lender, the Borrower shall provide a copy of such statement or report described above to any Lender that does not have access to EDGAR) the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by KPMG LLP or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, on EDGAR (or upon the request of

any Lender, the Borrower shall provide a copy of such statement or report described above to any Lender that does not have access to EDGAR) the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied (except as approved by such accountants or officer, as the case may be, and disclosed in reasonable detail therein and subject to the absence of footnotes with respect to quarterly statements) consistently throughout the periods reflected therein and with prior periods.

6.2 Certificates; Other Information. Furnish to the Administrative Agent and each Lender (or, in the case of clause (d), to the relevant Lender):

(a) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default, in each case, except as specified in such certificate and (ii) (x) a Compliance Certificate containing all information and calculations necessary for determining compliance with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be, and (y) to the extent not previously disclosed to the Administrative Agent, a description of any change in the jurisdiction of organization of any Loan Party since the date of the most recent report delivered pursuant to this clause (y) (or, in the case of the first such report so delivered, since the Effective Date);

(b) as soon as available, and in any event no later than 90 days after the end of each fiscal year of the Borrower, a summary consolidated forecast of the Borrower and its Subsidiaries for the following fiscal year;

(c) within five days after the same are sent, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, on EDGAR (or upon the request of any Lender, the Borrower shall provide a copy of such statement or report described above to any Lender that does not have access to EDGAR) copies of all financial statements and reports that the Borrower may make to, or file with, the SEC; and

(d) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its obligations of whatever nature, except (a) where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the relevant Group Member or (b) where the failure to so pay, discharge or otherwise satisfy would not reasonably be expected to result in a Material Adverse Effect.

6.4 Maintenance of Existence; Compliance. (a) (i) With respect to the Loan Parties, preserve, renew and keep in full force and effect its organizational existence, except as otherwise permitted by Section 7.4 and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law, except to the extent that failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 Maintenance of Property; Insurance. (a) Except to the extent that any non-compliance would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

6.6 Inspection of Property; Books and Records; Discussions. (a) 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 and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time, on reasonable prior notice, but in no event more often than once per fiscal year, and to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and with the consent of the Borrower (such consent not to be unreasonably withheld) with their independent certified public accountants. Notwithstanding the foregoing, if a Default or any Event of Default has occurred and is continuing, representatives of the Lenders shall be permitted to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any time, and without notice, and as often as may be desired and to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and, without the need for any consent, with their independent certified public accountants.

6.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding of which, in each case, the Borrower has knowledge, and that may exist at any time between any Group Member and any Governmental Authority, that in either case, would reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting any Group Member (i) which has had, or would reasonably be expected to have, a Material Adverse Effect, (ii) in which injunctive or similar relief is sought by any governmental authority, (iii) 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 (iv) which relates to any Loan Document;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) 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 (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower 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

(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.

(f) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Group Member proposes to take with respect thereto.

6.8 Environmental Laws. (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.

(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.

6.9 Additional Subsidiary Guarantors. With respect to any new Material Domestic Subsidiary created or acquired after the Effective Date by any Group Member or with respect to any existing Domestic Subsidiary that becomes a Material Domestic Subsidiary after the Effective Date by virtue of meeting the qualifications set forth in the definition of Material Subsidiary, promptly, but in any event within fifteen (15) days after such creation, acquisition or qualification, (i) cause such new Domestic Subsidiary (A) to become a party to the Guarantee Agreement and (B) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit C, with appropriate insertions and attachments, including, without limitation, copies of all such Subsidiaries' Organization Documents, and (ii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

6.10 Material Contracts. Perform and observe all the terms and provisions of each Material Contract required to be performed or observed by it, and cause each of its Subsidiaries to do so, 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.

6.11 Most Favored Covenant Status. If (a) the Borrower or any of its Subsidiaries at any time after the Effective Date enters into or modifies any Material Indebtedness Agreement in connection with Indebtedness which has or had an initial principal amount of \$50 million or more and

was incurred and permitted under Section 7.2(l), and (b) such Material Indebtedness Agreement or modification thereof includes negative covenants (or any affirmative covenants that pertain to any matter governed by Section 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 are applicable to the Borrower or any of its Subsidiaries, other than those set forth herein or in any of the other Loan Documents, then the Borrower shall promptly so notify the Administrative Agent and the Lenders in writing and, if the Administrative Agent shall so request by written notice to the Borrower (after a determination has been made by the Required Lenders that such Material Indebtedness Agreement of the Borrower or any of its Subsidiaries contains any such provisions that either individually or in the aggregate: (i) are materially more favorable to the holders of such Indebtedness than any of the provisions set forth herein and (ii) are materially more restrictive to the Borrower or its Subsidiaries than (A) any other Material Indebtedness Agreement entered into for Indebtedness incurred and permitted under Section 7.2(l) or (B) the provisions of that certain Multicurrency Note Purchase Agreement and Private Shelf Agreement, dated as of May 21, 2008, as amended, by and between the Borrower and Prudential Investment Management, Inc., the Borrower, the Administrative Agent and the Lenders shall promptly amend this Agreement to incorporate some or all of such provisions, in the discretion of the Administrative Agent and the Required Lenders, into this Agreement and, to the extent necessary and reasonably desirable to the Administrative Agent and the Required Lenders, into any of the other Loan Documents, all at the election of the Administrative Agent and the Required Lenders.

6.12 Reorganization. Subject to the limitations set forth in Section 7.7(g), the Borrower and its Subsidiaries shall be permitted to reorganize the property, assets and Subsidiaries acquired pursuant to any such 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 Borrower.

6.13 Anti-Corruption Laws. The Borrower and its Subsidiaries will conduct their businesses in material compliance with the United States Foreign Corrupt Practices Act of 1977, and to the extent applicable, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions, and maintain policies and procedures designed to promote and achieve compliance with such Laws.

SECTION 7. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Revolving Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants. (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.

to 1.00. (b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Borrower to be less than 3.00

7.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

- (a) Indebtedness of any Loan Party pursuant to any Loan Document;
- (b) Subject to Section 7.7(g), Indebtedness of the Borrower to any Subsidiary and of any Subsidiary of the Borrower to the Borrower or any other Subsidiary;
- (c) Investments permitted by Section 7.7;
- (d) Subject to Section 7.7(g), Guarantee Obligations by (i) the Borrower or any of its Subsidiaries of obligations of any Subsidiary of the Borrower and (ii) any Subsidiary of the obligations of the Borrower;
- (e) Indebtedness outstanding on the Effective Date and listed on Schedule 7.2(e) and any refinancings, refundings, renewals or extensions thereof;
- (f) Indebtedness arising under any Swap Agreements permitted by Section 7.10;
- (g) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 7.3(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 of the Borrower and its Subsidiaries 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 Section 6.1 or on the Effective Date 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 Effective Date 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 Borrower or any Subsidiary as an account party in respect of documentary trade letters of credit and/or bank guarantees;
- (j) Indebtedness of the Borrower 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) 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 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;

(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 the Consolidated Total Assets of the Borrower and its Subsidiaries 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 Section 6.1 or on the Effective Date, immediately prior to the date of such incurrence;

(n) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed \$5,000,000 at any one time outstanding;

(o) Subordinated Indebtedness of the Borrower 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.

