

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION  
PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission file number 1-13179

FLOWERVE CORPORATION

(Exact name of registrant as specified in its charter)



New York

(State or other jurisdiction of incorporation or organization)

31-0267900

(I.R.S. Employer Identification No.)

5215 N. O'Connor Boulevard Suite 700, Irving, Texas

(Address of principal executive offices)

75039

(Zip Code)

(972) 443-6500

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$1.25 Par Value	FLS	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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐  
Emerging growth company ☐

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

Indicate by check mark whether the registrant 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. Yes ☒ No ☐

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

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

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

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price of the registrant's common stock as reported on June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$2,414,922,893. For purposes of the foregoing calculation only, all directors, executive officers and known 5% beneficial owners have been deemed affiliates.

Number of the registrant's common shares outstanding as of March 1, 2023 was 131,117,928.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the definitive proxy statement for the registrant's 2023 Annual Meeting of Shareholders scheduled to be held on May 25, 2023 is incorporated by reference into Part III hereof.

**FLOWSERVE CORPORATION**  
**FORM 10-K**

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## PART I

### ITEM 1. BUSINESS

Unless the context otherwise indicates, references to "Flowserve," "the Company" and such words as "we," "our" and "us" include Flowserve Corporation and its subsidiaries.

#### OVERVIEW

Flowserve Corporation is a world-leading manufacturer and aftermarket service provider of comprehensive flow control systems. We develop and manufacture precision-engineered flow control equipment integral to the movement, control and protection of the flow of materials in our customers' critical processes. Our product portfolio of pumps, valves, seals, automation and aftermarket services supports global infrastructure industries, including oil and gas, chemical, power generation (including nuclear, fossil and renewable) and water management, as well as certain general industrial markets where our products and services add value. Through our manufacturing platform and global network of Quick Response Centers ("QRCs"), we offer a broad array of aftermarket equipment services, such as installation, advanced diagnostics, repair and retrofitting.

##### *Strategies*

Our overarching strategic objectives are to remain a leader in each of the market segments we serve and become the employer of choice in the flow control industry. Additionally, we seek to be recognized by our customers as the most trusted brand of flow control technology in terms of reliability and quality, which we believe will help maximize shareholder value.

In pursuit of these objectives, we maintain a rolling, five-year strategic plan that takes a balanced approach to integrating both short-term and long-term initiatives in four key areas: People, Process & Technology, Customer and Finance.

##### *People*

With the goal of developing and maintaining a people-first culture, we focus on several elements in our strategic efforts to continuously enhance our organizational capability, including: (i) fully committing to providing a safe work environment for our associates, worldwide, (ii) upholding a high-performance workforce, that is empowered, accountable and flexible, (iii) becoming an employer of choice by fostering a people-first culture and (iv) recruiting, developing and retaining a global and diverse workforce.

##### *Process & Technology*

With the goal of improving our productivity and delivering a continuous stream of innovative solutions to our customers, we focus on select strategies relating to: (i) developing and maintaining an enterprise-first business approach across all operating units and functional organizations, (ii) simplifying our business processes and optimizing corporate structural costs, (iii) continually reducing our product cost and rationalizing our product portfolio and (iv) remaining a technical leader in the flow control industry.

##### *Customers*

With the goal of achieving the highest level of customer satisfaction amongst our peers, we focus on select strategies related to rigorous and disciplined selection of target markets and customers, while maintaining competitive lead times and emphasizing the highest levels of on-time delivery and quality. We seek to provide an outstanding experience for our customers over the entire product lifecycle by providing unique, integrated flow-control solutions that solve real-world application problems in our customers' facilities.

##### *Finance*

With the goal of growing the value of our enterprise, we focus on select strategies we believe will increase our revenue above the rate of market growth, while optimizing performance in terms of gross margin, selling, general and administrative ("SG&A") expense, operating margin, cash flow and primary working capital.

##### *History*

Flowserve Corporation as it exists today was created in 1997 through the merger of two leading fluid motion and control companies — BW/IP and Durco International. Under the name of a predecessor entity, we were incorporated in the State of New York on May 1, 1912, but some of our heritage product brand names date back to our founding in 1790. Over the years, we have evolved through organic growth and strategic acquisitions, and our over 225-year history of Flowserve heritage brands serves as the foundation for the breadth and depth of our products and services today.

## BUSINESS SEGMENTS AND PRODUCTS

### *Our Primary Industries*

We sell our products and services to approximately 10,000 companies, including some of the world's leading engineering, procurement and construction firms ("EPC"), original equipment manufacturers, distributors and end users. Our products and services are used in several distinct industries having a broad geographic reach. Our total bookings in 2022, 2021 and 2020 were \$4.4 billion, \$3.8 billion and \$3.4 billion, respectively. Our bookings mix by industry in 2022, 2021 and 2020 consisted of:

	2022	2021	2020
• oil and gas	40 %	35 %	34 %
• general industries(1)	22 %	26 %	26 %
• chemical(2)	22 %	24 %	24 %
• power generation	12 %	12 %	13 %
• water management	4 %	3 %	3 %

(1) General industries include mining and ore processing, pulp and paper, food and beverage and other smaller applications, as well as sales to distributors whose end customers typically operate in the other industries we primarily serve as identified above.

(2) Chemical industry is comprised of chemical-based and pharmaceutical products.

### *Demand*

Demand for most of our products depends on the level of new capital investment as well as planned and unplanned maintenance expenditures by our customers. The level of new capital investment depends, in turn, on capital infrastructure projects driven by the need for products that rely on oil and gas, chemicals, power generation and water resource management, as well as general economic conditions. These drivers are generally related to the phase of the business cycle in their respective industries and the expectations of future market behavior, including changes in demand for certain products and processes as a result of evolving industry trends and needs. The levels of maintenance expenditures are additionally driven by the reliability of equipment, planned and unplanned downtime for maintenance and the required capacity utilization of the process.

### *Sales Channels*

Sales to EPC firms and original equipment manufacturers are typically for large project orders and critical applications, as are certain sales to distributors. Project orders are typically procured for customers either directly from us or indirectly through contractors for new construction projects or facility enhancement projects that are longer-cycle projects and can take up to two years.

In contrast to large project orders, the quick turnaround business, which we also refer to as "short-cycle," is defined as orders that are received from the customer (booked) and shipped generally within six months of receipt. These orders are typically for more standardized, general purpose products, parts or services, and are less cyclical than larger capital expenditures driven by project orders. Each of our two business segments generates certain levels of this type of short-cycle business.

In the sale of aftermarket products and services (collectively referred to as "aftermarket"), we benefit from a large installed base of our original equipment, which requires periodic maintenance, repair and replacement parts. We use our manufacturing platform and global network of QRCs to offer a broad array of aftermarket equipment services, such as installation, advanced diagnostics, repair and retrofitting. In geographic regions where we are positioned to provide quick

response, we believe customers have traditionally relied on us, rather than our competitors, for aftermarket products due to our highly engineered and customized products. However, the aftermarket for standard products is competitive, as the existence of common standards allows for easier replacement of the installed products. As proximity of service centers, timeliness of delivery and quality are important considerations for all aftermarket products and services, we continue to selectively expand our global QRC capabilities to improve our ability to capture an increasing portion of this important aftermarket business. Each of our two business segments generates certain levels of aftermarket products and services.

We have pursued a strategy of industry diversity and geographic breadth to mitigate the impact on our business of normal economic downturns in any one of the industries or in any particular part of the world we serve. In addition, to augment our focus on growth we have initiated a diversify, decarbonize and digitize growth strategy ("3D Strategy"). The 3D Strategy focuses on diversifying end markets to create a more balanced portfolio, supporting customers through the energy transition and leveraging technology and data to improve customer operations and provide solutions.

For events that may occur and adversely impact our business, financial condition, results of operations and cash flows, refer to "Item 1A. Risk Factors" of this Annual Report on Form 10-K for the year ended December 31, 2022 ("Annual Report"). For information on our sales and long-lived assets by geographic areas, see Note 19 to our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" ("Item 8") of this Annual Report.

### ***Business Functions***

Our segments share a focus on industrial flow control technology and benefit from our global footprint and our economies of scale in reducing administrative and overhead costs to serve customers more cost effectively. All segments share certain resources and functions, including elements of research and development ("R&D"), supply chain, safety, quality assurance and administrative functions that provide efficiencies and an overall lower cost structure.

Our operations leadership reports to our Chief Executive Officer and the segments share leadership for operational support functions such as R&D, marketing and supply chain. We believe this leadership structure positions the Company to leverage operational excellence, cost reduction initiatives and internal synergies across our entire operating platform to drive further growth and increase in shareholder value.

## **BUSINESS SEGMENTS**

We report a two operating segment structure, consisting of our Flowserve Pumps Division and our Flow Control Division. In addition to the business segment information presented below, Note 19 to our consolidated financial statements in Item 8 of this Annual Report contains additional financial information about our business segments and geographic areas in which we have conducted business in 2022, 2021 and 2020.

### **FLOWSERVE PUMP DIVISION**

Our largest business segment is the Flowserve Pump Division ("FPD"), through which we design, manufacture, pretest, distribute and service specialty and highly-engineered custom and pre-configured pumps and pump systems, mechanical seals, auxiliary systems, replacement parts and upgrades and related aftermarket services. FPD products and services are primarily used by companies that operate in the oil and gas, chemical, power generation, water management and general industries. We market our pump and mechanical seal products through our global sales force and our regional QRCs and service and repair centers or through independent distributors and sales representatives. A portion of our mechanical seal products are sold directly to other original equipment manufacturers for incorporation into their rotating equipment requiring mechanical seals.

Our pump products are manufactured in a wide range of metal alloys and with a variety of configurations to reliably meet the operating requirements of our customers. Mechanical seals are critical to the reliable operation of rotating equipment in that they prevent leakage and emissions of hazardous substances from the rotating equipment and reduce shaft wear on the equipment caused by the use of non-mechanical seals. We also manufacture a gas-lubricated mechanical seal that is used in high-speed compressors for gas pipelines and in the oil and gas production and process markets. Our products are currently manufactured in 35 manufacturing facilities worldwide, 10 of which are located in Europe, 11 in North America, eight in Asia Pacific and six in Latin America, and we have 132 QRCs, including those co-located in manufacturing facilities and/or shared with our Flow Control Division ("FCD").

We also conduct business through strategic foreign joint ventures. We have five unconsolidated joint ventures that are located in Chile, India, Saudi Arabia, South Korea and the United Arab Emirates, where a portion of our products are

manufactured, assembled or serviced in these territories. These relationships provide numerous strategic opportunities, including increased access to our current and new markets, access to additional manufacturing capacity and expansion of our operational platform to support best-cost sourcing initiatives and balance capacity demands for other markets.

### ***FPD Products***

We manufacture more than 40 different active types of pumps, including American Petroleum Institute ("API") process pumps used in many downstream refining and petrochemical processing systems, and single case multistage axially split heavy duty pumps often used for high pressure hydrocarbon pipeline transmission. In addition, we manufacture double case diffuser style barrel pumps for medium duty applications in refining and petrochemical applications and submersible pump for deep well pumping in irrigation and municipal water supply service. We also manufacture approximately 185 different models of mechanical seals and sealing systems. Our pump products are sold under globally recognized brands in some cases dating back as far as 225 years ago, including Worthington, SIHI, Durco and Innomag. As announced in 2022, Flowserve also produces FLEX, a pressure exchange device for mainly the desalination market.

### ***FPD Services***

We also provide engineered aftermarket services through our global network of 132 QRCs, some of which are co-located in manufacturing facilities, in 45 countries. Our FPD service personnel provide a comprehensive set of equipment services for flow management control systems, including installation, commissioning services, seal systems spare parts, repairs, advanced diagnostics, re-rate and upgrade solutions and retrofit programs, machining and comprehensive asset management solutions. We provide asset management services and condition monitoring for rotating equipment through special contracts with many of our customers that reduce maintenance costs. A large portion of FPD's service work is performed on a quick response basis and we offer 24-hour service in all of our major markets.

### ***FPD New Product Development***

Our investments in new product R&D continue to focus on increasing the capability of our products as customer applications become more advanced, demanding greater levels of production (i.e., flow and power) and under more extreme conditions (i.e., erosive, corrosive and temperature) beyond the level of traditional technology. We continue to invest in our product platform and develop innovations to improve our competitive position in our key markets, including the global chemical industry and in the engineered equipment industry, specifically upstream, offshore and downstream applications for the oil and gas market. Continued engagement with our end users is exemplified through the completion of advancements that significantly improve energy efficiency, reduce total cost-of-ownership and enhance safety.

As the world continues to undergo energy transition in the coming years, significant investment towards renewable sources of energy and energy efficiency solutions will become increasingly more important. We continue to develop new product designs to support our customers through energy transition in our key end markets. We have launched and will continue to launch new initiatives to support renewable energy, energy efficiency, emissions reduction, decarbonization, and sustainability as the world continues to embrace energy transition into the future. Product development and continued improvements in these areas is a key aspect of our environmental, social and governance ("ESG") program.

In addition, we continue to advance our capabilities and technology position in the rapidly developing segment known as the Industrial Internet of Things ("IIoT"). Over the past several years we have continued to both invest and partner in this space to build remote monitoring solutions, as well as advanced equipment diagnostics in order to provide remote asset management and related services capabilities for our end-user customers. Our IIoT solution, RedRaven, includes delivering intelligent "edge" devices, advanced networking infrastructure and secure communication and security protocols, secure data management, and remote monitoring and reporting for our customers. In addition, we have moved beyond exploring new additive manufacturing capabilities, such as 3D printing and fast casting methods, and are exploring ways to economically scale these techniques as another means of manufacturing our products to both reduce lead time and lower our production costs.

None of these newly developed products or services required the investment of a material amount of our assets or was otherwise material to our business. Flowserve continues to develop cryogenic hydrogen pumping products and technology in connection with a third party technology partnership which began in 2022. Furthermore, Flowserve has continued to develop and commercialize new products with greater efficiency and capacity in the pressure exchanger portfolio.

### ***FPD Customers***

Our customer mix is diversified and includes leading EPC firms, major national oil companies, international oil companies, equipment end users in our served markets, other original equipment manufacturers, distributors and end users. Our sales mix of original equipment products and aftermarket products and services diversifies our business and helps mitigate the impact of normal economic cycles on our business. Our sales are diversified among several industries, including oil and gas, chemical, power generation, water management and general industries.

### ***FPD Competition***

The pump and mechanical seal industry is highly fragmented, with thousands of competitors globally. We compete, however, primarily with a limited number of large companies operating on a global scale. There are also a number of smaller, newer entrants in some of our emerging markets. Competition among our closest competitors is generally driven by delivery times, application knowledge, experience, expertise, price, breadth of product offerings, contractual terms, previous installation history and reputation for quality. Some of our largest industry competitors include: Sulzer Pumps; Ebara Corp.; SPX FLOW, Inc.; Eagle Burgmann, which is a joint venture of two traditional global seal manufacturers, A. W. Chesterton Co. and AES Corp.; John Crane Inc., a unit of Smiths Group Plc; Weir Group Plc.; ITT Industries; and KSB SE & Co. KGaA.

The pump and mechanical seal industry continues to undergo considerable consolidation, which is primarily driven by (i) the need to lower costs through reduction of excess capacity and (ii) customers' preference to align with global full service suppliers to simplify their supplier base. Despite the consolidation activity, the market remains highly competitive.

We believe that our strongest sources of competitive advantage rest with our extensive range of pumps for the oil and gas, petrochemical, chemical and power generation industries, our large installed base of products, our strong customer relationships, our high quality technology, our more than 225 years of experience in manufacturing and servicing pumping equipment, our reputation for providing quality engineering solutions and our ability to deliver engineered new seal product orders within 72 hours from the customer's request.

### ***FPD Backlog***

FPD's backlog of orders as of December 31, 2022 was \$2,008.9 million, compared with \$1,368.9 million as of December 31, 2021. We expect to recognize revenue on approximately 77% of December 31, 2022 backlog during 2023.

## **FLOW CONTROL DIVISION**

FCD designs, manufactures, distributes and services a broad portfolio of flow control solutions, including engineered and industrial valve and automation systems, isolation and control valves, actuation, controls and related equipment. FCD leverages its experience and application know-how by offering a complete menu of engineering and project management services to complement its expansive product portfolio. FCD products are used to control, direct and manage the flow of liquids, gases and multi-phase fluids, and are a critical part of any flow control system. Our valve and automation products are based on flexible architecture that can be customized or engineered to perform specific functions within each customer's unique flow control environment or objective.

Our flow control products are primarily used by companies operating in the chemical, power generation, oil and gas, water management and general industries. Our products are currently manufactured in 19 principal manufacturing facilities, five of which are located in the U.S., eight located in Europe, five located in Asia Pacific and one located in Latin America. We deliver our services through our global network of 25 QRCs worldwide, including five sites in Europe and Africa, nine in North America, three in the Middle East, six in Asia Pacific and two in Latin America, including those co-located in manufacturing facilities.

On February 9, 2023 the Company entered into a definitive agreement under which it will acquire all of the outstanding equity of Velan Inc., a manufacturer of highly engineered industrial valves, in an all cash transaction valued at approximately \$245 million. The transaction is subject to customary closing conditions, including applicable regulatory approvals and target shareholder approval, and is expected to close by the end of the second quarter of 2023.

## ***FCD Products***

Our valve, automation and controls product and solutions portfolio represent one of the most comprehensive in the flow control industry. Our products are used in a wide variety of applications, from general service to the most severe and demanding services, including those involving high levels of corrosion, extreme temperatures and/or pressures, zero fugitive emissions and emergency shutdown.

Our “smart” valve and diagnostic technologies integrate sensors, microprocessor controls and software into high performance integrated control valves, digital positioners and switch boxes for automated on/off valve assemblies and electric actuators. These technologies permit real-time system analysis, system warnings and remote indication of asset health. These technologies have been developed in response to the growing demand for reduced maintenance, improved process control efficiency and digital communications at the plant level. We are committed to further enhancing the quality of our product portfolio by continuing to upgrade our existing offerings with cutting-edge technologies.

Our valve actuation products encompass a broad range of pneumatic, electric, hydraulic and stored energy actuation designs to take advantage of whatever power source the customer has available, including utilizing the process fluid flowing through the pipeline as a source of power to actuate the valve. Our actuation products also cover one of the widest ranges of output torques in the industry, providing the ability to automate anything from the smallest linear globe valve to the largest multi-turn gate valve. Most importantly, FCD combines best-in-class mechanical designs with the latest in controls and communication technologies in order to provide complete integrated automation solutions that optimize flow control performance and enhance digital end-user experience.

We manufacture approximately 30 different active types of products, including valves, actuators, positioners, and switches. Our products are sold under globally recognized brands in some cases dating back as far as 225 years, including Valtek, Argus, Worcester, Limitorque and Durco.

## ***FCD Services***

Our service personnel provide comprehensive equipment maintenance services for flow control systems, including advanced diagnostics, repair, installation, commissioning, retrofit programs and field machining capabilities. A large portion of our service work is performed on a quick response basis, which includes 24-hour service in all of our major markets. We also provide in-house repair and return manufacturing services worldwide through our manufacturing facilities. We believe our ability to offer comprehensive, quick turnaround services provides us with a unique competitive advantage and unparalleled access to our customers’ installed base of flow control products.

During 2022, we added the service of condition monitoring for our control valves, which is enabled by RedRaven, our proprietary IIoT solution, and digital positioners. Within any control valve system, the RedRaven solution acts as a condition monitoring system and provides critical operating information to the end users and therefore helps to reduce downtime, improve productivity and increase visibility into their flow processes. Additionally, RedRaven is connected to our QRC network for fast and reliable repair or replacement of valves, actuators and other related valve equipment.