7.3 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, 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 Borrower 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 Borrower or any of its Subsidiaries;

(f) judgment liens in respect of judgments that do not constitute an Event of Default under clause (h) of Article VIII;

(g) Liens in existence on the Effective Date listed on Schedule 7.3(g), securing Indebtedness permitted by Section 7.2(e); provided that no such Lien is spread to cover any additional property after the Effective Date and that the amount of Indebtedness secured thereby is not increased;

(h) Liens securing Indebtedness of the Borrower or any other Subsidiary incurred pursuant to Section 7.2(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 Borrower 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 Disposition permitted pursuant to Section 7.5 hereof;

(j) Liens securing Indebtedness of the Borrower or any of its Subsidiaries incurred pursuant to Section 7.2(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 Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary pursuant to a Permitted Acquisition after the Effective Date 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 Borrower 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 securing Indebtedness of the Borrower or any of its Subsidiaries incurred pursuant to Section 7.2(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 Section 7.2(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) 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 Section 7.2 (k) for letters of credit or bank guarantees.

7.4 **Fundamental Changes.** 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 of the Borrower may be merged or consolidated with or into the Borrower; provided that the Borrower shall be the continuing or surviving corporation) or with or into any Subsidiary Guarantor; provided, further, that a Subsidiary Guarantor shall be the continuing or surviving corporation;
- (b) any Subsidiary of the Borrower that is not a Subsidiary Guarantor may be merged or consolidated with or into the Borrower, any Subsidiary Guarantor or any other Subsidiary of the Borrower;
- (c) subject to Section 7.7(g), any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower, any Subsidiary Guarantor or any other Subsidiary of the Borrower;
- (d) any Investment expressly permitted by Section 7.7 may be structured as a merger, consolidation or amalgamation;
- (e) subject to Section 7.5, the Borrower or any Subsidiary may make any Disposition of assets; and
- (f) any Subsidiary of the Borrower that is organized under the laws of Canada may amalgamate with another Subsidiary of the Borrower that is organized under the laws of Canada; provided, that if one of the Subsidiaries participating in the applicable amalgamation is a Foreign Subsidiary Borrower, the entity formed as a result of such amalgamation ("Amalco") shall continue to be a Foreign Subsidiary Borrower and shall provide the Agents with such documentation, including legal opinions, as the Agents shall reasonably require to confirm that this Agreement and the other Loan Documents are enforceable against Amalco.

7.5 **Disposition of Property.** 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 Section 7.4(c) or Section 7.9;

(d) Subject to Section 7.7(g), the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Subsidiary of the Borrower;

(e) Dispositions of cash and 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 of the Borrower and its Subsidiaries (determined at the time of each such Disposition on a pro forma basis as of the most recently completed Reference Period for which financial statements have been delivered or were required to be delivered) for all transactions consummated after the Effective Date.

7.6 Restricted Payments. 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 any Group Member, 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 any Group Member (collectively, "Restricted Payments"), except that:

(a) Subject to Section 7.7(g), any Subsidiary may make Restricted Payments to the Borrower or any Subsidiary of the Borrower and any non-wholly owned Subsidiary may make Restricted Payments, pro rata, to any other Person owning such Subsidiary;

(b) any Subsidiary that is not a Subsidiary Guarantor may make Restricted Payments to the Borrower, any Subsidiary Guarantor or any other Subsidiary of the Borrower;

(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

(d) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries.

7.7 Investments. 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 Section 7.2;

- (d) Subject to Section 7.7(g), Investments by the Borrower and its Subsidiaries in any Subsidiary of the Borrower;
 - (e) Investments by the Borrower and/or any Subsidiary in existence on the Effective Date listed on Schedule 7.7(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 Effective Date;
 - (f) loans and advances to employees of any Group Member in the ordinary course of business (including for travel, entertainment and relocation expenses);
 - (g) Investments by the Borrower 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 Borrower 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 Borrower 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 Section 7.7(g), intercompany Investments by any Group Member in the Borrower or any Person that, prior to such investment, is a Subsidiary of the Borrower; and
 - (j) Investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed \$5,000,000 during any fiscal year of the Borrower.
- 7.8 Transactions with Affiliates. Except as permitted by Section 7.7(g) and Section 7.14, 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 any Group Member (other than the Borrower or any Subsidiary Guarantor or pursuant to any transaction that is otherwise permitted pursuant to this Agreement or is otherwise listed on Schedule 7.8) unless such transaction is (a) in the ordinary course of business of the relevant Group Member, and (b) upon fair and reasonable terms no less favorable to the relevant Group Member than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.
- 7.9 Sales and Leasebacks. Enter into any Sale Leasebacks, other than Permitted Sale Leasebacks.
- 7.10 Swap Agreements. Enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower 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 Borrower or any Subsidiary.
- 7.11 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than the Saturday nearest December 31 or change the Borrower's method of determining fiscal quarters.
- 7.12 Clauses Restricting Subsidiary Distributions; Negative Pledges. Enter into or suffer to exist or become effective with any Person other than (a) a Lender or an Affiliate of a Lender and (b) the holder of any Indebtedness permitted under Sections 7.2(d)(ii), (e), (g), (h), (j), (k), (l), (m), (n) or

(o) any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to: (1) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (2) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (3) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, in each case, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) 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 and (iii) any restrictions with respect to a Subsidiary acquired by the Borrower 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.

7.13 **Lines of Business.** Enter into any material business, either directly or through any Subsidiary, except for those businesses of the same general type in which the Borrower and its Subsidiaries, taken as a whole, are engaged on the Effective Date or that are reasonably incidental or related thereto.

7.14 **Discontinued Operations.** Notwithstanding anything to the contrary in this Agreement or any other Loan Document, the Discontinued Operations shall not 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.

7.15 **Amendments of Organization Documents.** Amend any of its Organization Documents which amendment would be materially adverse to the Lenders.

7.16 **Anti-Terrorism Laws.** Violate, in any material respect, any law or regulation, or be identified in any list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list, Executive Order No. 13224 or the USA Patriot Act), in each case, that prohibits or limits the conduct of business with or the receiving of funds, goods or services to or for the benefit of certain Persons specified therein or that prohibits or limits any Lender or Issuing Lender from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Borrower.

7.17 **Sanctions; Anti-Corruption Laws.** (a) Directly or indirectly, use the proceeds of any Loan or Letter of Credit, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender, Joint Lead Arranger, Administrative Agent, Issuing Lender, Swingline Lender, or otherwise) of Sanctions.

(b) Directly or indirectly use the proceeds of any Loan for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, or any applicable provisions of the UK Bribery Act 2010, or other similar anti-corruption legislation in other jurisdictions.

(c) Request (in the case of the Borrower and the Foreign Subsidiary Borrowers) any Loan or Letter of Credit, nor use, and the Borrower and each Foreign Subsidiary Borrower shall adopt policies designed to promote and achieve that its Subsidiaries and its or their respective directors, officers or employees shall not use, the proceeds of any Loan or Letter of Credit: (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any person in the violation of any applicable anti-corruption laws or (ii) in any manner that would result in the violation of any applicable anti-terrorism laws (including applicable Sanctions).

SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower or any Foreign Subsidiary Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower or any Foreign Subsidiary Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) (i) any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 6.4(a) (with respect to the Borrower only), Section 6.7(a) or Section 7 of this Agreement; or

(d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after written notice to the Borrower from the Administrative Agent or the Required Lenders; or

(e) any Group Member shall (i) default in making any payment of any principal of any Material Indebtedness (including any Guarantee Obligation, but excluding the Loans) 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 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 Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Material Indebtedness constituting a Guarantee Obligation) to become payable; or

(f) (i) the Borrower or any Material Subsidiary shall commence any case, proceeding or other action (A) 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 a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) 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 Borrower or any Material Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any Material Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismitted or undischarged for a period of 60 days; or (iii) there shall be commenced against any the Borrower 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; or (iv) the Borrower 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 clause (i), (ii), or (iii) above; or (v) the Borrower 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

(g) (i) any Person 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 any Group Member 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 Lenders, 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 Group Member or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders 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; or

(h) one or more judgments or decrees shall be entered against any Group Member involving, at any one time, in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of \$10,000,000 or more, and all such judgments or decrees shall not have been vacated, satisfied, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) the guarantee contained in Section 2 of the Guarantee Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(j) a Change of Control shall occur;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Revolving Commitments and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents

required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Commitments to be terminated forthwith, whereupon the Revolving Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto). Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower and the Foreign Subsidiary Borrowers.

After the exercise of remedies provided for above, any amounts received on account of the Obligations of the Borrower or any Domestic Subsidiary or on behalf of the Borrower or any Domestic Subsidiary shall be applied by the Administrative Agent in the following order:

First, to the payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and the Multicurrency Administrative Agent and fees), in each case payable to the Administrative Agent or the Multicurrency Administrative Agent in its capacity as such;

Second, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting fees, indemnities and other amounts, payable to the Administrative Agent, the Multicurrency Administrative Agent, the Issuing Lenders and the Lenders (including fees, charges and disbursements of counsel to such parties (other than the fees in Section 3.3(a)), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting accrued and unpaid fees described in Section 3.3(a) and interest on the Loans, L/C Obligations and other Obligations, ratably in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations constituting unpaid principal of the Loans and L/C Obligations, ratably in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the extent of any excess of such proceeds, to the Administrative Agent for the account of the Issuing Lenders, to cash collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit;

Sixth, to the extent of any excess of such proceeds, to the payment of all other Obligations of the Loan Parties owing under or in respect of the Loan Documents that are due and payable on such date, ratably or to any one of them based on the respective aggregate amounts of all such Obligations owing to the Administrative Agent and the Lenders on such date; and

Last, to the extent of any excess of such proceeds, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by law.

After the exercise of remedies provided for above, any amounts received on account of the Obligations of a Foreign Subsidiary Borrower shall be applied by the Multicurrency Administrative Agent in the following order:

First, to the payment of that portion of the Obligations of such Foreign Subsidiary Borrower constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and the Multicurrency Administrative Agent and fees, in each case payable to the Administrative Agent or the Multicurrency Administrative Agent in its capacity as such;

Second, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations of such Foreign Subsidiary Borrower constituting fees, indemnities and other amounts, payable to the Administrative Agent, the Multicurrency Administrative Agent, the Issuing Lenders and the Lenders (including fees, charges and disbursements of counsel to such parties), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations of such Foreign Subsidiary Borrower constituting interest on the Loans, L/C Obligations, the and other Obligations of such Foreign Subsidiary Borrower, ratably in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to the extent of any excess of such proceeds, to the payment of that portion of the Obligations of such Foreign Subsidiary Borrower constituting unpaid principal of the Loans, L/C Obligations and other Obligations of such Foreign Subsidiary Borrower, ratably in proportion to the respective amounts described in this clause Fourth held by them;

Fifth, to the extent of any excess of such proceeds, to the Administrative Agent for the account of the Issuing Lenders, to cash collateralize that portion of L/C Obligations of such Foreign Subsidiary Borrower comprised of the aggregate undrawn amount of Letters of Credit;

Sixth, to the extent of any excess of such proceeds, to the payment of all other Obligations of such Foreign Subsidiary Borrower owing under or in respect of the Loan Documents that are due and payable on such date, ratably or to any one of them based on the respective aggregate amounts of all such Obligations of such Foreign Subsidiary Borrower owing to the Multicurrency Administrative Agent and the Lenders on such date; and

Last, to the extent of any excess of such proceeds, the balance, if any, after all of the Obligations of such Foreign Subsidiary Borrower have been indefeasibly paid in full, to such Foreign Subsidiary Borrower or as otherwise required by law.

SECTION 9. THE AGENTS

9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Each Lender (a) irrevocably designates and appoints the Agents as the agents of such Lender to enter into and execute, on its behalf, a Sharing Agreement, (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. Each Multicurrency Lender hereby irrevocably designates and appoints the Multicurrency Administrative Agent as the agent of such Multicurrency Lender under this Agreement and the other Loan Documents, and each such Multicurrency Lender irrevocably authorizes the Multicurrency Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Multicurrency Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, neither the Administrative Agent nor the Multicurrency Administrative Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, Multicurrency Lender and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent or the Multicurrency Administrative Agent.