## ***FCD New Product Development***

Our R&D investment is focused on areas that will enhance end-user experience and advance our technological leadership by creating compelling value propositions for our customers, and lasting competitive advantage of our products and services in the market. In that respect, our investments have been focusing in four critical areas:

- (1) significantly enhancing the digital integration and interoperability of automation products (e.g., positioners, actuators, limit switches and associated accessories) with Distributed Control Systems (“DCS”) and Asset Management Systems (“AMS”);
- (2) developing and deploying next-generation hardware and software solutions that leverage our in-depth domain knowledge, big data and artificial intelligence, to further flow control diagnostics and bring insights that increase performance and efficiency of end-user processes;
- (3) advancing material science and processing technologies in order to further increase products’ capabilities in severe and critical services – including but not limited to noise and cavitation reduction; and
- (4) investing in our talents and processes that adopt modern R&D project management tools (such as lean startup, SCRUM, agile and hybrid portfolio management, etc.) that enable effective risk mitigation and shorter commercialization cycles.



We expect to continue our R&D investments in the above areas.

In addition, like FPD, a number of FCD's product development efforts are tied to assisting our customers with energy transition. These efforts are geared toward (1) supporting our customers in their own decarbonization efforts with new valve offerings, including Flowtop and Mark linear control valves and Valbart ball valves, as well as (2) cost-effective deployment of alternative energy technologies, such as hydrogen and renewable power with innovations in our Valdisk rotary control valve, Edward gate and globe valves, and Valtek and Durco triple-offset butterfly valve product lines.

None of these newly developed valve products or services required the investment of a material amount of our assets or was otherwise material.

#### ***FCD Customers***

Our customer mix spans several end markets, including the chemical, power generation, oil and gas, water management, pulp and paper, mining and other general industries. We are especially active in providing solutions for emerging applications that supports sustainability (such as concentrated solar power, hydrogen economy, carbon capture, desalination, etc.) or increases energy productivity (such as Liquefied Natural Gas ("LNG"), Ethylene cracking, Hydro cracking, etc.). Lastly, our expertise in flow control management makes us a reliable partner to assist our customers with energy transition – by either making their processes more efficient and sustainable, or by providing products and solutions for new technologies that enable energy transition.

Our product offerings include original equipment, aftermarket parts, and a portfolio of services and solutions. Contracts and transactions are conducted through a variety of channels depending on customer requirements, including direct end-users, EPC firms, distributors and other original equipment manufacturers.

#### ***FCD Competition***

While in recent years the valve market has undergone a significant amount of consolidation, the market remains highly fragmented. Some of the largest valve industry competitors include Emerson Electric Co., Cameron International Corp. (a Schlumberger company), Baker Hughes, Rotork plc, Neles, Samson and Crane Co.

Our market research and assessments indicate that the top 10 global valve manufacturers collectively comprise less than 15% of the total valve market. Based on independent industry sources, we believe that FCD is the second largest industrial valve supplier in the world. We believe that our strongest sources of competitive advantage rest with our comprehensive portfolio of valve and automation products and services, our ability to provide complementary pump and rotating equipment products and services, our focus on execution, our expertise in severe corrosion and erosion applications, and strategic partnerships purposely built to advance market adoption of new technologies and digital tools.

#### ***FCD Backlog***

FCD's backlog of orders as of December 31, 2022 was \$745.5 million, compared with \$639.8 million as of December 31, 2021. We expect to recognize revenue on approximately 90% of December 31, 2022 backlog during 2023.

### **ADDITIONAL INFORMATION REGARDING BOTH REPORTING SEGMENTS**

#### ***Seasonality***

Our financial results are traditionally seasonal, as we typically experience lower earnings in the first quarter of the year, with lower sales, coupled with fixed operating expenses, impacting our earnings and cash flows. We typically have higher sales, earnings and cash flows in the second half of the year with the fourth quarter being the strongest. Given that certain of our operating expenses are fixed, fluctuations in sales volumes from quarter to quarter may affect operating income for the respective quarters.

#### ***Selling and Distribution***

We primarily distribute our products through direct sales by employees assigned to specific regions, industries or products. In addition, we use distributors and sales representatives to supplement our direct sales force where it is more economically efficient. We generate a majority of our sales leads through existing relationships with vendors, customers and prospects or through referrals.

## ***Intellectual Property***

We own a number of trademarks and patents relating to the names and designs of our products. We consider our trademarks and patents to be valuable assets of our business. In addition, our pool of proprietary information, consisting of know-how and trade secrets related to the design, manufacture and operation of our products, is considered particularly valuable. Accordingly, we take proactive measures to protect such proprietary information. We generally own the rights to the products that we manufacture and sell and are unencumbered by licensing or franchise agreements. In limited circumstances, we have entered into agreements to license intellectual property. The operational and financial terms of these agreements are not material. Our trademarks can typically be renewed indefinitely as long as they remain in use, whereas our existing patents generally expire 10 to 20 years from the dates they were filed, which has occurred at various times in the past. We do not believe that the expiration of any individual patent will have a material adverse impact on our business, financial condition or results of operations.

## ***Raw Materials***

The principal raw materials used in manufacturing our products include ferrous and non-ferrous metals in the form of bar stock, machined castings, fasteners, forgings and motors, as well as silicon, carbon faces, gaskets and fluoropolymer components. A substantial volume of our raw materials is purchased from outside sources, and we have been able to develop a robust supply chain. Since the onset of the COVID-19 pandemic, many of our suppliers have experienced varying lengths of production and shipping delays related to the pandemic, some of which continue to exist in highly affected countries. Additionally, global supply chain and logistics constraints affecting global markets caused additional headwinds throughout 2022. We have also experienced, and continue to experience, increased cost inflation throughout our supply chain. Throughout 2022, our operating costs were impacted by inflation, including with respect to the cost of certain raw materials, packaging and freight, as well as wage and benefit costs.

These conditions have had an adverse effect on the speed at which we can manufacture and ship our products to customers, and have also led to an increase in logistics, transportation and freight costs, requiring that we diversify our supply chain and, in some instances, source materials from new suppliers. We continually monitor the business conditions of our suppliers to manage competitive market conditions and to avoid potential supply disruptions wherever possible. We continue to expand global sourcing to capitalize on localization in emerging markets and low-cost sources of purchased goods balanced with efficient consolidated and compliant logistics. The combined effects of supply chain disruption, inflation and the strong U.S. dollar may adversely affect our ability to source raw materials from our suppliers.

Metal castings used in the manufacture of our pump, valve, and mechanical seals are purchased from qualified and approved foundry sources. We remain vertically integrated with metal castings in certain strategic product families.

Concerning the products we supply to customers in the nuclear power generation industry, suppliers of raw materials for nuclear power generation markets must be qualified to meet the requirements of nuclear industry standards and governmental regulations. Supply channels for these materials are currently adequate, and we do not anticipate difficulty in obtaining such materials in the future.

## ***Human Capital Management***

Our associates worldwide are critical to delivering on our purpose to create extraordinary flow control solutions. As a global manufacturer, our values start with our people - we strive to create a collaborative team environment that enables us to develop each other, embrace our differences and respect one another.

As of December 31, 2022, we had approximately 16,000 employees (“associates”) globally and a footprint of manufacturing facilities and QRCs in more than 50 countries. Of our global associates, there are approximately 7,600 in FPD and 3,300 in FCD. The remaining 5,100 associates support core business functions including legal, human resources, information technology, finance, commercial operations and sales, global engineering operations and marketing and technology operations. Regionally, approximately 4,900 of our associates are in North America, approximately 1,600 of our associates are in Latin America, approximately 6,000 of our associates are in Europe, the Middle East and Africa, and approximately 3,500 of our associates are in Asia Pacific. Our workforce is made up of approximately 13,300 salaried employees and 2,700 hourly employees.

We are committed to achieving business success with integrity at the forefront. All associates and our Board of Directors are governed by our Code of Conduct as we continuously work together to improve our operations by fostering a work environment that supports employee health, safety, training, development, diversity, equity and inclusion. To create that environment, members of management work together to identify areas of opportunity and develop and implement

various policies, procedures, and initiatives in these key areas. Members of management also provide quarterly (or more frequent, as needed) updates to our Board of Directors, who provide additional input and guidance to management on these key areas.

*Workplace Health and Safety:* Safety is one of the corporate values at the Company and is embedded throughout our organization. We strive to create and maintain a safe working environment, empowering our employees to identify and report safety concerns and act to correct hazards. Our focus on safety and environmental protection has led to meaningful reductions in workplace safety incidents, emissions to the environment, and solid waste and hazardous waste generation at our facilities worldwide. Flowserve prioritized the safety of our employees, contractors and site visitors during the pandemic by promoting social distancing, masking and vaccination globally. In addition, the Company regularly monitors performance metrics, such as incident rates and lost time rates, and performance indicators, such as observations reported and training completions to ensure our safety program is having a positive impact on these key safety metrics.

*Compensation and Benefits:* We maintain a market-based compensation strategy that provides a competitive total target compensation opportunity for our associates. We also value the health and well-being of our associates and offer competitive overall benefits, health and wellness programs tailored to the specific localized needs of our employees. We offer a global employee assistance program to support the mental health and wellness needs our employees, as well as physical health incentives aimed at creating healthy lives for our employees and their families.

*Training, Development and Ethics:* Developing our people is an essential aspect of the Flowserve's strategy and we believe development is a continuous process. We offer developmental opportunities to help our associates build the skills needed to reach their short-term and long-term career goals, including but not limited to on-the-job training, online learning, rotational programs, professional memberships, language learning and leadership development. To help our associates see how their work contributes to overall Company objectives and successes, management uses a robust performance management system and provides regular feedback to develop talent and foster engagement.

Throughout 2022 we engaged our more than 2,000 people leaders with Leadership in Motion, a development program focused on the foundational capabilities of leadership through the lens of Flowserve's values and behaviors. Together, these leaders advanced their skills in collaborating across the enterprise, developing their teams, and strengthening our culture of inclusion for all associates. We also introduced People Leader Expectations through the program to build on our Values and Behaviors with clearly defined attributes and actions for people leaders.

With respect to our Integrity and Compliance program, we provide our associates with training on the Flowserve Code of Conduct annually, through which they gain an understanding of the types of behaviors and decisions that represent our ethics and values. We also provide associates with compliance trainings on relevant topics such as trade, anti-corruption, anti-trust, investigations and data privacy.

*Culture and Engagement:* To further enhance our culture, we conduct biannual employee engagement surveys to solicit feedback and input directly from our associates. In 2022, approximately 80% of our associates participated in our employee engagement survey. The Company put action to the survey results by empowering leaders with results summaries and personalized action planning support to further advance our culture and values at a local level.

Flowserve also seeks to build a diverse and inclusive culture through our Diversity, Equity and Inclusion program. Flowserve participates in regular national and global observances by sharing educational content with employees that raises awareness of cultural celebrations and experiences. Through these observances, we believe we can inspire mutual understanding and greater empathy across our global workforce. As a multi-national organization, recognition and education of cultural observances is an important part of creating a greater understanding and appreciation for our associates' experiences and for the experiences of our global customer base.

In addition, in 2022 management received education and training on unconscious bias and leading with inclusivity. With these programs and educational opportunities, we hope to foster an employee culture that drives inclusion, combats bias and positively impacts our communities in and outside of Flowserve.

In 2022, we continued our journey to advance our culture of inclusion through partnership with McKinsey's Black Leadership Academy, a virtual program offered to Black managers and leaders who aspire to take the challenging leap into senior leadership. The program focuses on building core management and leadership capabilities, developing the cross-functional knowledge needed to lead successful businesses and teams, and on strengthening personal networks. The 45-hour program supported our leaders in their personal and professional development.

Another avenue to foster our culture is through our employee recognition program, the Spirit of Flowserve. This program supports our business strategy, our values and our vision to drive an innovative culture, customer-centric mindset,

employee engagement and talent retention. In 2022, over 21,000 awards were given through the Spirit of Flowserve program for exceptional achievement and positive impact to the Company.

### ***Environmental, Social and Governance Activities***

We structure our approach to sustainability around ESG principles that incorporate our values and business priorities so that all of our associates can contribute to our ESG priorities. Our ESG program is centered on three key pillars – climate, culture and core responsibility. Climate captures the environmental pillar of our ESG approach and outlines our commitment to enabling a clean energy future for our operations and our customers. Culture refers to the social pillar of our ESG strategy and is rooted in our belief that the collective energy of our people set us apart. It defines our commitment to strengthening our values-driven culture and investing in our communities through talent recruitment and engagement, diversity, equity and inclusion, workplace health and safety, and employee well-being. Core responsibility represents governance and how we seek to conduct business ethically and in accordance with laws and regulations around the world.

We publish an annual ESG Report that discusses our ESG-related goals, activities and accomplishments, which can be accessed through the “Investor Relations” section of our Internet web site, and which is not incorporated by reference into this Annual Report on Form 10-K.

### ***Environmental Regulations and Proceedings***

We are subject to environmental laws and regulations in all jurisdictions in which we have operating facilities. These requirements primarily relate to the generation and disposal of waste, air emissions and wastewater discharges. We periodically make capital expenditures to enhance our compliance with environmental requirements, as well as to abate and control pollution. At present, we have no plans for any material capital expenditures for environmental control equipment at any of our facilities. However, we have incurred and continue to incur operating costs relating to ongoing environmental compliance matters. Based on existing and proposed environmental requirements and our anticipated production schedule, we believe that future environmental compliance expenditures will not have a material adverse effect on our financial condition, results of operations or cash flows.

We use hazardous substances and generate hazardous wastes in many of our manufacturing and foundry operations. Most of our current and former properties are or have been used for industrial purposes and some may require clean-up of historical contamination. During the due diligence phase of our acquisitions, we conduct environmental site assessments to identify potential environmental liabilities and required clean-up measures. We are currently conducting follow-up investigation and/or remediation activities at those locations where we have known environmental concerns. We have cleaned up a majority of the sites with known historical contamination and are addressing the remaining identified issues.

Over the years, we have been involved as one of many potentially responsible parties ("PRP") at former public waste disposal sites that are or were subject to investigation and remediation. We are currently involved as a PRP at four Superfund sites. The sites are in various stages of evaluation by government authorities. Our total projected "fair share" cost allocation at these four sites is expected to be immaterial. See "Item 3. Legal Proceedings" included in this Annual Report for more information.

We have established reserves that we currently believe to be adequate to cover our currently identified on-site and off-site environmental liabilities.

### ***Exports***

Our export sales from the U.S. to foreign unaffiliated customers were \$246.6 million in 2022, \$263.1 million in 2021 and \$264.6 million in 2020.

Licenses are required from U.S. and other government agencies to export certain products. In particular, products with nuclear power generation and/or military applications are restricted, as are certain other pump, valve and seal products.

### **AVAILABLE INFORMATION**

We maintain an Internet web site at [www.flowserve.com](http://www.flowserve.com). Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 are made available free of charge through the “Investor Relations” section of our Internet web site as soon as reasonably practicable after we electronically file the reports with, or furnish the reports to, the

U.S. Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed or furnished with the SEC are also available at [www.sec.gov](http://www.sec.gov).

Also available on our Internet web site are our Corporate Governance Guidelines for our Board of Directors and Code of Ethics and Business Conduct, the charters of the Audit, Finance and Risk, Organization and Compensation and Corporate Governance and Nominating Committees of our Board of Directors, our annual ESG Report, and other important governance documents. All of the foregoing documents may be obtained through our Internet web site as noted above and are available in print without charge to shareholders who request them. Information contained on or available through our Internet web site is not incorporated into this Annual Report or any other document we file with, or furnish to, the SEC.

## **ITEM 1A. RISK FACTORS**

Please carefully consider the following discussion of material factors, events, and uncertainties that make an investment in our securities risky. If any of the factors, events and contingencies discussed below or elsewhere in this Annual Report materialize, our business, financial condition, results of operations, cash flows, reputation or prospects could be materially adversely affected. While we believe all known material risks are disclosed, additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also materially adversely affect our business, financial condition, results of operations, cash flows, reputation, prospects or stock price. Because of the risk factors discussed below and elsewhere in this Annual Report and in other filings we make with the SEC, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, historical trends should not be used to anticipate results or trends in future periods and actual results could differ materially from those projected in the forward-looking statements contained in this Annual Report.

### **Business and Operating Risks**

*Our business depends on our customers' levels of capital investment and maintenance expenditures, which in turn are affected by numerous factors, including changes in the state of domestic and global economies, global energy demand and the liquidity cyclicality and condition of global credit and capital markets, which have impacted and which could continue to impact the ability or willingness of our customers to invest in our products and services and adversely affect our financial condition, results of operations and cash flow.*

Demand for most of our products and services depends on the level of new capital investment and planned maintenance expenditures by our customers. The level of capital expenditures by our customers depends, in turn, on general economic conditions, availability of credit, economic conditions within their respective industries and expectations of future market behavior. Additionally, volatility in commodity prices can negatively affect the level of these activities and can result in postponement of capital spending decisions or the delay or cancellation of existing orders. The ability of our customers to finance capital investment and maintenance is also affected by factors independent of the conditions in their industry, such as the condition of global credit and capital markets.

The businesses of many of our customers, particularly oil and gas companies, chemical companies and general industrial companies, are to varying degrees cyclical and have experienced periodic downturns. Our customers in these industries, particularly those whose demand for our products and services is primarily profit-driven, tend to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. For example, our chemical customers generally tend to reduce their spending on capital investments and operate their facilities at lower levels in a soft economic environment, which reduces demand for our products and services. Additionally, fluctuating energy demand forecasts and lingering uncertainty concerning commodity pricing, specifically the price of oil, have caused, and may in the future cause, our customers to be more conservative in their capital planning, reducing demand for our products and services. Reduced demand for our products and services from time to time results in the delay or cancellation of existing orders or lead to excess manufacturing capacity, which unfavorably impacts our absorption of fixed manufacturing costs. This reduced demand has in the past and may continue in the future to also erode average selling prices in our industry. Any of these results could continue to adversely affect our business, financial condition, results of operations and cash flows.

The ongoing COVID-19 pandemic, and the volatile regional and global economic conditions stemming from the pandemic, have precipitated or aggravated many of the factors described above, and we expect that these factors will continue to adversely impact our operations and financial performance as well as those of many of our customers and suppliers. For further discussion of the risks presented by the ongoing pandemic, see the discussion below under the

heading “The COVID-19 pandemic has had, and may continue to have, an adverse impact on our operations and financial performance.”

Additionally, our customers sometimes delay capital investment and maintenance even during favorable conditions in their industries or markets. Despite these favorable conditions, the general health of global credit and capital markets and our customers' ability to access such markets impacts investments in large capital projects, including necessary maintenance and upgrades. In addition, the liquidity and financial position of our customers impacts capital investment decisions and their ability to pay in full and/or on a timely basis. Any of these factors, whether individually or in the aggregate, could have a material adverse effect on our customers and, in turn, our business, financial condition, results of operations and cash flows.

***Volatility in commodity prices, effects from credit and capital market conditions and global economic growth forecasts have in the past prompted and may in the future prompt customers to delay or cancel existing orders, which could adversely affect the viability of our backlog and could impede our ability to realize revenues on our backlog.***

Our backlog represents the value of uncompleted customer orders. While we cannot be certain that reported backlog will be indicative of future results, our ability to accurately value our backlog can be adversely affected by numerous factors, including the health of our customers' businesses and their access to capital, volatility in commodity prices (e.g., copper, nickel, stainless steel) and economic uncertainty. While we attempt to mitigate the financial consequences of order delays and cancellations through contractual provisions and other means, if we were to experience a significant increase in order delays or cancellations that can result from the aforementioned economic conditions or other factors beyond our control, it could impede or delay our ability to realize anticipated revenues on our backlog. Such a loss of anticipated revenues could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our inability to deliver our backlog on time could affect our revenues, future sales and profitability and our relationships with customers.***

At December 31, 2022, our backlog was \$2.7 billion. In 2023, our ability to meet customer delivery schedules for backlog is dependent on a number of factors including, but not limited to, sufficient manufacturing plant capacity, adequate supply channel access to the raw materials and other inventory required for production, an adequately trained and capable workforce, project engineering expertise for certain large projects and appropriate planning and scheduling of manufacturing resources. Our manufacturing plant operations, capacity and supply chain are subject to disruption as a result of equipment failure, severe weather conditions and other natural or manmade disasters, including power outages, fires, explosions, terrorism, cyber-based attacks, conflicts or unrest, epidemics or pandemics (including the ongoing COVID-19 pandemic), labor disputes, acts of God, or other reasons. We may also encounter capacity limitations due to changes in demand despite our forecasting efforts. Many of the contracts we enter into with our customers require long manufacturing lead times and contain penalty clauses related to late delivery. Failure to deliver in accordance with contract terms and customer expectations could subject us to financial penalties, damage existing customer relationships, increase our costs, reduce our sales and have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Failure to successfully execute and realize the expected financial benefits from any restructuring and strategic realignment and other cost-saving initiatives could adversely affect our business.***

Adverse effects from our execution of any future restructuring and realignment activities could interfere with our realization of anticipated synergies, customer service improvements and cost savings from these strategic initiatives. Moreover, because such expenses are difficult to predict and are necessarily inexact, we may incur substantial expenses in connection with the execution of any future restructuring and realignment plans in excess of what is currently anticipated. Further, restructuring and realignment activities are a complex and time-consuming process that can place substantial demands on management, which could divert attention from other business priorities or disrupt our daily operations. Any of these failures could, in turn, materially adversely affect our business, financial condition, results of operations and cash flows, which could constrain our liquidity.