9.2 Delegation of Duties. The Administrative Agent and the Multicurrency Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Administrative Agent nor the Multicurrency Administrative Agent shall be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither the Administrative Agent, the Multicurrency Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent or the Multicurrency Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. Neither the Administrative Agent nor the Multicurrency Administrative Agent shall be under any obligation to any Lender to ascertain or to inquire as to the

observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.4 Reliance by Administrative Agent and the Multicurrency Administrative Agent. The Administrative Agent and the Multicurrency Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent or the Multicurrency Administrative Agent. The Administrative Agent and the Multicurrency Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent or the Multicurrency Administrative Agent. The Administrative Agent and the Multicurrency Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent and the Multicurrency Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent, the Multicurrency Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Administrative Agent or the Multicurrency Administrative Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by the Administrative Agent or the Multicurrency Administrative Agent to any Lender. Each Lender represents to the Administrative Agent and the Multicurrency Administrative Agent that it has, independently and without reliance upon the Administrative Agent or the Multicurrency Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or the Multicurrency Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan

Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent or the Multicurrency Administrative Agent hereunder, neither the Administrative Agent nor the Multicurrency Administrative Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent, the Multicurrency Administrative Agent or any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 **Indemnification.** The Lenders agree to indemnify each of the Administrative Agent, the Multicurrency Administrative Agent, the Joint Lead Arrangers, the Documentation Agents and the Syndication Agents, each in their capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Revolving Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent, the Multicurrency Administrative Agent, the Joint Lead Arrangers, the Documentation Agents and the Syndication Agent in any way relating to or arising out of, the Revolving Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent, the Multicurrency Administrative Agent, the Joint Lead Arrangers, the Documentation Agents and the Syndication Agents under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the Administrative Agent's, the Multicurrency Administrative Agent's, the Joint Lead Arrangers', the Documentation Agents' or the Syndication Agents' gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 **Agent in Its Individual Capacity.** Each of the Administrative Agent and the Multicurrency Administrative Agent and their respective affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each of the Administrative Agent and the Multicurrency Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

9.9 **Successor Administrative Agent.** The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the

rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 30 days' following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.9 also apply to the Multicurrency Administrative Agent.

9.10 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any bankruptcy, insolvency or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Lender and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the Issuing Lender and the Administrative Agent under Sections 2.13, 2.15, 2.17 and 10.5) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Lender, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 10.5.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the Issuing Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or the Issuing Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender or the Issuing Lender or in any such proceeding.

9.11 Erroneous Payments.

(a) If Administrative Agent (x) notifies a Lender, Issuing Lender or any Person who has received funds on behalf of a Lender or Issuing Lender (any such Lender, Issuing Lender or other recipient (and each of their respective successors and assigns), a “Payment Recipient”) that Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under Section 9.11(b)) that any funds (as set forth in such notice from the Administrative Agent) received by such Payment Recipient from Administrative Agent or any of its Affiliates were erroneously or mistakenly transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, Issuing Lender or other Payment Recipient on its behalf) (any such funds, whether transmitted or received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “Erroneous Payment”) and (y) demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of Administrative Agent pending its return or repayment as contemplated below in this Section 9.11 and held in trust for the benefit of Administrative Agent, and such Lender or Issuing Lender shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two Business Days thereafter (or such later date as the Administrative Agent may, in its sole discretion, specify in writing), return to Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon (except to the extent waived in writing by the Administrative Agent) in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to Administrative Agent in same day funds at the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of Administrative Agent to any Payment Recipient under this Section 9.11(a) shall be conclusive, absent manifest error.

(b) Without limiting the provisions of Section 9.11(a), each Payment Recipient (and each of their respective successors and assigns) hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in this Agreement or in a notice of payment, prepayment or repayment sent by Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by Administrative Agent (or any of its Affiliates), or (z) that such Payment Recipient otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part), in each case:

(i) it acknowledges and agrees that (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from Administrative Agent to the contrary) or (B) in the case of immediately preceding clause (z), an error and mistake has been made, in each case, with respect to such payment, prepayment or repayment; and

(ii) such Lender or Issuing Lender shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of the occurrence of any of the circumstances described in immediately preceding clauses (x), (y) and (z)) notify Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying Administrative Agent pursuant to this Section 9.11(b). For the avoidance of doubt, the failure to deliver a notice to the Administrative Agent pursuant to this Section 9.11(b) shall not have any

effect on a Payment Recipient's obligations pursuant to Section 9.11(a) or on whether or not an Erroneous Payment has been made.

(c) Each Lender or Issuing Lender hereby authorizes Administrative Agent to set off, net and apply any and all amounts at any time owing to such Lender or Issuing Lender under any Loan Document, or otherwise payable or distributable by Administrative Agent to such Lender or Issuing Lender under any Loan Document with respect to any payment of principal, interest, fees, or other amounts, against any amount that Administrative Agent has demanded to be returned under Section 9.11(a).

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by Administrative Agent for any reason, after demand therefor in accordance with Section 9.11(a), from any Lender that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an "Erroneous Payment Return Deficiency"), upon Administrative Agent's notice to such Lender at any time, then effective immediately (with the consideration therefor being acknowledged by the parties hereto), (A) such Lender shall be deemed to have assigned its Loans (but not its Revolving Commitments) of the relevant class with respect to which such Erroneous Payment was made (the "Erroneous Payment Impacted Class") in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as Administrative Agent may specify) (such assignment of the Loans (but not Revolving Commitments) of the Erroneous Payment Impacted Class, the "Erroneous Payment Deficiency Assignment") (on a cashless basis and such amount calculated at par plus any accrued and unpaid interest (with the assignment fee to be waived by Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption with respect to such Erroneous Payment Deficiency Assignment, and such Lender shall deliver any Notes evidencing such Loans to the Borrower or Administrative Agent (but the failure of such Person to deliver any such Notes shall not affect the effectiveness of the foregoing assignment), (B) Administrative Agent as the assignee Lender shall be deemed to have acquired the Erroneous Payment Deficiency Assignment, (C) upon such deemed acquisition, Administrative Agent as the assignee Lender shall become a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender shall cease to be a Lender hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Revolving Commitments which shall survive as to such assigning Lender, (D) Administrative Agent and the Borrower shall be deemed to have waived any consents required under this Agreement to any such Erroneous Payment Deficiency Assignment, and (E) Administrative Agent may reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Revolving Commitments of any Lender and such Revolving Commitments shall remain available in accordance with the terms of this Agreement.

(ii) Administrative Agent may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and Administrative Agent shall retain all other rights, remedies and claims against such Lender (and/or against any recipient that receives funds on its respective behalf). In addition, an Erroneous Payment Return Deficiency owing by the applicable Lender (x) shall be reduced by the proceeds of prepayments or repayments of principal and interest or other distribution in respect of principal and interest, received by Administrative Agent on or with respect to any such Loans acquired from such

Lender pursuant to an Erroneous Payment Deficiency Assignment (to the extent that any such Loans are then owned by Administrative Agent) and (y) may in the sole discretion of Administrative Agent be reduced by any amount specified by Administrative Agent in writing to the applicable Lender from time to time.

(e) The parties hereto agree (x) irrespective of whether Administrative Agent may be equitably subrogated, in the event that an Erroneous Payment (or portion thereof) is not recovered from any Payment Recipient that has received such Erroneous Payment (or portion thereof) for any reason, Administrative Agent shall be subrogated to all the rights and interests of such Payment Recipient (and, in the case of any Payment Recipient who has received funds on behalf of a Lender or Issuing Lender to the rights and interest of such Lender or Issuing Lender, as the case may be) under the Loan Documents with respect to such amount (the "Erroneous Payment Subrogation Rights") (provided that the Loan Parties' Obligations under the Loan Documents in respect of the Erroneous Payment Subrogation Rights shall not be duplicative of such Obligations in respect of Loans that have been assigned to Administrative Agent under an Erroneous Payment Deficiency Assignment) and (y) that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower or any other Loan Party; provided that this Section 9.11 shall not be interpreted to increase (or accelerate the due date for) the Obligations of the Borrower relative to the amount (and/or timing for payment) of the Obligations that would have been payable had such Erroneous Payment not been made by Administrative Agent; provided, further, that for the avoidance of doubt, immediately preceding clauses (x) and (y) shall not apply to the extent any such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by Administrative Agent from the Borrower for the purpose of making such Erroneous Payment.

(f) To the extent permitted by applicable law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by Administrative Agent for the return of any Erroneous Payment received, including without limitation any defense based on "discharge for value" or any similar doctrine.

(g) Each party's obligations, agreements and waivers under this Section 9.11 shall survive the resignation or replacement of Administrative Agent, any transfer of rights or obligations by, or the replacement of, a Lender or Issuing Lender, the termination of the Revolving Commitments and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof).

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers. (a) Except as set forth in Sections 2.11(b) and 2.24, neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided that the

Administrative Agent and the Borrower may, without the consent of the other Lenders, amend, modify or supplement this Agreement and any other Loan Document in order to comply with local Law or advice of local counsel (including with respect to Section 5.3). Notwithstanding the foregoing, no such amendment, supplement, modification waiver or consent shall (i) increase the amount or extend the expiration date of any Lender's Revolving Commitment or forgive the principal amount or extend the final scheduled date of maturity of any Loan, reduce the stated rate of any interest or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Required Lenders) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, in each case without the written consent of each Lender directly affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section 10.1 without the written consent of such Lender; (iii) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Subsidiary Guarantors from their obligations under the Guarantee Agreement (other than pursuant to a transaction permitted by this Agreement) or release the Borrower from its guarantee obligations under the Guarantee Agreement, in each case without the written consent of all Lenders; (iv) add additional currencies as Foreign Currencies in which Multicurrency Revolving Loans may be made under this Agreement without the written consent of the Administrative Agent and all the Multicurrency Lenders; (v) amend, modify or waive any provision of Section 2.14 without the written consent of the Required Lenders adversely affected thereby (provided, that the absolute percentages may vary with any increase of the Revolving Commitments); (vi) reduce the percentage specified in the definition of Required Lenders without the written consent of all Lenders; (vii) amend, modify or waive any provision of Section 9 other than those listed in such definition, in each case, without the written consent of the Administrative Agent or the Multicurrency Administrative Agent; (viii) amend, modify or waive any provision of Section 2.3 or 2.4 without the written consent of the Swingline Lender; (ix) amend, modify or waive any provision of Section 3 without the written consent of each Issuing Lender or (x) amend the definition of Foreign Subsidiary Borrower without the consent of each Lender. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit to share ratably in the benefits of this Agreement and the other Loan Documents with the Revolving Extensions of Credit and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Required Lenders; provided that no such amendment or restatement shall require any Lender that does not consent thereto to participate in any such facilities, other than each of the facilities contemplated by this Agreement.

Notwithstanding anything to the contrary in this Section 10.1, the Borrower and the Administrative Agent may, without the input or written consent of the other Lenders, enter into written amendments, supplements or modifications of this Agreement and the other Loan Documents to effect the provisions of Section 2.11(h), 2.22 or 2.24.

If, in connection with any proposed amendment, supplement, modification, waiver or consent requiring the consent of “each Lender” or “each Lender affected thereby” the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained is referred to as a “Non-Consenting Lender”), the Borrower may seek to replace such Non-Consenting Lender in accordance with Section 2.19.

10.2 **Notices.** All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower, the Foreign Subsidiary Borrowers, the Administrative Agent and the Multicurrency Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

| | |
|--|--|
| Borrower or any other Loan Party, c/o: | Kadant Inc. One Technology Park Drive Westford, MA 01886 Attention: Daniel J. Walsh, Treasurer; and Attention: Chief Legal Officer Telecopy: (978) 635-1593 Telephone: (978) 776-2000 |
| Administrative Agent: | Citizens Bank, N.A. 28 State Street Boston, MA 02109 Mailcode: MS1500 Attention: Harriette Batson Fax: 617 994 7062 Telephone: 617 994 7063 |
| Multicurrency Administrative Agent: | Citizens Business Services FX Middle Office – FX Operation ROP480 1 Citizens Drive Riverside, RI 02915 Attention: Deborah Fales, Assistant Vice President Telecopy: 401-477-5801 Telephone: 401-477-5801 |

provided that any notice, request or demand to or upon the Administrative Agent, the Multicurrency Administrative Agent or the Lenders shall not be effective until received.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the

Administrative Agent and the applicable Lender. The Administrative Agent, the Multicurrency Administrative Agent, the Borrower or any Foreign Subsidiary Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided, further, that approval of such procedures may be limited to particular notices or communications.

(b) The Platform. The Borrower hereby acknowledges that (a) the Administrative Agent or the Multicurrency Administrative Agent will make available to the Lenders and the Issuing Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on SyndTrak or another similar electronic system (the "Platform"). THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or Multicurrency Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender, the Issuing Lenders or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender, the Issuing Lenders or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(c) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, the Loan Parties shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 **Payment of Expenses and Taxes.** The Borrower agrees (a) to pay or reimburse the Administrative Agent and the Multicurrency Administrative Agent for all of their respective reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and the Multicurrency Administrative Agent and filing and recording fees and expenses, (b) to pay or reimburse each Lender, Issuing Lender, the Administrative Agent and the Multicurrency Administrative Agent for all of their respective costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent and the Multicurrency Administrative Agent, (c) to pay, indemnify, and hold each Lender, each Issuing Lender, the Administrative Agent and the Multicurrency Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender, the Administrative Agent and the Multicurrency Administrative Agent and their respective officers, directors, employees, affiliates, agents and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Group Member or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"); provided that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from a material breach of this Agreement, the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 10.5 shall be payable not later than 10 days after written demand therefor. Statements payable by the Borrower pursuant to this Section 10.5 shall be submitted to the Chief Financial Officer, Treasurer and Chief Legal Officer (Telephone No.: (978) 776-2000) (Telecopy No.: (978) 635-1593), at the address of the Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 **Successors and Assigns; Participations and Assignments.** (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any affiliate of the Issuing Lender that issues any Letter of Credit), except that (i) neither the Borrower nor any Foreign Subsidiary Borrower may assign or

otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower or any Foreign Subsidiary Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees, which shall exclude any Loan Party any Affiliate thereof, any Defaulting Lender, and any natural person, able to fund a Loan under this Agreement in any Currency (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Commitments, Multicurrency Revolving Subcommitments and the Loans at the time owing to it) with the prior written consent of:

(A) the Borrower (such consent not to be unreasonably withheld); provided that no consent of the Borrower shall be required for an assignment to a Lender or an affiliate of a Lender or, if an Event of Default has occurred and is continuing, any other Person; and

(B) the Administrative Agent (such consent not to be unreasonably withheld).