If these measures are not successful or sustainable, we may undertake additional realignment and cost reduction efforts, which could result in future charges. Moreover, our ability to achieve our other strategic goals and business plans may be adversely affected, and we could experience business disruptions with customers and elsewhere if any restructuring and realignment efforts prove ineffective.

***We sell our products in highly competitive markets, which results in pressure on our profit margins and limits our ability to maintain or increase the market share of our products.***

The markets for our products and services are geographically diverse and highly competitive. We compete against large and well-established national and global companies, as well as regional and local companies, low-cost replicators of spare parts and in-house maintenance departments of our end-user customers. We compete based on price, technical expertise, timeliness of delivery, contractual terms, project management, proximity to service centers, previous installation history and reputation for quality and reliability. Competitive environments in slow-growth industries and for original equipment orders have been inherently more influenced by pricing and domestic and global economic conditions and current economic forecasts suggest that the competitive influence of pricing has broadened. Additionally, some of our customers have been attempting to reduce the number of vendors from which they purchase in order to reduce the size and diversity of their supply chain. To remain competitive, we must invest in manufacturing, technology, marketing, customer service and support and our distribution networks. No assurances can be made that we will have sufficient resources to continue to make the investment required to maintain or increase our market share or that our investments will be successful. A relatively strong U.S. dollar has made and may continue to make our products more expensive overseas, which may make our ability to meet our international customers' pricing expectations particularly challenging and may result in erosion of product margin and market share. In addition, negative publicity or other organized campaigns critical of us, through social media or otherwise, could negatively affect our reputation and competitive position. If we do not compete successfully, our business, financial condition, results of operations and cash flows could be materially adversely affected.

***Failure to successfully develop and introduce new products could limit our ability to grow and maintain our competitive position and adversely affect our financial condition, results of operations and cash flow.***

The success of new and improved products and services depends on their initial and continued acceptance by our customers. Our businesses are affected by varying degrees of technological change and corresponding shifts in customer demand, which result in unpredictable product transitions, shortened life cycles and increased importance of being first to market with new products and services. Difficulties or delays in the research, development, production and/or marketing of new products and services negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to continue to bring these products and services to market.

***Our inability to obtain raw materials at favorable prices may adversely affect our operating margins and results of operations.***

We purchase substantially all electric power and other raw materials we use in the manufacturing of our products from outside sources. The costs of these raw materials have been volatile historically and are influenced by factors that are outside our control, including more recently due to the COVID-19 pandemic. In recent years, the prices for energy, metal alloys, nickel and certain other of our raw materials have been volatile. Our operating margins and results of operations and cash flows may be adversely affected if we are unable to pass increases in the costs of our raw materials on to our customers or if other methods to offset our increased costs through supply chain management, contractual provisions and gains in operational efficiencies are not achieved.

Inflation has the potential to adversely affect our business, financial condition and results of operations by increasing our overall cost structure, including with respect to purchased parts, commodity and raw material costs. Our operating costs are subject to fluctuations, particularly due to changes in prices for commodities, parts, raw materials, energy and related utilities, freight, and cost of labor which have been and may continue to be driven by inflation, tightening labor markets, prevailing price levels, exchange rates, and other economic factors. Throughout 2022, our operating costs have been impacted by price inflation, including with respect to the cost of certain raw materials, commodities, freight and logistics, and we expect this to continue for the foreseeable future. In order to remain competitive, we may not be able to recover all or a portion of these higher costs from our customers through price increases, which would reduce our profit margins and cash flows. Actions we take to mitigate volatility in manufacturing and operating costs may not be successful and, as a result, our business, financial condition, cash flows and results of operations could be materially and adversely affected.

***The COVID-19 pandemic has had, and may continue to have an adverse impact on our operations and financial performance.***

The COVID-19 pandemic, including actions taken by governments in response, caused and may continue to cause, a

substantial curtailment of business activities (including the decrease in demand for a broad variety of goods and services), weakened economic conditions, supply chain disruptions, significant economic uncertainty and volatility in the financial and commodity markets, including global volatility in supply and demand for oil and gas. These effects have had an adverse impact on our operations and financial performance and the operations and financial performance of many of our customers and suppliers.

For example, the global supply chain and logistics constraints affecting global markets adversely affected the speed at which we can manufacture and ship our products to customers, and have also led to an increase in logistics, transportation and freight costs, requiring that we diversify our supply chain and, in some instances, source materials from new suppliers. These effects in some cases impacted our ability to deliver products to customers on time, which has in turn led to an increase in backlog at some of our manufacturing sites. These disruptions in our supply chain and their effects have continued into 2023 and we expect they will continue as ongoing global supply chain and logistics headwinds continue to affect global markets.

The ultimate impact of the COVID-19 pandemic on our operations and financial performance will continue to depend on many factors that are not within our control, including, but not limited to, any future resurgence and actions taken by governments in response thereto.

***Terrorist acts, conflicts, wars, natural or manmade disasters, epidemics or pandemics, acts of God and other such events around the world at times materially adversely affect our business, financial condition and results of operations and the market for our common stock.***

As a global company with a large international footprint, we are subject to increased risk of damage or disruption to us, our employees, facilities, partners, suppliers, distributors, resellers or customers due to, among other things, terrorist acts, conflicts (including as a result of geopolitical uncertainty and/or conflicts in the countries and/or regions where we operate, including the United Kingdom, the European Union, Ukraine and the Trans-Pacific region), severe weather conditions and other natural or manmade disasters, including power outages, fires, explosions, cyber-based attacks, epidemics or pandemics (including the ongoing COVID-19 pandemic), labor disputes, and acts of God wherever located around the world. The potential for future such events, the national and international responses to such events or perceived threats to national security, and other actual or potential conflicts or wars, such as the Russia-Ukraine conflict, the Israeli-Hamas conflict and ongoing instability in Syria and Egypt, have created many economic and political uncertainties. In addition, as a global company with headquarters and significant operations located in the U.S., actions against or by the U.S. may impact our business or employees. Changes in general economic conditions or any of the foregoing events, or our inability to accurately forecast these changes or events or mitigate the impact of these conditions on our business, could materially adversely affect us. See also the discussion below under the heading "Economic, political and other risks associated with international operations could adversely affect our business."

***Global climate change and our commitments to reduce our carbon emissions presents challenges to our business which could materially adversely affect us.***

The effects of climate change create financial and operational risks to our business, both directly and indirectly. There is a general consensus that greenhouse gas ("GHG") emissions are linked to global climate change, and that these emissions must be reduced dramatically to avert the worst effects of climate change. Increased public awareness and concern regarding global climate change will result in more regulations designed to reduce GHG emissions. As a result, and as discussed hereafter in our risk factor entitled "We are exposed to certain regulatory and financial risks related to climate change, which could adversely affect our financial condition, results of operations and cash flows," we may be required to make increased capital expenditures to adapt our business and operations to meet new regulations and standards.

Over the years, we have made several public commitments regarding our intended reduction of carbon emissions including other short- and mid-term environmental sustainability goals. We may be required to expend significant resources to meet these commitments, which could significantly increase our operational costs. Further, there can be no assurance of the extent to which any of our ambitions will be achieved, or that any future investments we make in furtherance of achieving our sustainability goals will meet customer expectations and needs, investor expectations or any binding or non-binding legal standards regarding sustainability performance. In particular, our ability to meet those commitments depends in part on innovations and significant technological advancements with respect to the development and availability of reliable, affordable and sustainable alternative solutions. Moreover, we may determine that it is in the best interest of our company and our shareholders to prioritize other business, social, governance or sustainable



investments over the achievement of our current commitments based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders.

If we are unable to meet these commitments, then, in addition to regulatory and legal risks related to compliance, we could incur adverse publicity and reaction from investors, customers or other stakeholders, which could adversely impact our reputation, which could in turn adversely impact our results of operations. While we have been and remain committed to being responsive to climate change and to reducing our carbon footprint, there can be no assurance that our commitments and current and future strategic plans to achieve those commitments will be successful, that the costs related to the foregoing energy transition may not be higher than expected, that the technological advancements and innovations we are relying upon will come to fruition in the timeframe we expect, or at all, or that proposed regulation or deregulation related to climate change will not have a negative competitive impact, any one of which could have a material adverse effect on our capital expenditures, operating margins and results of operations.

***Our business may be adversely impacted by work stoppages and other labor matters.***

As of December 31, 2022, we had approximately 16,000 employees, of which approximately 4,500 were located in the U.S. Approximately 5% of our U.S. employees are represented by unions. We also have unionized employees or employee work councils in Argentina, Australia, Austria, Brazil, Finland, France, Germany, India, Italy, Japan, Mexico, The Netherlands, Romania, South Africa, Spain, and Sweden. Although we believe that our relations with our employees are generally satisfactory and we have not experienced any material strikes or work stoppages recently, no assurances can be made that we will not in the future experience these and other types of conflicts with labor unions, works councils, other groups representing employees or our employees generally, or that any future negotiations with our labor unions will not result in significant increases in our cost of labor. Our ability to successfully negotiate new and acceptable agreements when the existing agreements with employees covered by collective bargaining expire could result in business disruptions or increased costs.

Our ability to implement our business strategy and serve our customers is dependent upon the continuing ability to employ talented professionals and attract, train, develop and retain a skilled workforce. We are subject to the risk that we will not be able to effectively replace the knowledge and expertise of an aging workforce as workers retire. Without a properly skilled and experienced workforce, our costs, including productivity costs and costs to replace employees may increase, and this could negatively impact our earnings.

We may also encounter additional costs from claims made and/or legal proceedings brought against us with respect to alleged workplace harassment or discrimination, and we could suffer reputational harm.

***Our growth strategy depends on our ability to continue to expand our market presence through acquisitions, and any future acquisitions may present unforeseen integration difficulties or costs which could materially affect our business.***

Since 1997, we have expanded through a number of acquisitions, and we may pursue strategic acquisitions of businesses in the future. Our ability to implement this growth strategy will be limited by our ability to identify appropriate acquisition candidates, covenants in our credit agreement and other debt agreements and our financial resources, including available cash and borrowing capacity. Acquisitions may require additional debt financing, resulting in higher leverage and an increase in interest expense or may require equity financing, resulting in ownership dilution to existing shareholders. In addition, acquisitions sometimes require large one-time charges and can result in the incurrence of contingent liabilities, adverse tax consequences, substantial depreciation or deferred compensation charges, the amortization of identifiable purchased intangible assets or impairment of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

When we acquire another business, the process of integrating acquired operations into our existing operations creates operating challenges and requires significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of existing operations. Some of the more common challenges associated with acquisitions that we may experience, and have experienced in the past, include:

- loss of key employees or customers of the acquired company;
- conforming the acquired company's standards, processes, procedures and controls, including accounting systems and controls, with our operations, which could cause deficiencies related to our internal control over financial reporting;
- coordinating operations that are increased in scope, geographic diversity and complexity;

- retooling and reprogramming of equipment;
- hiring additional management and other critical personnel; and
- the diversion of management's attention from our day-to-day operations.

Further, no guarantees can be made that we would realize the cost savings, synergies or revenue enhancements that we may anticipate from any acquisition, or that we will realize such benefits within the time frame that we expect. If we are not able to timely address the challenges associated with acquisitions and successfully integrate acquired businesses, or if our integrated product and service offerings fail to achieve market acceptance, our business could be adversely affected.

***A significant data breach or disruption to our information technology infrastructure could materially adversely affect our business operations.***

Our information technology networks and related systems and devices and those technology systems under control of third parties with whom we do business are critical to the operation of our business and essential to our ability to successfully perform day-to-day operations. These information technology networks and related systems and devices and those under control of third parties are susceptible to damage, disruptions or shutdowns due to programming errors, defects or other vulnerabilities, power outages, hardware failures, computer viruses, cyber-attacks, malware attacks, ransomware attacks, theft, misconduct by employees or other insiders, misuse, human errors or other events. If any of the aforementioned breaches or disruptions occur and our business continuity plans do not effectively resolve the issues in a timely manner, our business, financial condition, results of operations, and liquidity could be materially adversely affected.

In addition, any of the aforementioned breaches or disruptions could expose us to a risk of loss, disclosure, misuse, corruption, or interruption of sensitive and critical data, information and functions, including our proprietary and confidential information and information related to our customers, suppliers and employees. It is also possible a security breach could result in theft of material trade secrets or other material intellectual property. While we devote substantial resources to maintaining adequate levels of cybersecurity, there can be no assurance that we will be able to prevent all of the rapidly evolving forms of increasingly sophisticated and frequent cyberattacks, or avoid or limit a material adverse impact on our systems after such incidents or attacks occur. The potential consequences of a material cybersecurity incident include reputational damage, loss of customers, litigation with third parties, regulatory actions and fines, theft of intellectual property, disruption of manufacturing plant operations and increased cybersecurity protection and remediation costs. If we are unable to prevent, anticipate, detect or adequately respond to security breaches, our operations could be disrupted and our business could be materially and adversely affected.

Developments in the applicable legal standards for the handling of personal data from time to time require changes to our business practices, penalties, increased cost of operations, or otherwise harm our business. To conduct our operations, we regularly move data across national borders and must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. For example, the E.U. recently adopted the General Data Protection Regulation (the "GDPR"). The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks, including proceedings against the Company by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

## **Risks Related to International Operations**

***Economic, political and other risks associated with our international operations could adversely affect our business.***

A substantial portion of our operations is conducted and located outside the U.S. We have manufacturing, sales or service facilities in more than 50 countries and sell to customers in over 90 countries, in addition to the U.S. Moreover, we primarily source certain of our manufacturing and engineering functions, raw materials and components from China, Eastern Europe, India and Latin America. Accordingly, our business and results of operations are subject to risks associated with doing business internationally, including:

- instability in a specific country's or region's political or economic conditions, particularly economic conditions in Europe and Latin America, and political conditions in the Middle East, Asia, North Africa, Latin America, the Trans-Pacific region and other emerging markets;

- trade protection measures, such as tariff increases, and import and export licensing and control requirements;
- political, financial market or economic instability relating to epidemics or pandemics (including the ongoing COVID-19 pandemic);
- uncertainties related to any geopolitical, economic and regulatory effects or changes due to recent or upcoming domestic and international elections;
- the imposition of governmental economic sanctions on countries in which we do business;
- potentially negative consequences from changes in tax laws or tax examinations;
- difficulty in staffing and managing widespread operations;
- increased aging and slower collection of receivables, particularly in Latin America and other emerging markets;
- difficulty of enforcing agreements and collecting receivables through some foreign legal systems;
- differing and, in some cases, more stringent labor regulations;
- potentially negative consequences from fluctuations in foreign currency exchange rates;
- partial or total expropriation;
- differing protection of intellectual property;
- inability to repatriate income or capital; and
- difficulty in administering and enforcing corporate policies, which may be different than the customary business practices of local cultures.

For example, political unrest or work stoppages negatively impact the demand for our products from customers in affected countries and other customers, such as U.S. oil refineries, that are affected by the resulting disruption in the supply of crude oil. Similarly, military conflicts in Russia/Ukraine, the Middle East, Asia and North Africa could soften the level of capital investment and demand for our products and services. In response to the Russia-Ukraine conflict, several countries, including the United States, have imposed economic sanctions and export controls on certain industry sectors and parties in Russia. As a result of this conflict, including the aforementioned sanctions and overall instability in the region, in February 2022 we stopped accepting new orders in Russia and temporarily suspended fulfillment of existing orders. In March 2022, we made the decision to permanently cease all Company operations in Russia. We have commenced the necessary actions to cease operations of our Russian subsidiary, including taking steps to cancel existing contracts with customers, terminate our approximately 50 Russia-based employees and terminate other related contractual commitments and currently expect this process to continue throughout 2023. See Note 1 to our consolidated financial statements included in Item 8 of this Annual Report for further discussion of the termination of our Russian operations.

In order to manage our day-to-day operations, we must overcome cultural and language barriers and assimilate different business practices. In addition, we are required to create compensation programs, employment policies and other administrative programs that comply with laws of multiple countries. We also must communicate and monitor standards and directives across our global network. In addition, emerging markets pose other uncertainties, including challenges to our ability to protect our intellectual property, pressure on the pricing of our products and increased risk of political instability, and may prefer local suppliers because of existing relationships, local restrictions or incentives. Our failure to successfully manage our geographically diverse operations could impair our ability to react quickly to changing business and market conditions and to enforce compliance with standards and procedures.

Our future success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Any of these factors could, however, materially adversely affect our international operations and, consequently, our financial condition, results of operations and cash flows.

***Implementation of new tariffs and changes to or uncertainties related to tariffs and trade agreements could adversely affect our business.***

The U.S. has implemented certain tariffs on steel and aluminum imported into the country. In response, certain foreign governments have implemented or reportedly considered implementing additional tariffs on U.S. goods. In addition, there have been recent changes to trade agreements, like the U.S. withdrawal from the Trans-Pacific Partnership and the replacement of the North American Free Trade Agreement with the United States-Mexico-Canada Agreement.

Uncertainties with respect to tariffs, trade agreements, or any potential trade wars negatively impact the global economic markets and could affect our customers' ability to invest in capital expenditures, which may in turn result in reduced demand for our products and services, and could have a material adverse effect on our financial condition, results of operations and cash flows. Changes in tariffs could also result in changes in supply and demand of our raw material needs, affect our manufacturing capabilities and lead to increased prices that we may not be able to effectively pass on to customers, each of which could materially adversely affect our operating margins, results of operations and cash flows.

***Our international operations expose us to fluctuations in foreign currency exchange rates which could adversely affect our business.***

A significant portion of our revenue and certain of our costs, assets and liabilities, are denominated in currencies other than the U.S. dollar. The primary currencies to which we have exposure are the Euro, British pound, Mexican peso, Brazilian real, Indian rupee, Japanese yen, Singapore dollar, Argentine peso, Canadian dollar, Australian dollar, Chinese yuan, Colombian peso, Chilean peso and South African rand. Certain of the foreign currencies to which we have exposure, such as the Venezuelan bolivar and Argentine peso, have undergone significant devaluation in the past, which reduce the value of our local monetary assets, reduce the U.S. dollar value of our local cash flow, generate local currency losses that may impact our ability to pay future dividends from our subsidiary to the parent company and potentially reduce the U.S. dollar value of future local net income. Although we enter into forward exchange contracts to economically hedge some of our risks associated with transactions denominated in certain foreign currencies, no assurances can be made that exchange rate fluctuations will not adversely affect our financial condition, results of operations and cash flows.

***We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws and regulations.***

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws and regulations in other jurisdictions, such as the UK Bribery Act, generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business or securing an improper advantage. Because we operate in many parts of the world and sell to industries that have experienced corruption to some degree, our policies mandate compliance with applicable anti-bribery laws worldwide. Violation of the FCPA or other similar anti-bribery laws or regulations, whether due to our or others' actions or inadvertence, could subject us to civil and criminal penalties or other sanctions that could have a material adverse impact on our business, financial condition, results of operations and cash flows. In addition, actual or alleged violations could damage our reputation or ability to do business.

## **Regulatory and Legal Risks**

***Our operations are subject to a variety of complex and continually changing laws, regulations and policies, both internationally and domestically, which could adversely affect our business.***

Due to the international scope of our operations, the system of laws, regulations and policies to which we are subject is complex and includes, without limitation, regulations issued by the U.S. Customs and Border Protection, the U.S. Department of Commerce's Bureau of Industry and Security, the U.S. Treasury Department's Office of Foreign Assets Control and various foreign governmental agencies, including applicable export controls, customs, currency exchange control and transfer pricing regulations, as applicable. No assurances can be made that we will continue to be found to be operating in compliance with, or be able to detect violations of, any such laws, regulations or policies. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. Compliance with laws and any new laws or regulations may increase our operations costs or require significant capital expenditures. Any failure to comply with applicable laws, regulations or policies in the U.S. or in any other country in which we operate could result in substantial fines and penalties, which could adversely affect our business.

In particular, there is uncertainty related to the Biden administration's plans for new or existing treaty and trade relationships with other countries, including with respect to the January 2017 U.S. withdrawal from the Trans-Pacific Partnership, which may affect restrictions or tariffs imposed on products we buy or sell. These factors, together with other key global events during 2022 (such as the ongoing global economic impact of the COVID-19 pandemic, as well as ongoing conflicts and terrorist activity), may adversely impact the ability or willingness of non-U.S. companies to transact business in the U.S. This uncertainty may also affect regulations and trade agreements affecting U.S. companies, global stock markets (including the NYSE, on which our common shares are traded), currency exchange rates, and general global economic conditions. All of these factors are outside of our control, but may nonetheless cause us to adjust our strategy in

order to compete effectively in global markets. For further discussion of the impact of tariffs and trade agreements on our business, please see the discussion above under the heading "Implementation of new tariffs and changes to or uncertainties related to tariffs and trade agreements could adversely affect our business."

***Environmental compliance costs and liabilities could adversely affect our financial condition, results of operations and cash flows.***

Our operations and properties are subject to regulation under environmental laws, which can impose substantial sanctions for violations. We must conform our operations to applicable regulatory requirements and adapt to changes in such requirements in all countries in which we operate.

We use hazardous substances and generate hazardous wastes in many of our manufacturing and foundry operations. Most of our current and former properties are or have been used for industrial purposes, and some may require clean-up of historical contamination. We are currently conducting investigation and/or remediation activities at a number of locations where we have known environmental concerns. In addition, we have been identified as one of many PRPs at four Superfund sites. The projected cost of remediation at these sites, as well as our alleged "fair share" allocation, while not anticipated to be material, has been reserved. However, until all studies have been completed and the parties have either negotiated an amicable resolution or the matter has been judicially resolved, some degree of uncertainty remains.

We have incurred, and expect to continue to incur, operating and capital costs to comply with environmental requirements. In addition, new laws and regulations, stricter enforcement of existing requirements, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities. Moreover, environmental and sustainability initiatives, practices, rules and regulations are under increasing scrutiny of both governmental and non-governmental bodies, which can cause rapid change in operational practices, standards and expectations and, in turn, increase our compliance costs. Any of these factors could have a material adverse effect on our financial condition, results of operations and cash flows.

***We are exposed to certain regulatory and financial risks related to climate change, which could adversely affect our financial condition, results of operations and cash flows.***

Emissions of carbon dioxide and other greenhouse gases and their role in climate change are receiving ever increasing attention worldwide, which has led to significant legislative and regulatory efforts to limit GHG emissions. Existing or future legislation and regulations related to GHG emissions and climate change by the U.S. Congress, state and foreign legislatures and federal, state, local and foreign governmental agencies could adversely affect our business. Additionally, it is uncertain whether, when and in what form mandatory carbon dioxide emissions reduction programs may be adopted. Similarly, certain countries, including the U.S., have adopted the Paris Climate Agreement and these and other existing international initiatives or those under consideration affect our operations.

When our customers, particularly those involved in the oil and gas, power generation, petrochemical processing or petroleum refining industries, are subject to any of these or other similar proposed or newly enacted laws and regulations, we are exposed to risks that the additional costs by customers to comply with such laws and regulations could impact their ability or desire to continue to operate at similar levels in certain jurisdictions as historically seen or as currently anticipated, which could negatively impact their demand for our products and services. In addition, new laws and regulations that might favor the increased use of non-fossil fuels, including nuclear, wind, solar and bio-fuels or that are designed to increase energy efficiency, could dampen demand for oil and gas production or power generation resulting in lower spending by customers for our products and services. These actions could also increase costs associated with our operations, including costs for raw materials and transportation. There is also increased focus, including by governmental and non-governmental organizations, environmental advocacy groups, investors and other stakeholders on these and other sustainability matters, and adverse publicity in the global marketplace about the levels of GHG emissions by companies in the manufacturing and energy industry could reduce customer demand for our products and services or harm our reputation. Because it is uncertain what laws will be enacted, we cannot predict the potential impact of such laws on our future financial condition, results of operations and cash flows, but such new or additional laws could adversely affect our business.

***We are party to asbestos-containing product litigation that could adversely affect our financial condition, results of operations and cash flows.***

We are a defendant in a substantial number of lawsuits that seek to recover damages for personal injury allegedly resulting from exposure to asbestos-containing products formerly manufactured and/or distributed by us. Such products

were used as internal components of process equipment, and we do not believe that there was any significant emission of asbestos-containing fibers during the use of this equipment. Although we are defending these allegations vigorously and believe that a high percentage of these lawsuits are covered by insurance or indemnities from other companies, there can be no assurance that we will prevail or that coverage or payments made by insurance or such other companies would be adequate. Unfavorable rulings, judgments or settlement terms could have a material adverse impact on our business, financial condition, results of operations and cash flows.

***Inability to protect our intellectual property could negatively affect our competitive position.***

We cannot guarantee that the steps we have taken to protect our intellectual property will be adequate to prevent infringement of our rights or misappropriation of our technology. For example, effective patent, trademark, copyright and trade secret protection are unavailable or limited in some of the foreign countries in which we operate. In addition, confidentiality agreements which we enter into with employees and third parties could be breached or otherwise may not provide meaningful protection for our trade secrets and know-how related to the design, manufacture or operation of our products. Resorting to litigation to protect our intellectual property rights is burdensome and costly, and we may not always prevail. Further, adequate remedies are not always available in the event of an unauthorized use or disclosure of our trade secrets and manufacturing expertise. Failure to successfully enforce our intellectual property rights could harm our competitive position, business, financial condition, results of operations and cash flows.

***Increased costs as a result of product liability and warranty claims could adversely affect our financial condition, results of operations and cash flows.***

From time to time, we are exposed to product liability and warranty claims when the use of one of our products results in, or is alleged to result in, bodily injury and/or property damage or our products actually or allegedly fail to perform as expected. Some of our products are designed to support the most critical, severe service applications in the markets that we serve and any failure of such products could result in significant product liability and warranty claims, as well as damage to our reputation in the marketplace. While we maintain insurance coverage with respect to certain product liability claims, we may not be able to obtain such insurance on acceptable terms in the future, and any such insurance may not provide adequate coverage against product liability claims. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. An unsuccessful defense of a product liability claim could have an adverse effect on our business, financial condition, results of operations and cash flows. Even if we are successful in defending against a claim relating to our products, claims of this nature could cause our customers to lose confidence in our products and our company. Warranty claims are not generally covered by insurance, and we may incur significant warranty costs that are not reimbursable, which could adversely affect our financial condition, results of operations and cash flows.

## **Financial and Accounting Risks**

***Significant changes in pension fund investment performance or assumptions changes may have a material effect on the valuation of our obligations under our defined benefit pension plans, the funded status of these plans and our pension expense.***

We maintain funded defined benefit pension plans that are either currently funded in accordance with local requirements in the U.S., Belgium, Canada, The Netherlands, Switzerland and the U.K., or above funded requirements in India and Mexico, and defined benefit plans that are not required to be funded and are not funded in Austria, France, Germany, Italy, Japan and Sweden. Our pension liability is materially affected by the discount rate used to measure our pension obligations and, in the case of the plans that are required to be funded, the level of plan assets available to fund those obligations and the expected long-term rate of return on plan assets. A change in the discount rate can result in a significant increase or decrease in the valuation of pension obligations, affecting the reported status of our pension plans and our pension expense. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in increases and decreases in the valuation of plan assets or in a change of the expected rate of return on plan assets. This impact may be particularly prevalent where we maintain significant concentrations of specified investments, such as the U.K. equity and fixed income securities in our non-U.S. defined benefit plans. Changes in the expected return on plan assets assumption can result in significant changes in our pension expense and future funding requirements.

We continually review our funding policy related to our U.S. pension plan in accordance with applicable laws and regulations. U.S. regulations have increased the minimum level of funding for U.S. pension plans in prior years, which has

at times required significant contributions to our pension plans. Contributions to our pension plans reduce the availability of our cash flows to fund working capital, capital expenditures, R&D efforts and other general corporate purposes.

***The recording of increased deferred tax asset valuation allowances in the future or the impact of tax law changes on such deferred tax assets could adversely affect our operating results.***

We currently have significant net deferred tax assets resulting from tax credit carryforwards, net operating losses and other deductible temporary differences that are available to reduce taxable income in future periods. Based on our assessment of our deferred tax assets, we determined, based on projected future income and certain available tax planning strategies, that approximately \$297 million of our deferred tax assets will more likely than not be realized in the future, and no valuation allowance is currently required for this portion of our deferred tax assets. Should we determine in the future that these assets will more likely than not be realized we will be required to record an additional valuation allowance in connection with these deferred tax assets and our operating results would be adversely affected in the period such determination is made. In addition, tax law changes could negatively impact our deferred tax assets.

***Our outstanding indebtedness and the restrictive covenants in the agreements governing our indebtedness limit our operating and financial flexibility.***

Under certain events of default, mandatory repayments on our outstanding indebtedness, which requires us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, R&D efforts and other general corporate purposes, such as dividend payments and share repurchases, and could generally limit our flexibility in planning for, or reacting to, changes in our business and industry. In addition, we may need new or additional financing in the future to expand our business or refinance our existing indebtedness. Our current senior credit facility matures on September 13, 2026 and our senior notes are due in 2030 and 2032. Additionally, we have drawn amounts under a term loan fund. For additional information regarding our current indebtedness refer to Note 12 to our consolidated financial statements included in Item 8 of this Annual Report. Our inability to timely access capital on satisfactory terms, including as a result of market disruptions, could limit our ability to expand our business as desired and refinance our indebtedness.

In addition, the agreements governing our indebtedness impose certain operating and financial restrictions on us and somewhat limit management's discretion in operating our businesses. These agreements limit or restrict our ability, among other things, to: incur additional debt; fully utilize the capacity under the senior credit facility; pay dividends and make other distributions; repurchase shares of our common stock in certain circumstances; prepay subordinated debt; make investments and other restricted payments; create liens; sell assets; and enter into transactions with affiliates.

We are also required to maintain debt ratings, comply with leverage and interest coverage financial covenants and deliver to our lenders audited annual and unaudited quarterly financial statements. Our ability to comply with these covenants may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default which, if not cured or waived, may have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Goodwill impairment could negatively impact our net income and shareholders' equity.***

Goodwill is not amortized, but is tested for impairment at the reporting unit level, which is an operating segment or one level below an operating segment. Goodwill is required to be tested for impairment annually and between annual tests if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. Reductions in or impairment of the value of our goodwill or other intangible assets will result in charges against our earnings, which could have a material adverse effect on our reported results of operations and financial position in future periods.

There are numerous risks that may cause the fair value of a reporting unit to fall below its carrying amount, which could lead to the measurement and recognition of goodwill impairment. These risks include, but are not limited to, lowered expectations of future financial results, adverse changes in the business climate, increase in the discount rate, an adverse action or assessment by a regulator, the loss of key personnel, a more-likely-than-not expectation that all or a significant portion of a reporting unit may be disposed of, failure to realize anticipated synergies from acquisitions, a sustained decline in the Company's market capitalization, and significant, prolonged negative variances between actual and expected financial results. In recent years, the estimated fair value of our pump reporting unit has fluctuated, partially due to broad-based capital spending declines and heightened pricing pressures experienced in the oil and gas markets. Although we have concluded that there is no impairment on the goodwill associated with our pump reporting unit as of December 31, 2022, we will continue to monitor its performance and related market conditions for future indicators of potential impairment. For additional information, see the discussion in Item 7 of this Annual Report and under Note 1 to our consolidated financial statements included in Item 8 of this Annual Report.

***The failure to maintain effective internal controls could impact the accuracy and timely reporting of our business and financial results.***

Our internal control over financial reporting has not always prevented or detected misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement, including material weaknesses in internal controls. We have devoted significant resources to remediate and improve our internal controls and to monitor the effectiveness of these remediated measures. There can be no assurance that these measures will ensure that we maintain at all times effective internal controls over our financial processes and reporting in the future. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any future failures to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or difficulties in their implementation, could harm our business and financial results and we could fail to meet our financial reporting obligations.

**General Risks**

***We depend on key personnel, the loss of whom would harm our business.***

Our future success will depend in part on the continued service of key executive officers and personnel. The loss of the services of any key individual could harm our business. Our future success also depends on our ability to recruit, retain and engage our personnel sufficiently, both to maintain our current business and to execute our strategic initiatives. Competition for officers and employees in our industry is intense and we may not be successful in attracting and retaining such personnel.

***Changes in accounting principles and guidance could result in unfavorable accounting charges or effects.***

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the U.S. A change in these principles can have a significant effect on our reported financial position and financial results. The adoption of new or revised accounting principles may require us to make changes to our systems, processes and internal controls, which could have a significant effect on our reported financial results and internal controls, cause unexpected financial reporting fluctuations, retroactively affect previously reported results or require us to make costly changes to our operational processes and accounting systems upon our following the adoption of these standards.

**Forward-Looking Information is Subject to Risk and Uncertainty**

This Annual Report and other written reports and oral statements we make from time-to-time include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this Annual Report regarding our financial position, business strategy and expectations, plans and objectives of management for future operations, industry conditions, market conditions and indebtedness covenant compliance are forward-looking statements. Forward-looking statements may include, among others, statements about our goals and strategies, new product introductions, plans to cultivate new businesses, future economic conditions, revenue, pricing, gross profit margin and costs, capital spending, expected cost savings from our realignment programs, depreciation and amortization, research and development expenses, potential impairment of assets, tax rate and pending tax and legal proceedings. In some cases forward-looking statements can be identified by terms such as "may," "should," "expects,"



"could," "intends," "projects," "predicts," "plans," "anticipates," "estimates," "believes," "forecasts," "seeks" or other comparable terminology. These statements are not historical facts or guarantees of future performance, but instead are based on current expectations and are subject to material risks, uncertainties and other factors, many of which are outside of our control.

We have identified factors that could cause actual plans or results to differ materially from those included in any forward-looking statements. These factors include those described above under this "Risk Factors" heading, or as may be identified in our other SEC filings from time to time. These uncertainties are beyond our ability to control, and in many cases, it is not possible to foresee or identify all the factors that may affect our future performance or any forward-looking information, and new risk factors can emerge from time to time. Given these risks and uncertainties, undue reliance should not be placed on forward-looking statements as a prediction of actual results.

All forward-looking statements included in this Annual Report are based on information available to us on the date of this Annual Report and the risk that actual results will differ materially from expectations expressed in this report will increase with the passage of time. We undertake no obligation, and disclaim any duty, to publicly update or revise any forward-looking statement or disclose any facts, events or circumstances that occur after the date hereof that may affect the accuracy of any forward-looking statement, whether as a result of new information, future events, changes in our expectations or otherwise. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995 and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

Our principal executive offices, including our global headquarters, are located at 5215 N. O'Connor Boulevard, Suite 700, Irving, Texas 75039. Our global headquarters is a leased facility, which we began to occupy on January 1, 2004. In December 2018, we extended our original lease term an additional 10 years to December 2030. We have the option to renew the current lease for two additional five-year periods. We currently occupy approximately 130,000 square feet at this facility.

Our major manufacturing facilities (those with 50,000 or more square feet of manufacturing capacity) operating at December 31, 2022 are presented in the table below. See "Item 1. Business" in this Annual Report for further information with respect to all of our manufacturing and operational facilities, including QRCs.

	Number of Facilities	Approximate Aggregate Square Footage
<b>FPD</b>		
U.S.	7	1,198,000
Non-U.S.	18	3,598,000
<b>FCD</b>		
U.S.	5	925,000
Non-U.S.	10	1,495,000

We own the majority of our manufacturing facilities, and those manufacturing facilities we do not own are leased. We also maintain a substantial network of U.S. and foreign service centers and sales offices, most of which are leased. The majority of our manufacturing leased facilities are covered by lease agreements with terms ranging from two to seven years, with individual lease terms generally varying based on the facilities' primary usage. We believe we will be able to extend leases on our various facilities as necessary, as they expire.

We believe that our current facilities are adequate to meet the requirements of our present and foreseeable future operations. We continue to review our capacity requirements as part of our strategy to optimize our global manufacturing

efficiency. See Note 4 to our consolidated financial statements included in Item 8 of this Annual Report for additional information regarding our lease obligations.

### ITEM 3. **LEGAL PROCEEDINGS**

We are party to the legal proceedings that are described in Note 15 to our consolidated financial statements included in Item 8 of this Annual Report, and such disclosure is incorporated by reference into this Item 3. In addition to the foregoing, we and our subsidiaries are named defendants in certain other routine lawsuits incidental to our business and are involved from time to time as parties to governmental proceedings, all arising in the ordinary course of business. Although the outcome of lawsuits or other proceedings involving us, and our subsidiaries cannot be predicted with certainty, and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, management does not currently expect these matters, either individually or in the aggregate, to have a material effect on our financial position, results of operations or cash flows. We have established reserves covering exposures relating to contingencies to the extent believed to be reasonably estimable and probable based on past experience and available facts.

### ITEM 4. **MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. **MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### Market Information

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "FLS" and our CUSIP number is 34354P105. On March 1, 2023, our records showed 897 shareholders of record. We have historically paid quarterly dividends based on a dividend date-of-record in the last month of each quarter with the dividend paid the following month. Any subsequent dividends will be reviewed by our Board of Directors and declared in its discretion.

#### Issuer Purchases of Equity Securities

During the quarter ended December 31, 2022, we had no repurchases of our common stock shares as part of publicly announced plans. As of December 31, 2022, we had \$96.1 million of remaining capacity under our current share repurchase program. The following table sets forth the repurchase data for each of the three months during the quarter ended December 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (3)(4)	Approximate Dollar Value That May Yet Be Purchased Under the Plan (In millions)
October 1 - 31	928 (1)	\$ 27.17	—	\$ 96.1
November 1 - 30	1,732 (2)	30.26	—	96.1
December 1 - 31	3,944 (1)	29.92	—	96.1
Total	6,604	\$ 29.62	—	

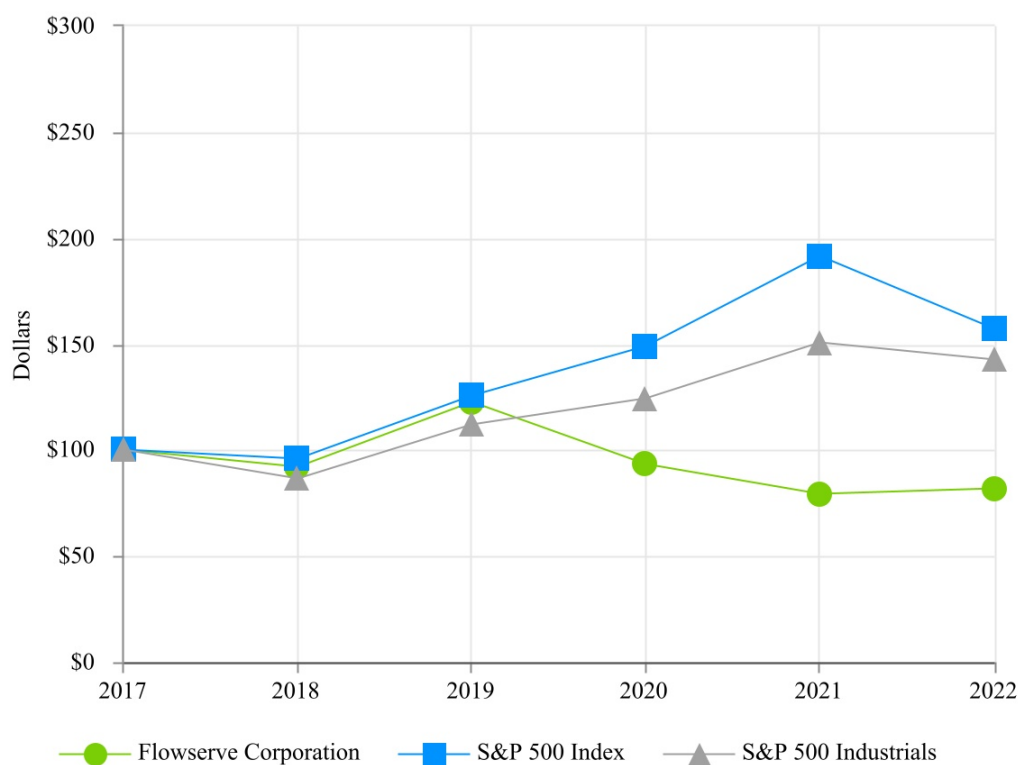
(1) Shares tendered by employees to satisfy minimum tax withholding amounts for Restricted Shares.