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Revolving Commitments or Loans, the amount of the Revolving Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent; provided that (1) no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire;

(D) in the case of an assignment by a Lender of all or a portion of its Revolving Commitment, such assignment must include a ratable assignment of such Lender's Multicurrency Revolving Subcommitment;

(E) the Assignee must be able to lend in all Currencies to all Borrowers in the same manner as the Lender making such an assignment.

For the purposes of this Section 10.6, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an affiliate of a Lender or (c) an entity or an affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment

and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 10.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of (A) the names and addresses of the Lenders and the Revolving Commitments of, and principal amount of the Revolving Loans and L/C Obligations owing to, each Lender (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Revolving Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided, further, that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 10.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16, and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.7(b) as though it were a Lender; provided that such Participant shall be subject to Section 10.7(a) as though it were a Lender.

(i) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant. Any Participant shall not be entitled to the benefits of Section 2.16 unless such Participant complies with Section 2.16(d).

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(e) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (d) above.

10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders, if any Lender (a "Benefitted Lender") shall receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender and its Affiliates shall have the right, without prior notice to the Borrower or any Foreign Subsidiary Borrower, any such notice being expressly waived by the Borrower and each Foreign Subsidiary Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower or any Foreign Subsidiary Borrower, as the case may be, hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower or any Foreign Subsidiary Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application.

(c) Notwithstanding anything to the contrary contained in this Agreement or in the other Loan Documents, (a) no Foreign Subsidiary Borrower shall be liable for any Obligations of the Borrower or any Domestic Subsidiary; (b) each Foreign Subsidiary Borrower shall be severally liable only for the Obligations arising from Loans made to, or Letters of Credit issued at the request of, such Foreign Subsidiary Borrower, and shall not be a co-obligor or guarantor with respect to any of the Obligations of the Borrower or any other Foreign Subsidiary Borrower; (c) neither the Administrative Agent, nor any Lender, nor any Affiliate thereof may set-off or apply any deposits of, or any other

obligations at the time owing to or for the credit of the account of any Foreign Subsidiary Borrower against any or all of the obligations of the Borrower or any other Foreign Subsidiary Borrower; (d) the Borrower shall be liable for all Obligations of all Foreign Subsidiary Borrowers as a guarantor as provided in the Guarantee Agreement.

10.8 **Counterparts; Electronic Execution.** This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures, the electronic association of signatures and records on electronic platforms, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, any other similar state laws based on the Uniform Electronic Transactions Act or the Uniform Commercial Code, each as amended, and the parties hereto hereby waive any objection to the contrary, provided that (x) nothing herein shall require Administrative Agent to accept electronic signature counterparts in any form or format and (y) Administrative Agent reserves the right to require, at any time and at its sole discretion, the delivery of manually executed counterpart signature pages to any Loan Document and the parties hereto agree to promptly deliver such manually executed counterpart signature pages. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to Administrative Agent, any Joint Lead Arranger or any Lender, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

10.9 **Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 **Integration.** This Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Foreign Subsidiary Borrowers, the Administrative Agent, the Multicurrency Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, the Multicurrency Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 **GOVERNING LAW.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 **Submission To Jurisdiction; Waivers.** Each of the Borrower and the Foreign Subsidiary Borrowers hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower or the applicable Foreign Subsidiary Borrower at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 **Acknowledgements.** The Borrower and the Foreign Subsidiary Borrowers hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent, the Multicurrency Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower or the Foreign Subsidiary Borrowers arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent, the Multicurrency Administrative Agent and Lenders, on one hand, and the Borrower and the Foreign Subsidiary Borrowers, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower, the Foreign Subsidiary Borrowers and the Lenders.

10.14 **Releases of Guarantees.** (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 10.1) to take any action requested by the Borrower having the effect of releasing any guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 10.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans, the Reimbursement Obligations and the other obligations under the Loan Documents (other than obligations under or in respect of Swap Agreements)

shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, and the Guarantee Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party under the Guarantee Agreement shall terminate, all without delivery of any instrument or performance of any act by any Person.

10.15 Confidentiality. Each of the Administrative Agent, the Multicurrency Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party, the Administrative Agent, the Multicurrency Administrative Agent or any Lender pursuant to or in connection with this Agreement that is designated by the provider thereof as confidential; provided that nothing herein shall prevent the Administrative Agent, the Multicurrency Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, the Multicurrency Administrative Agent any other Lender or any affiliate thereof solely for the purposes of, or otherwise in connection with, the transactions contemplated by the Loan Documents (it being understood that the Person to whom the disclosure is made will be instructed to keep such information confidential), (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Transferee or any direct or indirect counterparty to any Swap Agreement (or any professional advisor to such counterparty), (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates solely for the purposes of, or otherwise in connection with, the transactions contemplated by the Loan Documents (it being understood that the Person to whom the disclosure is made will be instructed to keep such information confidential), (d) upon the request or demand of any Governmental Authority (it being understood that, to the extent practicable, the Borrower shall be provided with prompt written notice of such request or demand), (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law (it being understood that, to the extent practicable, the Borrower shall be provided with prompt written notice of such order), (f) if requested or required to do so in connection with any litigation or similar proceeding (it being understood that, to the extent practicable, the Borrower shall be provided with prompt written notice of such litigation or proceeding), (g) that has been publicly disclosed other than in violation of this Agreement, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.16 WAIVERS OF JURY TRIAL. THE BORROWER, THE FOREIGN SUBSIDIARY BORROWERS, THE ADMINISTRATIVE AGENT, THE MULTICURRENCY ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.17 Reserved

10.18 Appointment of Process Agent. By the execution and delivery of this Agreement, each of the Foreign Subsidiary Borrowers designates, appoints and empowers CSC, 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401 as its authorized agent to receive for and on its behalf service of any summons, complaint or other legal process in any such action, suit or proceeding in the State of New York in connection with the transactions contemplated by the Loan Documents for so long as any obligation of such Person shall remain outstanding hereunder or under any of the other Loan Documents. The Borrower will deliver to the Administrative Agent within seven (7) Business days of a written request therefor a copy of the letter of such designation or appointment and reasonable evidence of payment thereunder.