(2) Includes 789 shares that were tendered by employees to satisfy minimum tax withholding amounts for Restricted Shares at an average price per share of \$29.96 and 943 shares purchased at a price of \$30.51 per share by a rabbi trust that we established in connection with our director deferral plans, pursuant to which non-employee directors may elect to defer directors' quarterly cash compensation to be paid at a later date in the form of common stock.

- (3) On November 13, 2014, our Board of Directors approved a \$500.0 million share repurchase authorization. Our share repurchase program does not have an expiration date, and we reserve the right to limit or terminate the repurchase program at any time without notice.
- (4) Note 17 to our consolidated financial statements included in Item 8 of this Annual Report provides additional information regarding our share repurchase activity.

### Stock Performance Graph

The following graph depicts the most recent five-year performance of our common stock with the S&P 500 Index and S&P 500 Industrials. The graph assumes an investment of \$100 on December 31, 2017, and assumes the reinvestment of any dividends over the following five years. The stock price performance shown in the graph is not necessarily indicative of future price performance.



Company/Index	Base Period	December 31,				
	2017	2018	2019	2020	2021	2022
Flowserve Corporation	\$100.00	\$91.79	\$122.70	\$93.41	\$79.31	\$81.74
S&P 500 Index	100.00	95.61	125.71	148.83	191.51	156.80
S&P 500 Industrials	100.00	86.68	112.10	124.49	150.75	142.44

**ITEM 6. [Reserved]**

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis is provided to increase the understanding of, and should be read in conjunction with, the accompanying consolidated financial statements and notes. See "Item 1A. Risk Factors" and the section titled "Forward-Looking Information is Subject to Risk and Uncertainty" included in this Annual Report on Form 10-K for the year ended December 31, 2022 ("Annual Report") for a discussion of the risks, uncertainties and assumptions associated with these statements. Unless otherwise noted, all amounts discussed herein are consolidated.

**EXECUTIVE OVERVIEW**

***Our Company***

We are a world-leading manufacturer and aftermarket service provider of comprehensive flow control systems. We develop and manufacture precision-engineered flow control equipment integral to the movement, control and protection of the flow of materials in our customers' critical processes. Our product portfolio of pumps, valves, seals, automation and aftermarket services supports global infrastructure industries, including oil and gas, chemical, power generation and water management, as well as general industrial markets where our products and services add value. Through our manufacturing platform and global network of QRCs, we offer a broad array of aftermarket equipment services, such as installation, advanced diagnostics, repair and retrofitting. As of December 31, 2022, we have approximately 16,000 employees ("associates") globally and a footprint of manufacturing facilities and QRCs in more than 50 countries.

Our business model is significantly influenced by the capital spending of global infrastructure industries for the placement of new products into service and maintenance spending for aftermarket services for existing operations. The worldwide installed base of our products is an important source of aftermarket revenue, where products are intended to maximize operating time of many key industrial processes. We continue to invest in our aftermarket strategy to provide local support to drive customer investments in our offerings and use of our services to replace or repair installed products. The aftermarket portion of our business also helps provide business stability during various economic periods. The aftermarket business, which is primarily served by our network of 152 QRCs located around the globe, some of which are shared by our two business segments, provides a variety of service offerings for our customers including spare parts, service solutions, product life cycle solutions and other value-added services. It is generally a higher margin business compared to our original equipment business and a key component of our profitable growth strategy.

Our operations are conducted through two business segments that are referenced throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"):

- FPD designs and manufactures custom, highly-engineered pumps, pre-configured industrial pumps, pump systems, mechanical seals, auxiliary systems and replacement parts and related services; and
- FCD designs, manufactures and distributes a broad portfolio of engineered-to-order and configured-to-order isolation valves, control valves, valve automation products and related equipment.

Our business segments share a focus on industrial flow control technology and have a high number of common customers. These segments also have complementary product offerings and technologies that are often combined in applications that provide us a net competitive advantage. Our segments also benefit from our global footprint, our economies of scale in reducing administrative and overhead costs to serve customers more cost effectively and shared leadership for operational support functions, such as research and development, marketing and supply chain.

The reputation of our product portfolio is built on more than 50 well-respected brand names such as Worthington, IDP, Valtek, Limitorque, Durco, Argus, Edward, Valbart and Durametallic, which we believe to be one of the most comprehensive in the industry. Our products and services are sold either directly or through designated channels to more than 10,000 companies, including some of the world's leading engineering, procurement and construction ("EPC") firms, original equipment manufacturers, distributors and end users.

We continue to leverage our QRC network to be positioned as near to customers as possible for service and support in order to capture valuable aftermarket business. Along with ensuring that we have the local capability to sell, install and service our equipment in remote regions, we continuously improve our global operations. Despite recent supply chain

disruption caused by the COVID-19 pandemic and labor constraints, we continue to enhance our global supply chain capability to increase our ability to meet global customer demands and improve the quality and timely delivery of our products over the long-term. Additionally, we continue to devote resources to improving the supply chain processes across our business segments to find areas of synergy and cost reduction and to improve our supply chain management capability to meet global customer demands. We also remain focused on improving on-time delivery and quality, while managing warranty costs as a percentage of sales across our global operations, through the assistance of a focused Continuous Improvement Process ("CIP") initiative. The goal of the CIP initiative, which includes lean manufacturing, six sigma business management strategy and value engineering, is to maximize service fulfillment to customers through on-time delivery, reduced cycle time and quality at the highest internal productivity.

#### ***COVID-19 and Related Impacts***

We continue to assess and proactively respond to the impacts of the COVID-19 pandemic on all aspects of our business and geographies, including with respect to our associates, customers and communities, supply chain impacts and labor availability issues, and to take appropriate actions in an effort to mitigate adverse effects of the pandemic.

We are adhering to the state and country mandates and guidelines related to the COVID-19 pandemic wherever we operate. The substantial majority of our production sites have remained fully operational this year, while also protecting the health and safety of our associates.

As a result of the emergence of COVID-19 variants, certain geographies where we operate, such as China, have occasionally reinstituted temporary government-mandated shutdowns that were previously implemented to curtail the spread of the virus. While all of our facilities generally remain open and operational, the measures described above, combined with continued employee costs and under-absorption of manufacturing costs as a result of temporary closures and work-from-home policies, had an adverse impact on our financial performance throughout 2022. As the geographies in which we operate continue to fully open, we expect a decline of COVID-related adverse impacts as we navigate through 2023.

Since the onset of the pandemic, many of our suppliers have also experienced varying lengths of production and shipping delays related to the COVID-19 pandemic and its effects, some of which continue to exist in highly affected countries. For example, as part of its COVID-related policies in 2022, China has declared a number of city-wide lockdowns that adversely affected the global supply chain. As a result of these measures, our production facilities and suppliers located in China experienced interruptions in production in 2022. These interruptions contributed to component shortages and other supply chain constraints that affected our ability to fulfill customer orders within desired lead times, both directly in the Asia Pacific Region and indirectly in other regions. As China and other countries within the region fully open we expect these adverse impacts to decline in 2023.

Additionally, the global supply chain and logistics constraints continued to cause additional headwinds in 2022. These conditions have had an adverse effect on the speed at which we can manufacture and ship our products to customers, and have also led to an increase in logistics, transportation and freight costs, requiring that we diversify our supply chain and, in some instances, source materials from new suppliers. Additionally, these conditions have in some cases impacted our ability to deliver products to customers on time, which has in turn led to an increase in backlog at some of our manufacturing sites. These disruptions in our supply chain and their effects have continued and we expect they will continue into 2023 as ongoing global supply chain and logistics headwinds continue.

In order to position ourselves to fulfill demand and to counteract the ongoing impacts on our supply chain, we continue to monitor the supply chain closely and to take various proactive steps to protect the continuity of supply, including building inventory to support backlog execution, qualifying alternative sources and redesigning our products.

The strong U.S. dollar has made and may continue to make our products more expensive overseas and has made it challenging to meet our international customers' pricing expectations. We will continue to be proactive in our efforts to stay competitive in our prices and market share.

Throughout the pandemic we engaged in a number of cost savings measures in order to help mitigation the adverse effects of the pandemic on our financial results, including certain realignment activities. We will continue to evaluate additional cost savings measures in order to reduce the impact of the COVID-19 pandemic on our financial results, and we will continue to adapt our operations to respond to the changing conditions as needed but we expect these actions to reduce as the adverse impacts of the pandemic decrease in 2023.

In connection with the supply chain disruptions described above we have also experienced, and continue to experience, increased inflation and higher freight and logistics costs. Our operating costs have been impacted by price inflation

throughout 2022, including with respect to the cost of certain raw materials, commodities, and freight and logistics. In response to these increased costs, we have engaged and will continue to engage in various mitigation strategies, including enhanced price realization efforts that were enacted throughout 2022.

During 2022, we continued to experience the same increased difficulty in maintaining staffing and productivity levels due to a tighter labor market for new hiring. We expect that labor market to improve as we progress in 2023 as hiring conditions in the major markets we operate in have started to shift favorably.

During 2022, the ongoing effects of the COVID-19 pandemic in global markets continued to adversely impact our customers, particularly in the oil and gas markets. Many of our large oil and gas customers reduced capital expenditures and budgets in 2020 and while spending for maintenance and repair projects and aftermarket services returned to pre-pandemic levels in 2022, project-based, oil and gas customer spending has yet to return to pre-pandemic levels despite some modest improvement during 2022. In this regard, we saw an overall increase in bookings of 17.8% during 2022 as compared to the same period in 2021.

The timing for completion of delayed projects will largely depend on the duration of the recovery in oil and gas capital expenditure budgets in 2023. We continue to expect planned oil and gas capital spending to increase in 2023 but remain below pre-pandemic levels.

### ***Our Markets***

Our products and services are used in several distinct industries: oil and gas, chemical, power generation, water management, and several other industries, such as mining, food and beverage, steel, and pulp and paper, that are collectively referred to as "general industries."

#### ***Oil and Gas***

The oil and gas industry, which represented approximately 40% and 35% of our bookings in 2022 and 2021, respectively, experienced a material decrease in capital spending in 2020 primarily due to decreased project activity and short cycle investment resulting from the pandemic's negative impact on demand for refined products. Customers' repair and maintenance budgets improved in 2021 where bookings levels returned to roughly pre-pandemic levels, partially offsetting the decreased project activity and short cycle investment. Customer spending in 2022 for repair and maintenance continued at roughly pre-pandemic levels and also included improved larger project investment, where Flowserve booked one of its largest oil and gas orders in its history of over \$230 million.

The outlook for the oil and gas industry is heavily dependent on the duration of the pandemic and its impact on fuel demand, demand growth from both mature markets and developing geographies as well as changes in the regulatory environment. While we believe that the pandemic will continue to negatively impact our customers' capital investment budgets, we expect increased investment related to energy security and decarbonization efforts in 2023. We further believe improved and stable oil prices provide support for increased demand for our aftermarket products and services. We believe the medium and long-term fundamentals for this industry remain attractive and see a stabilized environment with expected increased fuel demand on improved pandemic management, and as the industry works through current excess supply. In addition, we believe projected depletion rates of existing fields and forecasted long-term demand growth will require additional investments. With our long-standing reputation in providing successful solutions for upstream, mid-stream and downstream applications, along with the advancements in our portfolio of offerings, we believe that we continue to be well-positioned to assist our customers in this improving environment.

#### ***General Industries***

General industries represented, in the aggregate, approximately 22% and 26% of our bookings in 2022 and 2021, respectively. General industries comprise a variety of different businesses, including mining and ore processing, pulp and paper, food and beverage and other smaller applications, none of which individually represented more than 5% of total bookings in 2022 and 2021. General industries also include sales to distributors, whose end customers operate in the industries we primarily serve. General industry activity levels increased in 2022 for the second consecutive year, primarily due to customers' improved repair and maintenance budgets.

The outlook for this group of industries is heavily dependent upon the condition of global economies and consumer confidence levels. The long-term fundamentals of many of these industries remain sound, as many of the products produced by these industries are common staples of industrialized and urbanized economies. We believe that our specialty product offerings designed for these industries and our aftermarket service capabilities will provide continued business opportunities.

## *Chemical*

The chemical industry represented approximately 22% and 24% of our bookings in 2022 and 2021, respectively. The chemical industry is comprised of petrochemical, specialty chemical and pharmaceutical products. Customer spending in 2022 increased for the second consecutive year following the pandemic's negative impact on demand for chemical products in 2020. Customers' repair and maintenance budgets improved in 2022 and 2021 where bookings levels returned to roughly pre-pandemic levels.

The outlook for the chemical industry remains heavily dependent on global economic conditions. As global economies and unemployment conditions improve, a rise in consumer spending should follow. An increase in spending would drive greater demand for petrochemical, specialty chemical and pharmaceutical products supporting improved levels of capital investment. We believe the chemical industry will continue to invest in North America and Middle East capacity additions, maintenance and upgrades for optimization of existing assets and that developing regions will selectively invest in capital infrastructure to meet current and future indigenous demand. We believe our global presence and our localized aftermarket capabilities are well-positioned to serve the potential growth opportunities in this industry.

## *Power Generation*

The power generation industry represented approximately 12% and 12% of our bookings in 2022 and 2021, respectively. In 2022, energy security concerns drove increased investment in the power generation industry, including nuclear new build and life extensions as well as traditional thermal power sources.

Natural gas-fired combined cycle ("NGCC") plants increased their share of the energy mix, driven by market prices for gas remaining low and stable (partially due to the increasing global availability of liquefied natural gas ("LNG")), low capital expenditures, and the ability of NGCC to stabilize unpredictable renewable sources. With the potential of unconventional sources of gas, the global power generation industry is forecasting an increased use of this form of fuel for power generation plants.

Despite fewer new nuclear plants being constructed in recent years, nuclear power remains an important contributor to the global energy mix. We continue to support our significant installed base in the global nuclear fleet by providing aftermarket and life extension products and services. Due to our extensive history, we believe we are well positioned to take advantage of this ongoing source of aftermarket and new project opportunities.

Global efforts to limit the emissions of carbon dioxide may have some adverse effect on thermal power investment plans depending on the potential requirements imposed and the timing of compliance by country. However, many proposed methods of capturing and limiting carbon dioxide emissions offer business opportunities for our products and services. At the same time, we continue to take advantage of new investments in concentrated solar power generating capacity, where our pumps, valves, and seals are uniquely positioned for both molten salt applications as well as the traditional steam cycle.

We believe the long-term fundamentals for the power generation industry remain solid based on projected increases in demand for electricity driven by global population growth, growth of urbanization in developing markets and the increased use of electricity driven transportation. We also believe that our long-standing reputation in the power generation industry, our portfolio of offerings for the various generating methods, our advancements in serving the renewable energy market and carbon capture methodologies, as well as our global service and support structure, position us well for the future opportunities in this important industry.

## *Water Management*

The water management industry represented approximately 4% and 3% of our bookings in 2022 and 2021, respectively. Water management industry activity levels increased in 2022 for the second consecutive year, following the decrease in 2020 primarily due to the pandemic's negative impact on government budgets across the globe. Worldwide demand for fresh water, water treatment and re-use, desalination and flood control are expected to create requirements for new facilities or for upgrades of existing systems, many of which require products that we offer, particularly pumps. With improved management of the pandemic, we expect capital and aftermarket spending to rise in developed and emerging markets with governments and private industry providing funding for critical projects when their priorities shift away from pandemic-management.

The proportion of people living in regions that find it difficult to meet water requirements is expected to double by 2025. We believe that the persistent demand for fresh water during all economic cycles supports continued investments, especially in North America and developing regions.

### **Impact of Russia-Ukraine Conflict on our Business**

In response to the ongoing military conflict in Ukraine, several countries, including the United States, have imposed economic sanctions and export controls on certain industry sectors and parties in Russia. As a result of this conflict, including the aforementioned sanctions and overall instability in the region, in February 2022 we stopped accepting new orders in Russia and temporarily suspended fulfillment of existing orders. In March 2022, we made the decision to permanently cease all Company operations in Russia. We have commenced the necessary actions to cease operations of our Russian subsidiary, including taking steps to cancel existing contracts with customers, terminate our approximately 50 Russia-based employees and terminate other related contractual commitments. As a result of the conflict and the resulting macroeconomic impacts we have also experienced supply shortages and inflationary pressures.

In 2021 our Russian subsidiary had approximately \$14 million of sales with an additional \$36 million of sales from certain of our other foreign subsidiaries into the Russian market. As of March 31, 2022, the net assets held on our Russian subsidiary's balance sheet were \$2.7 million, including \$7.1 million of cash, \$3.6 million of accounts receivables, net, a \$9.3 million net intercompany payable position and other immaterial amounts. In addition, certain of our other foreign subsidiaries had open contracts with Russian customers that were subsequently cancelled for which revenue had been previously recognized over time utilizing the percentage of completion ("POC") method. As a result of the above, in the first quarter of 2022 we recorded a \$20.2 million pre-tax charge (\$21.0 million after-tax) to reserve the asset positions of our Russian subsidiary (excluding cash) as of March 31, 2022, to record contra-revenue for previously recognized revenue and estimated cancellation fees on open contracts that were previously accounted for under POC and subsequently canceled, to establish a reserve for the estimated cost to exit the operations of our Russian subsidiary and to record a reserve for our estimated financial exposure on contracts that have or are anticipated to be cancelled.

We reevaluated our financial exposure as of December 31, 2022 and recorded an incremental \$13.6 million pre-tax charge (\$9.8 million after-tax) in the fourth quarter of 2022 for additional contract cancellation fees and to reserve our residual financial exposure due to increased Russia sanctions imposed during the latter part of 2022 and our decision to cancel backlog as a result of the additional sanctions.

The following table presents the above impacts of the Russia pre-tax charge:

(Amounts in thousands)	Year Ended December 31, 2022		
	FPD	FCD	Consolidated Total
Sales	\$ (9,330)	\$ —	\$ (9,330)
Cost of sales ("COS")	7,442	1,418	8,860
Gross loss	(16,772)	(1,418)	(18,190)
Selling, general and administrative expense ("SG&A")	13,977	1,720	15,697
Operating loss	\$ (30,749)	\$ (3,138)	\$ (33,887)

We continue to monitor the situation involving Russia and Ukraine and its impact on the rest of our global business. This includes the macroeconomic impact, including with respect to global supply chain issues and inflationary pressures. To date, these impacts have not been material to our business and we do not currently expect that any incremental impact in future quarters, including any financial impacts caused by our cancellation of customer contracts and ceasing of operations in Russia, will be material to the Company.

### **Outlook for 2023**

As the world continues to recover from the COVID-19 pandemic, we have seen an inflection in our served end-markets as commodity prices and mobility levels increase. With our increased backlog and improved market environment we expect to return to growth in 2023, however the combined effects of the supply chain, logistics and labor availability headwinds are expected to continue in 2023, though to a lesser extent than 2022. Further, we have not seen and do not expect to see an increase in cancellations from our backlog. We therefore expect to continue to deliver on our backlog during 2023, though with a slightly longer cycle time than originally expected.

Our bookings were \$4.4 billion during 2022. Because a booking represents a contract that can be, in certain circumstances, modified or canceled, and can include varying lengths between the time of booking and the time of revenue recognition, there is no guarantee that bookings will result in comparable revenues or otherwise be indicative of future



results. Assuming continued progress with the pandemic and other supply chain, logistics and labor availability headwinds, we further expect full-year bookings in 2023 to be comparable to 2022 levels.

On December 31, 2022, we had \$989.2 million of fixed-rate Senior Notes outstanding. We expect our interest expense in 2023 will be higher compared with amounts incurred in 2022 as a result of the early termination of our cross-currency swap agreements on December 20, 2022. Our results of operations may also be impacted by unfavorable foreign currency exchange rate movements. See “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” of this Annual Report.

We expect to generate sufficient cash from operations and have sufficient capacity under our Senior Credit Facility to fund our working capital, capital expenditures, dividend payments, share repurchases, debt payments and pension plan contributions in 2023. The amount of cash generated or consumed by working capital is dependent on our level of revenues, customer cash advances, backlog, customer-driven delays and other factors. We will seek to improve our working capital utilization, with a particular focus on improving the management of accounts receivable and inventory. In 2023, our cash flows for investing activities will be focused on strategic initiatives, information technology infrastructure, general upgrades and cost reduction opportunities and we currently estimate capital expenditures to be between \$75 million and \$85 million, before consideration of any acquisition activity. We currently anticipate that our contributions to our non-U.S. pension plans will be approximately \$2 million in 2023, excluding direct benefits paid.

## OUR RESULTS OF OPERATIONS

The following is the discussion and analysis of changes in the financial condition and results of operations for fiscal year December 31, 2022 compared to fiscal year 2021. The discussion and analysis of changes in the financial condition and results of operations for fiscal year 2021 compared to fiscal year 2020 that are not included in this Form 10-K may be found in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 23, 2022.

Throughout this discussion of our results of operations, we discuss the impact of fluctuations in foreign currency exchange rates. We have calculated currency effects on operations by translating current year results on a monthly basis at prior year exchange rates for the same periods.

In the second quarter of 2020, we identified and initiated certain realignment activities to right-size our organizational operations based on the current business environment, with the overall objective to reduce our costs. We anticipate a total investment in Realignment Program activities of approximately \$95 million and the vast majority of the charges were incurred in 2020 and 2021. There are certain remaining realignment activities that are being evaluated, but have not yet been finalized and therefore not included in the anticipated total investment.

### Realignment Activity

The following tables present our investment activity by segment related to our Realignment Program:

(Amounts in thousands)	December 31, 2022				
	FPD	FCD	Subtotal– Reportable Segments	All Other	Consolidated Total
<b>Total Realignment Program Charges</b>					
COS	\$ 238	\$ 179	\$ 417	\$ (61)	\$ 356
SG&A	148	(395)	(247)	(274)	(521)
Total	<u>\$ 386</u>	<u>\$ (216)</u>	<u>\$ 170</u>	<u>\$ (335)</u>	<u>\$ (165)</u>

(Amounts in thousands)	December 31, 2021				
	FPD	FCD	Subtotal– Reportable Segments	All Other	Consolidated Total
<b>Total Realignment and Transformation Program Charges</b>					
COS	\$ 14,249	\$ 2,007	\$ 16,256	\$ 590	\$ 16,846
SG&A(1)	1,033	699	1,732	3,913	5,645
Total	<u>\$ 15,282</u>	<u>\$ 2,706</u>	<u>\$ 17,988</u>	<u>\$ 4,503</u>	<u>\$ 22,491</u>

(1) Includes gains from the sales of non-strategic manufacturing facilities that are included in our Realignment Programs.

### ***Bookings and Backlog***

	2022	2021	2020
	(Amounts in millions)		
Bookings	\$ 4,447.5	\$ 3,774.4	\$ 3,411.6
Backlog (at period end)	2,735.3	2,003.6	1,854.9

We define a booking as the receipt of a customer order that contractually engages us to perform activities on behalf of our customer in regard to the manufacture, delivery, and/or support of products or the delivery of service. Bookings recorded and subsequently canceled within the same fiscal period are excluded from reported bookings. Bookings cancelled from the prior fiscal periods are excluded from the reported bookings and represent less than 1% for all periods presented. Bookings of \$4.4 billion in 2022 increased by \$673.0 million, or 17.8%, as compared with 2021. The increase included negative currency effects of approximately \$184 million. The increase was driven by increased customer bookings in the oil and gas, power generation, chemical, general and water industries. The increase in customer bookings was more heavily weighted towards original equipment bookings. The increase included the impact of FPD original equipment orders booked in 2022 in excess of \$230 million to supply pumps and related equipment to support the development of an onshore unconventional gas project in the Middle East.

Backlog represents the aggregate value of booked but uncompleted customer orders and is influenced primarily by bookings, sales, cancellations and currency effects. Backlog of \$2.7 billion at December 31, 2022 increased by \$731.7 million, or 36.5%, as compared with December 31, 2021 and include the negative impact of \$25.2 million of order cancellations in 2022 due to cessation of our operations in Russia. Currency effects provided a decrease of approximately \$53 million (currency effects on backlog are calculated using the change in period end exchange rates). Backlog related to aftermarket orders was approximately 34% and 38% of the backlog at December 31, 2022 and 2021, respectively. We expect to recognize revenue on approximately 81% of the December 31, 2022 backlog during 2023. Backlog includes our unsatisfied (or partially unsatisfied) performance obligations related to contracts having an original expected duration in excess of one year of approximately \$652 million as discussed in Note 2 to our consolidated financial statements included in Item 8 of this Annual Report.

### ***Sales***

	2022	2021	2020
	(Amounts in millions)		
Sales	\$ 3,615.1	\$ 3,541.1	\$ 3,728.1

Sales in 2022 increased by \$74.0 million, or 2.1%, as compared with 2021. The increase included negative currency effects of approximately \$167 million. The increase in sales was primarily driven by aftermarket, with increased sales into North America, the Middle East, Africa and Latin America, partially offset by decreased sales into Asia Pacific and Europe. Aftermarket sales represented approximately 53% of total sales, as compared with approximately 52% of total sales for the same period in 2021.

Sales to international customers, including export sales from the U.S., were approximately 62% of total sales in 2022 and 67% in 2021. Sales into Europe, the Middle East and Africa ("EMA") were approximately 32% of total sales in both 2022 and 2021. Sales into Asia Pacific were approximately 19% of total sales for 2022 and 23% in 2021. Sales into Latin America were approximately 7% of total sales in both 2022 and 2021.

### ***Gross Profit and Gross Profit Margin***

	2022	2021	2020
	(Amounts in millions, except percentages)		
Gross profit	\$ 994.3	\$ 1,049.7	\$ 1,116.8
Gross profit margin	27.5 %	29.6 %	30.0 %

Gross profit in 2022 decreased by \$55.4 million, or 5.3%, as compared with 2021. Gross profit margin in 2022 of 27.5% decreased from 29.6% in 2021. The decrease was primarily due to lower conversion of customer backlog to revenue, the under absorption of \$5.1 million of fixed manufacturing costs primarily due to operational interruptions related to the implementation of a new enterprise resource planning system at certain of our North America quick response centers, increased freight costs largely due to global supply chain and logistics constraints and a \$8.9 million charge taken in 2022 related to our financial exposure in Russia, partially offset by a mix shift to higher aftermarket sales, a \$4.5 million reversal of previously reserved inventory due to settlement with a customer, decreased costs related to our realignment actions and lower broad-based annual incentive compensation as compared to the same period in 2021.

### ***SG&A***

	2022	2021	2020
	(Amounts in millions, except percentages)		
SG&A	\$ 815.5	\$ 797.1	\$ 878.2
SG&A as a percentage of sales	22.6 %	22.5 %	23.6 %

SG&A in 2022 increased by \$18.4 million, or 2.3%, as compared with 2021. Currency effects yielded a decrease of approximately \$32 million. In 2022, SG&A as a percentage of sales increased 10 basis points primarily due to a \$15.7 million charge taken in 2022 related to our financial exposure in Russia, incremental operating lease expense of \$5.5 million related to the identification and correction of an accounting error and the acquisition and expense of \$4.8 million of in-process research and development, partially offset by lower costs related to our realignment actions, a \$8.6 million favorable settlement with a customer to reimburse previously incurred legal fees, the reversal of \$5.1 million of previously reserved accounts receivable due to collection from a customer, a \$4.2 million gain resulting from the sale of a small FPD QRC facility and lower broad-based annual incentive compensation as compared with the same period in 2021.

### ***Net Earnings from Affiliates***

	2022	2021	2020
	(Amounts in millions)		
Net earnings from affiliates	\$ 18.5	\$ 16.3	\$ 11.8

Net earnings from affiliates represents our net income from investments in five joint ventures (one located in each of Chile, India, Saudi Arabia, South Korea and the United Arab Emirates) that are accounted for using the equity method of accounting. Net earnings from affiliates in 2022 increased by \$2.2 million, or 13.5%, as compared to the prior year, primarily as a result of increased earnings of our FPD joint venture in South Korea.

### ***Operating Income***

	2022	2021	2020
	(Amounts in millions, except percentages)		
Operating income	\$ 197.2	\$ 270.8	\$ 250.3
Operating income as a percentage of sales	5.5 %	7.6 %	6.7 %

Operating income in 2022 decreased by \$73.6 million, or 27.2%, as compared with 2021. The decrease included negative currency effects of approximately \$13 million. The decrease was primarily a result of the \$18.4 million increase in SG&A and a \$55.4 million decrease in gross profit.

### ***Interest Expense and Interest Income***

	2022	2021	2020
	(Amounts in millions)		
Interest expense	\$ (46.2)	\$ (57.6)	\$ (56.2)
Interest income	4.0	2.8	4.2

Interest expense in 2022 decreased by \$11.4 million as compared with 2021. The decrease was primarily attributable to a lower effective interest rate on our outstanding debt as compared with the same period in 2021. Interest income in 2022 increased by \$1.2 million as compared to 2021. The increase in interest income was partially due to higher interest rates on our average cash balances compared with same period in 2021.

### ***Loss on Extinguishment of Debt***

	2022	2021	2020
	(Amounts in millions)		
Loss on extinguishment of debt	\$ —	\$ (46.2)	\$ (1.2)

Loss on extinguishment of debt in 2021 of \$46.2 million resulted from the redemption of our 2023 Senior Notes, 2022 Senior Notes and 2022 Euro Senior Notes and the write-off of deferred financing fees due to the amendment and restatement of the previous Senior Credit facility.

### ***Other Income (Expense), net***

	2022	2021	2020
	(Amounts in millions)		
Other income (expense), net	\$ (0.6)	\$ (36.1)	\$ 5.2

Other expense, net decreased \$35.5 million as compared to 2021, due to a \$46.7 million decrease in losses from transactions in currencies other than our sites' functional currencies, partially offset by a \$9.5 million increase in losses from foreign exchange contracts. The net change was primarily due to the foreign currency exchange rate movements in the Canadian dollar, Brazilian real, Euro and Indian rupee during the year ended December 31, 2022, as compared with the same period in 2021. Included in the other expense, net decrease for the period is a \$19.2 million foreign currency remeasurement gain associated with a Canadian dollar denominated intercompany loan held by a Euro functional currency entity.

### ***Income Tax and Tax Rate***

	2022	2021	2020
	(Amounts in millions, except percentages)		
Provision for (benefit from) income taxes	\$ (43.6)	\$ (2.6)	\$ 61.4
Effective tax rate	(28.3)%	(1.9)%	30.4 %

Our effective tax rate of (28.3)% for the year ended December 31, 2022 decreased from (1.9)% in 2021 and differed from the federal statutory tax rate of 21% primarily due to the release of the valuation allowance against our deferred tax assets in Germany and Mexico partially offset by a valuation allowance establishment in Argentina, and the release of the valuation allowance on our U.S. foreign tax credit carryforwards on general category income.

The 2021 effective tax rate differed from the federal statutory rate of 21% primarily due to the net impact of foreign operations and the reversal of certain deferred tax liabilities as a result of legal entity restructurings.

Our effective tax rate is based upon current earnings and estimates of future taxable earnings for each domestic and international location. The assumptions about future taxable income require the use of significant judgment and are consistent with the plans and estimates used in the underlying business. Changes in any of these and other factors, including our ability to utilize foreign tax credits and net operating losses or results from tax audits, could impact the tax rate in future periods. As of December 31, 2022, we had U.S. foreign tax credit carryforwards of \$93.5 million, expiring in 2026-2032 tax years, against which we recorded a valuation allowance of \$45.2 million related to the U.S. foreign tax credit carryforwards on foreign branch category income. Additionally, we have recorded other net deferred tax assets of \$55.8 million, which relate to net operating losses, tax credits and other deductible temporary differences that are available to reduce taxable income in future periods, most of which do not have a definite expiration. Should we not be able to utilize all or a portion of these credits and losses, our effective tax rate would increase.

### *Net Earnings and Earnings Per Share*

	2022	2021	2020
	(Amounts in millions, except per share amounts)		
Net earnings attributable to Flowserve Corporation	\$ 188.7	\$ 125.9	\$ 130.4
Net earnings per share — diluted	\$ 1.44	\$ 0.96	\$ 1.00
Average diluted shares	131.3	130.9	131.1

Net earnings in 2022 increased by \$62.8 million to \$188.7 million, or to \$1.44 per diluted share, as compared with 2021. The increase was primarily attributable to the loss on extinguishment of debt of \$46.2 million in 2021 that did not recur, a \$41.0 million increase in tax benefit, a \$35.5 million decrease in other expense, net and a \$11.4 million decrease in interest expense, partially offset by an decrease in operating income of \$73.6 million.

### *Other Comprehensive Income (Loss)*

	2022	2021	2020
	(Amounts in millions)		
Other comprehensive income (loss)	\$ (82.9)	\$ 44.7	\$ (24.6)

Other comprehensive income (loss) in 2022 decreased by \$127.6 million from an income of \$44.7 million in 2021. The net loss in 2022 was primarily due to foreign currency translation adjustments resulting primarily from exchange rate movements of the Euro, British pound, Indian rupee, Chinese yuan and Mexican peso versus the U.S. dollar at December 31, 2022 as compared with 2021.

### *Business Segments*

We conduct our operations through two business segments based on type of product and how we manage the business. We evaluate segment performance and allocate resources based on each segment's operating income. See Note 19 to our consolidated financial statements included in Item 8 of this Annual Report for further discussion of our segments. The key operating results for our two business segments, FPD and FCD, are discussed below.

#### *Flowserve Pump Division Segment Results*

Our largest business segment is FPD, through which we design, manufacture, pretest, distribute and service specialty and highly-engineered custom and pre-configured pumps and pump systems, mechanical seals and auxiliary systems (collectively referred to as "original equipment"). FPD includes longer lead time, highly-engineered pump products and mechanical seals that are generally manufactured within shorter lead times. FPD also manufactures replacement parts and related equipment and provides aftermarket services. FPD primarily operates in the oil and gas, chemical, power generation, water management and general industries. FPD operates in 49 countries with 35 manufacturing facilities worldwide, 10 of which are located in Europe, 11 in North America, eight in Asia Pacific and six in Latin America, and we have 132 QRCs, including those co-located in manufacturing facilities and/or shared with FCD.

	FPD		
	2022	2021	2020
	(Amounts in millions, except percentages)		
Bookings	\$ 3,214.7	\$ 2,675.7	\$ 2,358.4
Sales	2,522.5	2,470.8	2,675.7
Gross profit	728.1	760.4	811.4
Gross profit margin	28.9 %	30.8 %	30.3 %
SG&A	538.5	535.6	552.2
Gain on sale of business	—	1.8	—
Segment operating income	208.0	243.2	271.0
Segment operating income as a percentage of sales	8.2 %	9.8 %	10.1 %
Backlog (at period end)	2,008.9	1,368.9	1,236.9

Bookings in 2022 increased by \$539.0 million, or 20.1%, as compared with 2021. The increase included negative currency effects of approximately \$134 million. The increase in customer bookings was driven by increased orders in the oil and gas, power generation, chemical, general and water industries. Increased customer bookings of \$179.2 million into North America, \$261.9 million into the Middle East, \$46.7 million into Europe, \$51.4 million into Asia Pacific and \$20.7 million into Latin America, were partially offset by decreased customer bookings of \$5.6 million into Africa. The increase in customer bookings was more heavily weighted towards original equipment bookings. Of the \$3.2 billion of bookings in 2022, approximately 44% were from oil and gas, 22% from general industries, 18% from chemical, 12% from power generation and 4% from water management. The increase included the impact of original equipment orders booked in 2022 in excess of \$230 million to supply pumps and related equipment to support the development of an onshore unconventional gas project in the Middle East.

Sales in 2022 increased \$51.6 million, or 2.1%, as compared with 2021. The increase included negative currency effects of approximately \$118 million. The increase was driven by customer aftermarket sales, resulting from increased customer sales of \$106.5 million into North America, \$39.2 million into the Middle East, \$12.0 million into Latin America and \$22.4 million into Africa, partially offset by decreased sales of \$93.1 million into Asia Pacific and \$34.3 million into Europe.

Gross profit in 2022 decreased by \$32.3 million, or 4.2%, as compared with 2021. Gross profit margin in 2022 of 28.9% decreased from 30.8% in 2021. The decrease in gross profit margin was primarily attributable to lower conversion of customer backlog to revenue, under absorption of \$5.1 million of fixed manufacturing costs primarily due to operational interruptions related to the implementation of a new enterprise resource planning system at certain of our North America quick response centers, increased freight costs largely due to global supply chain and logistics constraints and a \$7.4 million charge taken in 2022 related to our financial exposure in Russia, partially offset by a mix shift to higher margin aftermarket, lower broad-based annual incentive compensation, a \$4.5 million reversal of previously reserved inventory due to settlement with a customer and decreased costs related to our realignment actions as compared to the same period in 2021.

SG&A in 2022 increased by \$2.9 million, or 0.5%, as compared with 2021. Currency effects provided a decrease of approximately \$21 million. The increase in SG&A was primarily due a \$14.0 million charge taken in 2022 related to our financial exposure in Russia and the acquisition and expense of \$4.8 million of in-process research and development, partially offset by the reversal of \$5.1 million of previously reserved accounts receivable due to collection from a customer, a \$4.2 million gain resulting from the sale of a small QRC facility and lower broad-based annual incentive compensation as compared to the same period in 2021.

Operating income in 2022 decreased by \$35.2 million, or 14.5%, as compared with 2021. The decrease included negative currency effects of approximately \$12 million. The decrease was primarily due to the \$32.3 million decrease in gross profit and the \$2.9 million increase in SG&A.

Backlog of \$2.0 billion at December 31, 2022 increased by \$640.0 million, or 46.8%, as compared with December 31, 2021 and include the negative impact of \$19.0 million of order cancellations in 2022 due to the cessation of our operations in Russia. Currency effects provided a decrease of approximately \$34 million.

#### *Flow Control Division Segment Results*

FCD designs, manufactures, distributes and services a broad portfolio of engineered and industrial valve and automation solutions, including isolation and control valves, actuation, controls and related equipment. FCD leverages its experience and application know-how by offering a complete menu of engineering and project management services to complement its expansive product portfolio. FCD has a total of 44 manufacturing facilities and QRCs in 22 countries around the world, with five of its 19 manufacturing operations located in the U.S., eight located in Europe, five located in Asia Pacific and one located in Latin America. We believe that FCD is the second largest industrial valve supplier in the world.