10.19 Liability of Foreign Subsidiary Borrowers. Notwithstanding anything to the contrary contained in this Agreement, the Foreign Subsidiary Borrowers shall only be liable for their own Foreign Subsidiary Borrower Obligations and not for the obligations of the Borrower or the other Foreign Subsidiary Borrowers contained herein or in any other Loan Document.

10.20 Anti-Money Laundering Legislation. (a) Each Borrower acknowledges that, pursuant to the Proceeds of Crime Act and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" laws in each relevant jurisdiction (collectively, including any guidelines or orders thereunder, "AML Legislation"), the Lenders may be required to obtain, verify and record information regarding the Borrowers and their respective directors, authorized signing officers, direct or indirect shareholders or other Persons in control of the Borrowers, and the transactions contemplated hereby. Each Borrower shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or any prospective assignee or participant of a Lender, any Issuing Lender or any Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

10.21 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any applicable Resolution Authority.

10.22 Acknowledgment and Restatement.

(a) The Borrower, each Foreign Subsidiary Borrower and each Subsidiary Guarantor hereby acknowledges, confirms and agrees that, as of the close of business on February 28, 2017, the Borrower and each Foreign Subsidiary Borrower is indebted to the Administrative Agent and the Lenders in respect of Loans under the Existing Credit Agreement in the aggregate principal amount described on Schedule 10.22 hereof.

(b) The terms, conditions, agreements, covenants, representations and warranties set forth in the Existing Credit Agreement are hereby amended and restated in their entirety by the terms, conditions, agreements, covenants, representations and warranties set forth in this Agreement and are

ratified and confirmed. The amendment and restatement contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Obligations and other obligations and liabilities of the Borrower, the Foreign Subsidiary Borrowers or the Subsidiary Guarantors evidenced by or arising under the Existing Loan Documents.

10.23 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support, “QFC Credit Support” and each such QFC a “Supported QFC”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(h) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(i) As used in this Section 10.23, the following terms have the following meanings:

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

Annex B
Exhibit 2.2(a) to the Credit Agreement
Notice of Borrowing Revolving Loans

See attached.

NOTICE OF BORROWING OF REVOLVING LOAN

Date: _____, 20__

To: Citizens Bank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of March 1, 2017, (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among KADANT INC., a Delaware corporation (the "Borrower"), 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 (the "Lenders"), CITIZENS BANK, N.A., as administrative agent (the "Administrative Agent"), and CITIZENS BANK, N.A., as multicurrency administrative agent.

The undersigned hereby requests:

A Borrowing of Dollar Revolving Loans

1. On _____ (a Business Day).
2. In the amount of \$_____.
3. Interest Rate (i.e., Base Rate, USD LIBOR, Term SOFR or Daily Simple SOFR) _____.
4. For USD LIBOR or Term SOFR Loans: with an Interest Period of _____ months.
5. borrower: _____.

The Revolving Loans requested herein comply with the provisos of Section 2.1(a) of the Agreement: that after giving effect to any Revolving Loans, (i) the total Outstanding Revolving Extensions of Credit shall not exceed the Revolving Credit Facility, and (ii) the aggregate total Outstanding Revolving Extensions of Credit of any Lender, plus such Revolving Lender's applicable Revolving Percentage of the Outstanding Amount of all L/C Obligations, plus such Revolving Lender's applicable Revolving Credit Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Revolving Lender's Revolving Commitment.

Each of the representations and warranties made in or pursuant to the Loan Documents is true and correct on and as of the date hereof, as if made on and as of the date hereof, except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such date.

KADANT INC.

By: _____
Name: _____
Title: _____

Annex C
Exhibit 2.2(b) to the Credit Agreement
Notice of Borrowing Multicurrency Loans

See attached.

NOTICE OF BORROWING OF MULTICURRENCY LOAN

Date: _____, 20__

To: Citizens Bank, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of March 1, 2017, (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among KADANT INC., a Delaware corporation (the "Borrower"), 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 (the "Lenders"), CITIZENS BANK, N.A., as administrative agent (the "Administrative Agent"), and CITIZENS BANK, N.A., as multicurrency administrative agent.

The undersigned hereby requests:

A Borrowing of Multicurrency Revolving Loans

1. On _____ (a Business Day).
2. In the amount of _____.
3. Currency Requested _____.
4. Interest Rate (i.e., Eurocurrency Rate, CDOR Rate, Term RFR or Daily Simple RFR) _____.
5. For Eurocurrency Rate Loans, CDOR Rate Loans or Term RFR Loans: with an Interest Period of _____ months.
6. borrower: _____.

The Multicurrency Revolving Loans requested herein comply with the provisos of Section 2.1(c) of the Agreement: that after giving effect to any Multicurrency Revolving Loans, (i) the total outstanding Multicurrency Revolving Extensions of Credit shall not exceed the Total Multicurrency Revolving Subcommitments, and (ii) the aggregate total Outstanding Revolving Extensions of Credit of any Lender, plus such Multicurrency Lender's applicable Multicurrency Revolving Percentage of the Multicurrency Revolving Extensions of Credit shall not exceed such Multicurrency Lender's Revolving Commitment.

Each of the representations and warranties made in or pursuant to the Loan Documents is true and correct on and as of the date hereof, as if made on and as of the date hereof, except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties are true and correct as of such date.

KADANT INC.

By: _____
Name: _____
Title: _____

Kadant Inc.
Subsidiaries of the Registrant

At February 18, 2022, the Registrant owned the following subsidiaries:

| Name | State or Jurisdiction of Incorporation | Percent of Ownership |
|---|---|-------------------------|
| Arcline Products LLC | New York | 100 |
| Kadant Black Clawson LLC | Delaware | 100 |
| Kadant Japan KK | Japan | 100 |
| Sundance Partners LLC | Delaware | 100 |
| Verus Lebanon, LLC | Delaware | 100 |
| Kadant Fibergen Inc. | Delaware | 100 |
| Kadant GranTek Inc. | Delaware | 100 |
| Kadant Composites LLC | Delaware | 100 |
| Kadant International Holdings LLC | Delaware | 100 |
| Kadant Asia Holdings Inc. | Mauritius | 100 |
| Kadant Fiberline (China) Co., Ltd. | China | 100 |
| Kadant Luxembourg Holdings S.à r.l. (62.3% owned by Kadant International Holdings LLC and 37.7% owned by Kadant Inc.) | Luxembourg | 100 |
| Kadant Cayman Ltd. | Cayman Islands | 100 |
| Kadant Luxembourg S.à r.l. | Luxembourg | 100 |
| Kadant Johnson Europe B.V. | Netherlands | 100 |
| Kadant India Private Limited (99.9% owned by Kadant Johnson Europe B.V. and .1% owned by Kadant Lamort SAS) | India | 100 |
| Kadant Canada Corp. | Canada | 100 |
| Kadant Cyprus (Canada) Limited | Cyprus | 100 |
| Kadant UK Holdings Limited | United Kingdom | 100 |
| Fibertek U.K. Limited | United Kingdom | 100 |
| Kadant U.K. Limited | United Kingdom | 100 |
| D.S.T. Pattern and Engineering Company Limited | United Kingdom | 100 |
| Vickerys Limited | United Kingdom | 100 |
| Winterburn Limited | United Kingdom | 100 |
| Radiance SAS | France | 100 |
| Kadant Mexico, S.A. de C.V. | Mexico | 100 |
| Nicholson Manufacturing Ltd. | Canada | 100 |
| Kadant Johnson Deutschland GmbH | Germany | 100 |
| Kadant PAAL Holding GmbH | Germany | 100 |
| Kadant PAAL Limited | United Kingdom | 100 |
| J&H Rentals Limited | United Kingdom | 100 |
| Kadant PAAL SAS | France | 100 |
| Kadant PAAL GmbH | Germany | 100 |
| Kadant PAAL S.A. | Spain | 100 |
| Kadant Johnson Systems International Limited | United Kingdom | 100 |
| Kadant Johnson Systems International - S.r.l. | Italy | 100 |
| Kadant Johnson (Wuxi) Technology Ltd. | China | 100 |
| Kadant Nordic AB | Sweden | 100 |