	FCD		
	2022	2021	2020
	(Amounts in millions, except percentages)		
Bookings	\$ 1,247.2	\$ 1,112.8	\$ 1,065.8
Sales	1,100.6	1,075.9	1,057.5
Gross profit	305.5	316.7	321.9
Gross profit margin	27.8 %	29.4 %	30.4 %
SG&A	192.1	197.4	196.3
Segment operating income	113.4	119.7	125.6
Segment operating income as a percentage of sales	10.3 %	11.1 %	11.9 %
Backlog (at period end)	745.5	639.8	623.1

Bookings in 2022 increased \$134.4 million, or 12.1%, as compared with 2021. The increase included negative currency effects of approximately \$49 million. The increase in customer bookings was driven by increased orders in the oil and gas, chemical, general and water industries. There were increased customer bookings of \$52.4 million into North America, \$0.4 million into Europe, \$32.2 million into Asia Pacific, \$32.1 million into the Middle East, \$3.4 million into Latin America and \$9.2 million into Africa. The increase was more heavily weighted towards original equipment bookings. Of the \$1.2 billion of bookings in 2022, approximately 32% were from chemical, 30% were from oil and gas, 24% from general, 13% from power generation and 1% from water industries.

Sales in 2022 increased by \$24.7 million, or 2.3%, as compared with 2021. The increase included negative currency effects of approximately \$53 million and was driven primarily by increased customer original equipment sales. Sales increased \$83.2 million into North America and \$0.5 million into Africa, partially offset by decreased customer sales of \$16.6 million into Europe \$28.2 million into Asia Pacific, \$7.0 million into the Middle East and \$7.0 million into Latin America.

Gross profit in 2022 decreased by \$11.2 million, or 3.5%, as compared with 2021. Gross profit margin in 2022 of 27.8% decreased from 29.4% in 2021. The decrease in gross profit margin was primarily attributable to increased freight costs largely due to global supply chain and logistics constraints, the establishment of \$1.7 million of inventory reserves related to certain contracts that are estimated to be below market and a \$1.4 million charge taken in 2022 related to our

financial exposure in Russia, partially offset by decreased costs related to our realignment actions and lower broad-based annual incentive compensation as compared to the same period in 2021.

SG&A in 2022 decreased by \$5.3 million, or 2.7% as compared with 2021. Currency effects provided a decrease of approximately \$8 million. The decrease in SG&A was primarily due to lower broad-based annual incentive compensation, partially offset by a \$1.7 million charge taken in 2022 related to our financial exposure in Russia, higher bad debt expense and a discrete asset write-down of \$3.0 million in the second quarter of 2022 as compared to the same period in 2021.

Operating income in 2022 decreased by \$6.3 million, or 5.3%, as compared with 2021. The decrease included negative currency effects of approximately \$4 million. The decrease was primarily due to the \$11.2 million decrease in gross profit partially offset by decrease in SG&A of \$5.3 million.

Backlog of \$745.5 million at December 31, 2022 increased by \$105.7 million, or 16.5%, as compared with December 31, 2021 and include the negative impact of \$9.8 million of order cancellations in 2022 due to the cessation of our operations in Russia. Currency effects provided a decrease of approximately \$19 million.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow Analysis

	2022	2021	2020
	(Amounts in millions)		
Net cash flows provided (used) by operating activities	\$ (40.0)	\$ 250.1	\$ 310.5
Net cash flows provided (used) by investing activities	(6.1)	(59.5)	(41.7)
Net cash flows provided (used) by financing activities	(150.0)	(599.7)	147.6

The following is a discussion and analysis of the Company's liquidity and capital resources for the years ended December 31, 2022 and 2021. A discussion of changes in the Company's liquidity and capital resources for the year ended December 31, 2021 and 2020 can be found in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 23, 2022.

Existing cash, cash generated by operations and borrowings available under our senior credit facility are our primary sources of short-term liquidity. We monitor the depository institutions that hold our cash and cash equivalents on a regular basis, and we believe that we have placed our deposits with creditworthy financial institutions. Our sources of operating cash generally include the sale of our products and services and the conversion of our working capital, particularly accounts receivable and inventories. Our total cash balance at December 31, 2022 was \$435.0 million, compared with \$658.5 million at December 31, 2021.

At December 31, 2022 our cash used by operating activities was \$40.0 million, as compared to cash provided of \$250.1 million in 2021. Cash flow provided from working capital decreased in 2022 due primarily to increased cash flows used by or decreased cash flows provided by accounts receivable, inventory, contract assets, retirement obligations and other liabilities and accrued liabilities and income tax payable, partially offset by increased cash flows provided by or decreased cash flows used by contract liabilities, accounts payable and prepaid expenses and other assets as compared to 2021.

Increases in accounts receivable used \$152.0 million of cash flow in 2022, compared to \$8.7 million in 2021. For the fourth quarter of 2022 our days' sales outstanding ("DSO") was 75 days as compared to 72 days in 2021. We have not experienced a significant increase in customer payment defaults in 2022.

Increases in inventory used \$147.5 million of cash flow in 2022 as compared with cash used of \$32.1 million in 2021. Inventory turns were 3.6 times at December 31, 2022, as compared with 3.8 times for 2021. Our calculation of inventory turns does not reflect the impact of advanced cash received from our customers.

Increases in contract assets used \$41.8 million of cash flow and increases in contract liabilities provided \$61.7 million of cash flow in 2022.



Increases in accounts payable provided \$79.0 million of cash flow in 2022 compared with cash used of \$19.5 million in 2021. Decreases in accrued liabilities and income taxes payable used \$5.2 million of cash flow in 2022 compared to \$13.9 million in 2021.

Cash used by investing activities were \$6.1 million in 2022, as compared to \$59.5 million in 2021. The decrease of cash used in 2022 was primarily due to the termination of cross-currency swaps resulting in cash proceeds received of \$66.0 million, higher cash proceeds provided from the disposal of assets during the year of \$1.8 million and lower net affiliate investment activity of \$7.0 million. Capital expenditures were \$76.3 million in 2022, as compared to \$54.9 million in 2021. In 2023, we currently estimate capital expenditures to be between \$75 million and \$85 million, before consideration of any acquisition activity.

Cash used by financing activities were \$150.0 million in 2022 compared to cash flow used of \$599.7 million in 2021. Cash outflows during 2022 resulted primarily from the \$32.5 million in payments on our Term Loan and \$104.5 million of dividend payments.

In 2022 we repurchased no shares of our outstanding common stock during the year. As of December 31, 2022, we had \$96.1 million of remaining capacity under our share repurchase plan previously approved by the Board of Directors.

Our material cash requirements for the next 12 months, include our estimated 2023 capital expenditures described above and our contractual obligations summarized below under the subheading "--Contractual Obligations". In the aggregate, our cash needs in 2023 are expected to be lower than those of 2022 due to anticipated benefits from working capital reductions. We believe cash flows from operating activities, combined with availability under our senior credit facility and our existing cash balances, will be sufficient to enable us to meet our cash flow needs for the next 12 months. However, cash flows from operations could be adversely affected by a decrease in the rate of general global economic growth and an extended decrease in capital spending of our customers, as well as economic, political and other risks associated with sales of our products, operational factors, competition, regulatory actions, fluctuations in foreign currency exchange rates and fluctuations in interest rates, among other factors. We believe that cash flows from operating activities and our expectation of continuing availability to draw upon our credit agreements are also sufficient to meet our cash flow needs for periods beyond the next 12 months.

### ***Financing***

On September 13, 2021, we amended and restated our credit agreement (the "Amended and Restated Credit Agreement") under our Senior Credit Facility ("Credit Facility") with Bank of America, N.A. and the other lenders to provide greater flexibility in maintaining adequate liquidity and access to available borrowings. The Amended and Restated Credit Agreement, (i) retained, from the previous credit agreement, the \$800.0 million unsecured Revolving Credit Facility (the "Revolving Credit Facility"), which includes a \$750.0 million sublimit for the issuance of letters of credit and a \$30.0 million sublimit for swing line loans ii) provides for an up to \$300 million unsecured Term Loan Facility (the "Term Loan"), (iii) extends the maturity date of the agreement to September 13, 2026, (iv) reduces commitment fees, (v) extends net leverage ratio covenant definition through the maturity of the agreement, and (vi) provides the ability to make certain adjustments to the otherwise applicable commitment fee, interest rate and letter of credit fees based on the Company's performance against to-be-established key performance indicators with respect to certain of the Company's environmental, social and governance targets. Most other terms and conditions under the previous Credit Facility remained unchanged.

The interest rates per annum applicable to the Revolving Credit Facility are unchanged under the Amended and Restated Credit Agreement. The interest rates per annum applicable to the Credit Facility, other than with respect to swing line loans, are London Interbank Offered Rate ("LIBOR") plus between 1.000% to 1.750%, depending on our debt rating by either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Financial Services LLC ("S&P"), or, at our option, the Base Rate (as defined in the Amended and Restated Credit Agreement) plus between 0.000% to 0.750% depending on our debt rating by either Moody's or S&P. At December 31, 2022, the interest rate on the Revolving Credit Facility was LIBOR plus 1.375% in the case of LIBOR loans and the Base Rate plus 0.375% in the case of Base Rate loans. In addition, a commitment fee is payable quarterly in arrears on the daily unused portions of the Credit Facility. The commitment fee will be between 0.080% and 0.250% of unused amounts under the Credit Facility depending on our debt rating by either Moody's or S&P. The commitment fee was 0.175% (per annum) during the period ended December 31, 2022.

Under the terms and conditions of the Amended and Restated Credit Agreement, interest rates per annum applicable to the Term Loan are stated as LIBOR plus between 0.875% to 1.625%, depending on the Company's debt rating by either Moody's or S&P, or, at the option of the Company, the Base Rate plus between 0.000% to 0.625% depending on the Company's debt rating by either Moody's or S&P.

On February 3, 2023 we entered into an amendment to the Credit Facility (the “Amendment”) which (i) replaced LIBOR with Secured Overnight Financing Rate (“SOFR”) as the benchmark reference rate, (ii) lowered the Material Acquisition (as defined in the Credit Facility) threshold from \$250 million to \$200 million and (iii) extended compliance dates for certain financial covenants. We believe this Amendment will provide greater flexibility and additional liquidity under our Credit Facility as we continue to pursue our business goals and strategy.

A discussion of our debt and related covenants is included in Note 12 to our consolidated financial statements included in Item 8 of this Annual Report. We were in compliance with the covenants as of December 31, 2022.

### **Liquidity Analysis**

Our cash balance decreased by \$223.5 million to \$435.0 million as of December 31, 2022 as compared with December 31, 2021. The cash decrease included \$104.5 million in dividend payments, \$76.3 million in capital expenditures, \$32.5 million in Term Loan payments and \$40.0 million in operating cash outflows, partially offset by \$66.0 million in proceeds from the termination of cross-currency swaps.

During 2022, we made no cash contributions to our U.S. pension plan, compared to \$20.0 million in 2021. At December 31, 2022 and 2021, as a result of the values of the plan’s assets and our contributions to the plan, our U.S. pension plan was fully-funded as defined by applicable law. As of December 31, 2022 direct benefits paid by the U.S. pension plan were \$3.0 million. We continue to maintain an asset allocation consistent with our strategy to maximize total return, while reducing portfolio risks through asset class diversification.

As of December 31, 2022, we had approximately \$729 million of liquidity, consisting of cash and cash equivalents of \$435 million and \$294 million of borrowings available under our Senior Credit Facility. In light of the liquidity currently available to us, and the costs savings measures planned and already in place, we expect to be able to maintain adequate liquidity over the next 12 months as we manage through the current market environment. We do not currently anticipate, nor are we aware of, any significant market conditions or commitments that would change any of our conclusions of the liquidity currently available to us. Additionally, we expect that the costs savings measures planned and already in place will enable us to maintain adequate liquidity over the next 12 months as we manage through the current market environment. We will continue to actively monitor the potential impacts of COVID-19 and related events on the credit markets in order to maintain sufficient liquidity and access to capital throughout 2023.

### **Contractual Obligations**

The following table presents a summary of our contractual obligations at December 31, 2022:

(Amounts in millions)	Payments Due By Period				
	Within 1 Year	1-3 Years	3-5 Years	Beyond 5 Years	Total
Senior Notes and Term Loan Facility	\$ 39.8	\$ 119.8	\$ 100.0	\$ 989.2	\$ 1,248.8
Fixed interest payments(1)	31.5	63.0	63.0	104.8	262.3
Other debt	9.3	15.4	—	—	24.7
Leases:					
Operating	38.7	59.9	40.5	81.0	220.1
Finance	5.8	7.4	2.2	5.0	20.4
Purchase obligations:(2)					
Inventory	744.2	98.8	9.5	34.2	886.7
Non-inventory	74.9	3.0	0.3	—	78.2
Pension and postretirement benefits(3)	57.8	115.1	118.6	291.3	582.8
Total	\$ 1,002.0	\$ 482.4	\$ 334.1	\$ 1,505.5	\$ 3,324.0

(1) Fixed interest payments represent interest payments on the Senior Notes as defined in Note 12 to our consolidated financial statements included in Item 8 of this Annual Report.

(2) Purchase obligations are presented at the face value of the purchase order, excluding the effects of early termination provisions. Actual payments could be less than amounts presented herein.

- (3) Retirement and postretirement benefits represent estimated benefit payments for our U.S. and non-U.S. defined benefit plans and our postretirement medical plans, as more fully described below and in Note 13 to our consolidated financial statements included in Item 8 of this Annual Report.

The following table presents a summary of our commercial commitments at December 31, 2022:

	Commitment Expiration By Period				
	Within 1 Year	1-3 Years	3-5 Years	Beyond 5 Years	Total
	(Amounts in millions)				
Letters of credit	\$ 258.8	\$ 241.3	\$ 20.8	\$ 10.2	\$ 531.1
Surety bonds	40.4	11.0	0.8	—	52.2
Total	\$ 299.2	\$ 252.3	\$ 21.6	\$ 10.2	\$ 583.3

We expect to satisfy these commitments through performance under our contracts.

## PENSION AND POSTRETIREMENT BENEFITS OBLIGATIONS

### Plan Descriptions

We and certain of our subsidiaries have defined benefit pension plans and defined contribution plans for full-time and part-time employees. Approximately 68% of total defined benefit pension plan assets and approximately 58% of defined benefit pension obligations are related to the U.S. qualified plan as of December 31, 2022. Unless specified otherwise, the references in this section are to all of our U.S. and non-U.S. plans. None of our common stock is directly held by these plans.

Our U.S. defined benefit plan assets consist of a balanced portfolio of equity and fixed income securities. Our non-U.S. defined benefit plan assets include a significant concentration of United Kingdom ("U.K.") fixed income securities, as discussed in Note 13 to our consolidated financial statements included in Item 8 of this Annual Report. We monitor investment allocations and manage plan assets to maintain an acceptable level of risk. At December 31, 2022, the estimated fair market value of U.S. and non-U.S. plan assets for our defined benefit pension plans decreased to \$537.3 million from \$764.2 million at December 31, 2021. Assets were allocated as follows:

Asset category	U.S. Plan	
	2022	2021
Cash and Cash Equivalents	1 %	1 %
Global Equity	21 %	26 %
Global Real Assets	13 %	16 %
Equity securities	34 %	42 %
Diversified Credit	18 %	15 %
Liability-Driven Investment	47 %	42 %
Fixed income	65 %	57 %

<u>Asset category</u>	Non-U.S. Plans	
	2022	2021
Cash and Cash Equivalents	1 %	0 %
North American Companies	— %	1 %
Global Equity	— %	1 %
Equity securities	— %	2 %
U.K. Government Gilt Index	38 %	42 %
Liability-Driven Investment	12 %	9 %
Fixed income	50 %	51 %
Multi-asset	20 %	20 %
Buy-in Contract	19 %	20 %
Other	10 %	7 %
Other types	49 %	47 %

The projected benefit obligation ("Benefit Obligation") for our defined benefit pension plans was \$651.3 million and \$892.6 million as of December 31, 2022 and 2021, respectively. Benefits under our defined benefit pension plans are based primarily on participants' compensation and years of credited service.

We sponsor defined benefit postretirement medical plans covering certain current retirees and a limited number of future retirees in the U.S. These plans provide for medical and dental benefits and are administered through insurance companies. We fund the plans as benefits are paid, such that the plans hold no assets in any period presented. Accordingly, we have no investment strategy or targeted allocations for plan assets. The benefits under the plans are not available to new employees or most existing employees.

The Benefit Obligation for our defined benefit postretirement medical plans was \$13.4 million and \$17.0 million as of December 31, 2022 and 2021, respectively.

#### ***Accrual Accounting and Significant Assumptions***

We account for pension benefits using the accrual method, recognizing pension expense before the payment of benefits to retirees. The accrual method of accounting for pension benefits requires actuarial assumptions concerning future events that will determine the amount and timing of the benefit payments.

Our key assumptions used in calculating our cost of pension benefits are the discount rate, the rate of compensation increase and the expected long-term rate of return on plan assets. We, in consultation with our actuaries, evaluate the key actuarial assumptions and other assumptions used in calculating the cost of pension and postretirement benefits, such as discount rates, expected return on plan assets for funded plans, mortality rates, retirement rates and assumed rate of compensation increases, and determine such assumptions as of December 31 of each year to calculate liability information as of that date and pension and postretirement expense for the following year. See discussion of our accounting for and assumptions related to pension and postretirement benefits in the "Our Critical Accounting Estimates" section of this MD&A.

In 2022, the service cost component of the pension expense for our defined benefit pension plans included in operating income was \$30.7 million compared to \$32.5 million in 2021. The non-service cost portion of net pension expense (e.g., interest cost, actuarial gains and losses and expected return on plan assets) for our defined benefit pension plans included in other income (expense), net was \$(4.2) million in 2022, compared to \$(0.2) million in 2021.

The following are assumptions related to our defined benefit pension plans as of December 31, 2022:

	U.S. Plan	Non-U.S. Plans
Weighted average assumptions used to determine Benefit Obligation:		
Discount rate	5.73 %	4.46 %
Rate of increase in compensation levels	3.50	3.61
Weighted average assumptions used to determine 2022 net pension expense:		
Long-term rate of return on assets	5.75 %	2.43 %
Discount rate	3.00	1.71
Rate of increase in compensation levels	3.50	3.18
Weighted-average interest crediting rates	3.79 %	1.49 %

The following provides a sensitivity analysis of alternative assumptions on the U.S. qualified and aggregate non-U.S. pension plans and U.S. postretirement plans.

Effect of Discount Rate Changes and Constancy of Other Assumptions:

	0.5% Increase	0.5% Decrease
	(Amounts in millions)	
U.S. defined benefit pension plan:		
Effect on net pension expense	\$ (2.1)	\$ 2.0
Effect on Benefit Obligation	(12.5)	13.4
Non-U.S. defined benefit pension plans:		
Effect on net pension expense	(0.6)	0.7
Effect on Benefit Obligation	(15.7)	16.2
U.S. Postretirement medical plans:		
Effect on Benefit Obligation	(0.3)	0.3

Effect of Changes in the Expected Return on Assets and Constancy of Other Assumptions:

	0.5% Increase	0.5% Decrease
	(Amounts in millions)	
U.S. defined benefit pension plan:		
Effect on net pension expense	\$ (2.2)	\$ 2.2
Non-U.S. defined benefit pension plans:		
Effect on net pension expense	(1.2)	1.2

As discussed below, accounting principles generally accepted in the U.S. ("U.S. GAAP") provide that differences between expected and actual returns are recognized over the average future service of employees or over the remaining expected lifetime for plans with only inactive participants.

At December 31, 2022, as compared with December 31, 2021, we increased our discount rate for the U.S. plan from 3.00% to 5.73% based on an analysis of publicly-traded investment grade U.S. corporate bonds, which had higher yields due to current market conditions. The average discount rate for the non-U.S. plans increased from 1.71% to 4.46% based on analysis of bonds and other publicly-traded instruments, by country, which had higher yields due to market conditions. The average assumed rate of compensation remained constant at 3.50% for the U.S. plan and increased to 3.61% from 3.18% for our non-U.S. plans. To determine the 2022 pension expense, the expected rate of return on U.S. plan and non-US plan assets decreased to 5.75% from 6.00% and increased to 2.43% from 2.37%, respectively, based on our target allocations and expected long-term asset returns. As the expected rate of return on plan assets is long-term in nature, short-term market fluctuations do not significantly impact the rate. For all U.S. plans, we adopted the Pri-2012 mortality tables and the MP-2021 improvement scale published in October 2021. We applied the Pri-2012 tables based on the constituency of our plan population for union and non-union participants. We adjusted the improvement scale to utilize the Proxy SSA Long Term Improvement Rates, consistent with assumptions adopted by the Social Security Administration trustees, based on long-term historical experience. Currently, we believe this approach provides the best estimate of our future obligation.