| Name | State or Jurisdiction of Incorporation | Percent of Ownership |
|---|--|----------------------|
| Kadant Noss AB | Sweden | 100 |
| Johnson Corporation (JoCo) Limited | United Kingdom | 100 |
| Johnson-Fluitem Srl (50% owned by Kadant Johnson Europe B.V.) | Italy | 50 |
| Kadant Lamort SAS | France | 100 |
| Kadant BC- Lamort UK Limited | United Kingdom | 100 |
| Kadant Lamort S.L. | Spain | 100 |
| Kadant Lamort S.r.l. | Italy | 100 |
| VN Services NV (99.95% owned by Kadant Johnson Europe B.V. and 0.05% owned by Nicholson Manufacturing Company LLC) | Belgium | 100 |
| Kadant Northern UK Co. Ltd. | United Kingdom | 100 |
| Valon Kone Oy | Finland | 100 |
| Valon Kone OOO | Russia | 100 |
| Valon Kone AB | Sweden | 100 |
| Kadant Johnson LLC | Delaware | 100 |
| Kadant Australia Pty Ltd | Australia | 100 |
| Kadant Johnson Australia Pty Limited | Australia | 100 |
| Kadant Johnson Corporation Asia Pacific Pty Ltd | Australia | 100 |
| Kadant Johnson Argentina S.A. (99.99% owned by Kadant Johnson LLC and .1% owned by Kadant Johnson Latin America Holding Inc.) | Argentina | 100 |
| Kadant Johnson China-TZ Holding Inc. | Michigan | 100 |
| Tengzhou Feixuan Rotary Joints Manufacturing Co., Ltd. | China | 100 |
| Kadant Johnson Latin America Holding Inc. | Michigan | 100 |
| Kadant South America Ltda. (99.9% owned by Kadant Johnson Latin America Holding Inc. and .1% owned by Kadant Johnson LLC) | Brazil | 100 |
| Kadant Johnson Holdings Inc. | Michigan | 100 |
| Kadant Unaflex LLC | Delaware | 100 |
| The Johnson Corporation de Mexico S.A. de C.V. | Mexico | 100 |
| Kadant Northern U.S. LLC | Delaware | 100 |
| Nicholson Manufacturing Company LLC | Delaware | 100 |
| VK North America LLC | Delaware | 100 |
| Kadant PAAL LLC | Delaware | 100 |
| Kadant Syntron Holdings, LLC | Delaware | 100 |
| Syntron Material Handling Group, LLC | Delaware | 100 |
| Syntron Material Handling Holdings, LLC | Delaware | 100 |
| Syntron Material Handling Intermediate Holdings, LLC | Delaware | 100 |
| Syntron Material Handling, LLC | Delaware | 100 |
| Syntron Material Handling Holdings Limited | Hong Kong | 100 |
| Syntron Material Handling (Changshu) Co., Ltd. | China | 100 |
| Syntron Material Handling (Changshu) Trading Co. Ltd. | China | 100 |
| Fiberprep Inc. (31.05% owned by Kadant Lamort SAS and 68.95% owned by Kadant Inc.) | Delaware | 100 |
| Cogent Industrial Technologies Ltd. | Canada | 100 |

| Name | State or Jurisdiction of Incorporation | Percent of Ownership |
|--|--|----------------------|
| Joh. Clouth GmbH | Germany | 100 |
| Alcaidesa AG | Switzerland | 100 |
| Joh. Clouth Composite Technology Spolka z. o. o. (40% owned by Joh. Clouth GmbH and 60% owned by Alcaidesa AG) | Germany | 100 |
| Joh. Clouth GmbH & Co. KG | Germany | 100 |
| Clouth & Kochenrath GmbH & Co. KG | Germany | 100 |
| Clouth & Kochenrath Beteiligungs GmbH | Germany | 100 |
| Clouth Sprenger GmbH | Germany | 100 |
| Clouth Sprenger, LLC | Ohio | 100 |
| Clouth Sprenger Maschinenbau Beteiligungs GmbH | Germany | 100 |
| Joh. Clouth Sprenger Maschinenbau Eltmann GmbH & Co. KG | Germany | 100 |
| Clouth MBE Verwaltungs GmbH | Germany | 100 |
| Joh. Clouth Technical Service GmbH | Germany | 100 |
| Joh. Clouth PaperTec GmbH | Germany | 100 |
| Joh. Clouth Beteiligungs GmbH | Germany | 100 |
| Joh. Clouth Services Ltd. | Canada | 100 |
| East Chicago Machine Tool Corporation | Indiana | 100 |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-202855, 33-67190, 333-48498, 333-142247, 333-176371, 333-238305) on Form S-8 and the registration statement (No. 333-229888) on Form S-3ASR of our reports dated March 1, 2022, with respect to the consolidated financial statements of Kadant Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Boston, Massachusetts
March 1, 2022

CERTIFICATION

I, Jeffrey L. Powell, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended January 1, 2022 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: March 1, 2022

/s/ Jeffrey L. Powell
Jeffrey L. Powell
President and Chief Executive Officer

CERTIFICATION

I, Michael J. McKenney, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended January 1, 2022 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: March 1, 2022

/s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and Chief Financial Officer

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

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Jeffrey L. Powell, 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 January 1, 2022 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: March 1, 2022

/s/ Jeffrey L. Powell

Jeffrey L. Powell
President and Chief Executive Officer

/s/ Michael J. McKenney

Michael J. McKenney
Executive Vice President and 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.