Most plan participants elect to receive plan benefits as a lump sum at the end of service, rather than an annuity. As such, the updated mortality tables had an immaterial effect on our pension obligation.

We expect that the net pension expense for our defined benefit pension plans included in earnings before income taxes will be approximately \$1.2 million higher in 2023 than the \$26.5 million in 2022, primarily due to a increase in the interest cost. We have used discount rates of 5.73%, 4.46% and 5.83% at December 31, 2022, in calculating our estimated 2023 net pension expense for the U.S. pension plans, non-U.S. pension plans and postretirement medical plans, respectively.

The assumed ranges for the annual rates of increase in health care costs were 7.25% for 2022, 7.50% for 2021 and 7.00% for 2020, with a gradual decrease to 5.00% for 2032 and future years. If actual costs are higher than those assumed, this will likely put modest upward pressure on our expense for retiree health care.

#### ***Plan Funding***

Our funding policy for defined benefit plans is to contribute at least the amounts required under applicable laws and local customs. In 2022, we contributed \$18.7 million, to our defined benefit plans, compared to \$35.8 million in 2021. We expect to contribute approximately \$2 million to our non-U.S. pension plans in 2023, excluding direct benefits paid.

For further discussion of our pension and postretirement benefits, see Note 13 to our consolidated financial statements included in Item 8 of this Annual Report.

### **OUR CRITICAL ACCOUNTING ESTIMATES**

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions to determine reported amounts of certain assets, liabilities, revenues and expenses and the disclosure of related contingent assets and liabilities. These estimates and assumptions are based upon information available at the time of the estimates or assumptions, including our historical experience, where relevant. The most significant estimates made by management include: timing and amount of revenue recognition; deferred taxes, tax valuation allowances and tax reserves; reserves for contingent loss; pension and postretirement benefits; and valuation of goodwill, indefinite-lived intangible assets and other long-lived assets. The significant estimates are reviewed at least annually if not quarterly by management. Because of the uncertainty of factors surrounding the estimates, assumptions and judgments used in the preparation of our financial statements, actual results may differ from the estimates, and the difference may be material.

Our critical accounting policies are those policies that are both most important to our financial condition and results of operations and require the most difficult, subjective or complex judgments on the part of management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that the following represent our critical accounting policies. For a summary of all of our significant accounting policies, see Note 1 to our consolidated financial statements included in Item 8 of this Annual Report. Management and our external auditors have discussed our critical accounting estimates and policies with the Audit Committee of our Board of Directors.

#### ***Revenue Recognition***

We recognize revenue when (or as) we satisfy a performance obligation by transferring control to a customer. Transfer of control is evaluated based on the customer's ability to direct the use of and obtain substantially all of the benefits of a performance obligation. Revenue is recognized either over time or at a point in time, depending on the specific facts and circumstances for each contract, including the terms and conditions of the contract as agreed with the customer and the nature of the products or services to be provided. Service-related revenues do not typically represent a significant portion contracts with our customers and do not meet the thresholds requiring separate disclosure.

Our primary method for recognizing revenue over time is the percentage of completion ("POC") method, whereby progress towards completion is measured by applying an input measure based on costs incurred to date relative to total estimated costs at completion. If control of the products and/or services does not transfer over time, then control transfers at a point in time. We determine the point in time that control transfers to a customer based on the evaluation of specific indicators, such as title transfer, risk of loss transfer, customer acceptance and physical possession. For a discussion related to revenue recognition refer to Note 2 included in Item 8 of this Annual Report.

### ***Deferred Taxes, Tax Valuation Allowances and Tax Reserves***

We recognize valuation allowances to reduce the carrying value of deferred tax assets to amounts that we expect are more likely than not to be realized. Our valuation allowances primarily relate to the deferred tax assets established for certain tax credit carryforwards, capital loss carryforwards, and net operating loss carryforwards for non-U.S. subsidiaries, and we evaluate the realizability of our deferred tax assets and adjust the amount of the valuation allowances, if necessary. We assess such factors as our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets in determining the sufficiency of our valuation allowances. Failure to achieve forecasted taxable income in the applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in our effective tax rate on future earnings. Implementation of different tax structures in certain jurisdictions could, if successful, result in future reductions of certain valuation allowances.

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for open tax years for uncertain tax positions that may be subject to challenge by various tax authorities. The consolidated tax provision and related accruals include the impact of such reasonably estimable losses and related interest and penalties as deemed appropriate. Tax benefits recognized in the financial statements from uncertain tax positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

While we believe we have adequately provided for any reasonably foreseeable outcomes related to these matters, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities. To the extent that the expected tax outcome of these matters changes, such changes in estimate will impact the income tax provision in the period in which such determination is made. For a discussion related to deferred taxes, tax valuation allowances and tax reserves refer to Note 18 included in Item 8 of this Annual Report.

### ***Reserves for Contingent Loss***

We are a defendant in a number of lawsuits that seek to recover damages for personal injury allegedly resulting from exposure to asbestos-containing products formerly manufactured and/or distributed by heritage companies of the Company. We have estimated that the liability for pending and future claims not yet asserted, and which are probable and estimable, could be experienced through 2052, which represents the expected end of our asbestos liability exposure with no further ongoing claims expected beyond that date. In light of the uncertainties and variables inherent in the long-term projection of the total asbestos liability, as part of our ongoing review of asbestos claims, each year we will reassess the projected liability of unasserted asbestos claims to be filed through 2052, and we will continually reassess the time horizon over which a reasonable estimate of unasserted claims can be projected.

In connection with our ongoing review of asbestos-related claims, we have also reviewed the amount of potential insurance coverage for such claims, taking into account the remaining limits of such coverage, the number and amount of claims on our insurance from co-insured parties, ongoing litigation against the Company's insurers, potential remaining recoveries from insolvent insurers, the impact of previous insurance settlements and coverage available from solvent insurers not party to the coverage litigation. Continuously, we review ongoing insurance coverage available for a significant amount of the potential future asbestos-related claims and in the future could secure additional insurance coverage as deemed necessary. For a discussion pertaining to asbestos claims refer to Note 15 included in Item 8 of this Annual Report.

Liabilities are recorded for various non-asbestos contingencies arising in the normal course of business when it is both probable that a loss has been incurred and such loss is reasonably estimable. Assessments of reserves are based on information obtained from our independent and in-house experts, including recent legal decisions and loss experience in similar situations. The recorded legal reserves are susceptible to changes due to new developments regarding the facts and circumstances of each matter, changes in political environments, legal venue and other factors. Recorded environmental reserves could change based on further analysis of our properties, technological innovation and regulatory environment changes.

### ***Pension and Postretirement Benefits***

We provide pension and postretirement benefits to certain of our employees, including former employees, and their beneficiaries. The assets, liabilities and expenses we recognize and disclosures we make about plan actuarial and financial information are dependent on the assumptions and estimates used in calculating such amounts. The assumptions include

factors such as discount rates, health care cost trend rates, inflation, expected rates of return on plan assets, retirement rates, mortality rates, turnover, rates of compensation increases and other factors.

The assumptions utilized to compute expense and benefit obligations are shown in Note 13 to our consolidated financial statements included in Item 8 of this Annual Report. These assumptions are assessed annually in consultation with independent actuaries and investment advisors as of December 31 and adjustments are made as needed. We evaluate prevailing market conditions and local laws and requirements in countries where plans are maintained, including appropriate rates of return, interest rates and medical inflation (health care cost trend) rates. We ensure that our significant assumptions are within the reasonable range relative to market data. The methodology to set our significant assumptions includes:

- Discount rates are estimated using high quality debt securities based on corporate or government bond yields with a duration matching the expected benefit payments. For the U.S. the discount rate is obtained from an analysis of publicly-traded investment-grade corporate bonds to establish a weighted average discount rate. For plans in the U.K. and the Eurozone we use the discount rate obtained from an analysis of AA-graded corporate bonds used to generate a yield curve. For other countries or regions without a corporate AA bond market, government bond rates are used. Our discount rate assumptions are impacted by changes in general economic and market conditions that affect interest rates on long-term high-quality debt securities, as well as the duration of our plans' liabilities.
- The expected rates of return on plan assets are derived from reviews of asset allocation strategies, expected long-term performance of asset classes, risks and other factors adjusted for our specific investment strategy. These rates are impacted by changes in general market conditions, but because they are long-term in nature, short-term market changes do not significantly impact the rates. Changes to our target asset allocation also impact these rates.
- The expected rates of compensation increase reflect estimates of the change in future compensation levels due to general price levels, seniority, age and other factors.

Depending on the assumptions used, the pension and postretirement expense could vary within a range of outcomes and have a material effect on reported earnings. In addition, the assumptions can materially affect benefit obligations and future cash funding. Actual results in any given year may differ from those estimated because of economic and other factors.

We evaluate the funded status of each retirement plan using current assumptions and determine the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations, cash flow requirements and other factors. We discuss our funding assumptions with the Finance Committee of our Board of Directors.

#### ***Valuation of Goodwill, Indefinite-Lived Intangible Assets and Other Long-Lived Assets***

The initial recording of goodwill and intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets. We test the value of goodwill, indefinite-lived intangible assets and long-lived assets for impairment as of December 31 each year or whenever events or circumstances indicate such assets may be impaired. The test for goodwill impairment involves significant judgment in estimating projections of fair value generated through future performance of each of the reporting units. We did not record a material impairment for goodwill, indefinite-lived intangible assets or long-lived assets in 2022, 2021 or 2020.

Due to uncertain market conditions and potential changes in strategy and product portfolio, it is possible that forecasts used to support asset carrying values may change in the future, which could result in non-cash charges that would adversely affect our financial condition and results of operations. For a discussion pertaining to goodwill, indefinite-lived intangible assets and long-lived assets refer to Note 1 included in Item 8 of this Annual Report.

## **ACCOUNTING DEVELOPMENTS**

We have presented the information about accounting pronouncements not yet implemented in Note 1 to our consolidated financial statements included in Item 8 of this Annual Report.



## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We have market risk exposure arising from changes in foreign currency exchange rate movements. We are exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but we currently expect the counterparties will continue to meet their obligations given their current creditworthiness.

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

A substantial portion of our operations are conducted by our subsidiaries outside of the U.S. in currencies other than the U.S. dollar. The primary currencies in which we operate, in addition to the U.S. dollar, are the Argentine peso, Australian dollar, Brazilian real, British pound, Canadian dollar, Chinese yuan, Colombian peso, Euro, Hungarian forint, Indian rupee, Japanese yen, Mexican peso, Singapore dollar, Swedish krona, Russian ruble, Malaysian ringgit and Venezuelan bolivar. Almost all of our non-U.S. subsidiaries conduct their business primarily in their local currencies, which are also their functional currencies. Foreign currency exposures arise from translation of foreign-denominated assets and liabilities into U.S. dollars and from transactions, including firm commitments and anticipated transactions, denominated in a currency other than a non-U.S. subsidiary's functional currency. As a means of managing the volatility of foreign currency exposure with the Euro/U.S. dollar exchange rate, we entered into swaps associated with our Euro investment in certain of our international subsidiaries and were designated as net investment hedges. On December 22, 2022 all outstanding cross-currency swaps were terminated resulting in cash proceeds received of \$66.0 million. Routinely, we review our investments in foreign subsidiaries from a long-term perspective and use capital structuring techniques to manage our investment in foreign subsidiaries as deemed necessary. We realized net gains (losses) associated with foreign currency translation of \$(98.7) million, \$0.5 million and \$(15.2) million for the years ended December 31, 2022, 2021 and 2020, respectively, which are included in other comprehensive income (loss). The net loss in 2022 was primarily due to foreign currency translation adjustments resulting primarily from exchange rate movements of the Euro, British pound, Indian rupee, Chinese yuan and Mexican peso versus the U.S. dollar at December 31, 2022 as compared with 2021.

We employ a foreign currency risk management strategy to minimize potential changes in cash flows from unfavorable foreign currency exchange rate movements. Where available, the use of forward exchange contracts allows us to mitigate transactional exposure to exchange rate fluctuations as the gains or losses incurred on the forward exchange contracts will offset, in whole or in part, losses or gains on the underlying foreign currency exposure. Our policy allows foreign currency coverage only for identifiable foreign currency exposures. As of December 31, 2022, we had a U.S. dollar equivalent of \$459.2 million in aggregate notional amount outstanding in foreign exchange contracts with third parties, compared with \$425.2 million at December 31, 2021. Transactional currency gains and losses arising from transactions outside of our sites' functional currencies and changes in fair value of foreign exchange contracts are included in our consolidated results of operations. We recognized foreign currency net gains (losses) of \$9.7 million, \$(27.4) million and \$9.6 million for the years ended December 31, 2022, 2021 and 2020, respectively, which are included in other income (expense), net in the accompanying consolidated statements of income.

Based on a sensitivity analysis at December 31, 2022, a 10% change in the foreign currency exchange rates for the year ended December 31, 2022 would have impacted our net earnings by approximately \$7 million. At December 31, 2021, a 10% change in the foreign currency exchange rates for the year ended December 31, 2021 would have impacted our net earnings by approximately \$10 million. This calculation assumes that all currencies change in the same direction and proportion relative to the U.S. dollar and that there are no indirect effects, such as changes in non-U.S. dollar sales volumes or prices. This calculation does not take into account the impact of the foreign currency forward exchange contracts discussed above.

### **LIBOR**

On March 5, 2021, the UK Financial Conduct Authority ("FCA"), which regulates LIBOR issued an announcement on the future cessation or loss of representativeness of LIBOR benchmark settings currently published by ICE Benchmark Administration. That announcement confirmed that LIBOR will either cease to be provided by any administrator or will no longer be representative after December 31, 2021 for all non-USD LIBOR reference rates, and for 1-Week and 2-Month USD LIBOR and after June 30, 2023 for other USD LIBOR reference rates. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rate Committee, has proposed the replacement of U.S. dollar LIBOR rates with a new index calculated by short-term repurchase agreements backed by U.S. Treasury securities called SOFR. As a result of the expected LIBOR cessation, the Company amended its Credit Agreement on February 3, 2023 whereby it has replaced LIBOR references with SOFR as the benchmark reference rate.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Flowserve Corporation

#### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Flowserve Corporation and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

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

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

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

#### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and

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

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

### ***Critical Audit Matters***

The critical audit 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 (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Goodwill Impairment Test – Pump Reporting Unit***

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated goodwill balance was \$1,168.1 million as of December 31, 2022. The goodwill balance associated with the pump reporting unit was approximately \$277 million. The value of goodwill is tested for impairment as of December 31 each year or whenever events or circumstances indicate goodwill may be impaired. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is impaired and an impairment loss is recorded equal to the excess of the carrying value over its fair value. Fair value is estimated using a discounted cash flow analysis, which requires management to make various judgmental assumptions about future sales, operating margins, growth rates and discount rates.

The principal considerations for our determination that performing procedures relating to the goodwill impairment test of the pump reporting unit is a critical audit matter are (i) the significant judgment by management when estimating the fair value of the reporting unit; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to the growth rate, operating margins and discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment test, including controls over the valuation of the pump reporting unit. These procedures also included, among others (i) testing management's process for estimating the fair value of the pump reporting unit, (ii) evaluating the appropriateness of the discounted cash flow analysis, (iii) testing the completeness and accuracy of underlying data used in the discounted cash flow analysis, and (iv) evaluating the significant assumptions used by management related to the growth rate, operating margins and discount rate. Evaluating management's assumptions related to growth rate and operating margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting units (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP  
Dallas, Texas

March 7, 2023

We have served as the Company's auditor since 2000.

**FLOWSERVE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2022	2021
	(Amounts in thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 434,971	\$ 658,452
Accounts receivable, net	868,632	739,210
Contract assets, net	233,457	195,598
Inventories, net	803,198	678,287
Prepaid expenses and other	110,714	117,130
Total current assets	2,450,972	2,388,677
Property, plant and equipment, net	500,945	515,927
Operating lease right-of-use assets, net	174,980	193,863
Goodwill	1,168,124	1,196,479
Deferred taxes	149,290	44,049
Other intangible assets, net	134,503	152,463
Other assets, net	211,820	258,310
Total assets	\$ 4,790,634	\$ 4,749,768
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 476,747	\$ 410,062
Accrued liabilities	427,578	445,092
Contract liabilities	256,963	202,965
Debt due within one year	49,335	41,058
Operating lease liabilities	32,528	32,628
Total current liabilities	1,243,151	1,131,805
Long-term debt due after one year	1,224,151	1,261,770
Operating lease liabilities	155,196	166,786
Retirement obligations and other liabilities	309,529	352,062
Commitments and contingencies (See Note 15)		
Shareholders' equity:		
Common shares, \$1.25 par value	220,991	220,991
Shares authorized — 305,000		
Shares issued — 176,793 and 176,793, respectively		
Capital in excess of par value	507,484	506,386
Retained earnings	3,774,209	3,691,023
Treasury shares, at cost — 46,359 and 46,794 shares, respectively	(2,036,882)	(2,057,706)
Deferred compensation obligation	6,979	7,214
Accumulated other comprehensive loss	(647,788)	(563,589)
Total Flowserve Corporation shareholders' equity	1,824,993	1,804,319
Noncontrolling interests	33,614	33,026
Total equity	1,858,607	1,837,345
Total liabilities and equity	\$ 4,790,634	\$ 4,749,768

See accompanying notes to consolidated financial statements.

**FLOWSERVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands, except per share data)		
Sales	\$ 3,615,120	\$ 3,541,060	\$ 3,728,134
Cost of sales	(2,620,825)	(2,491,335)	(2,611,365)
Gross profit	994,295	1,049,725	1,116,769
Selling, general and administrative expense	(815,545)	(797,076)	(878,245)
Gain on sale of business	—	1,806	—
Net earnings from affiliates	18,469	16,304	11,753
Operating income	197,219	270,759	250,277
Interest expense	(46,247)	(57,617)	(56,185)
Loss on extinguishment of debt	—	(46,176)	(1,201)
Interest income	3,963	2,764	4,175
Other income (expense), net	(559)	(36,142)	5,226
Earnings before income taxes	154,376	133,588	202,292
(Provision for) benefit from income taxes	43,639	2,594	(61,417)
Net earnings, including noncontrolling interests	198,015	136,182	140,875
Less: Net earnings attributable to noncontrolling interests	(9,326)	(10,233)	(10,455)
Net earnings attributable to Flowserve Corporation	\$ 188,689	\$ 125,949	\$ 130,420
Net earnings per share attributable to Flowserve Corporation common shareholders:			
Basic	\$ 1.44	\$ 0.97	\$ 1.00
Diluted	1.44	0.96	1.00
Weighted average shares – basic	130,630	130,305	130,395
Weighted average shares – diluted	131,315	130,857	131,050

See accompanying notes to consolidated financial statements.

**FLOWSERVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Net earnings, including noncontrolling interests	\$ 198,015	\$ 136,182	\$ 140,875
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of deferred taxes of \$(20,526), \$(875) and \$11,104 in 2022, 2021 and 2020, respectively	(98,658)	524	(15,185)
Pension and other postretirement effects, net of deferred taxes of \$(8,423), \$(7,474) and \$(311) in 2022, 2021 and 2020, respectively	15,309	45,058	(9,562)
Cash flow hedging activity, net of deferred taxes of \$286, \$0 and \$0 in 2022, 2021 and 2020, respectively	403	(848)	183
Other comprehensive income (loss)	(82,946)	44,734	(24,564)
Comprehensive income, including noncontrolling interests	115,069	180,916	116,311
Comprehensive (income) attributable to noncontrolling interests	(10,579)	(8,930)	(11,225)
Comprehensive income attributable to Flowserve Corporation	<u>\$ 104,490</u>	<u>\$ 171,986</u>	<u>\$ 105,086</u>

See accompanying notes to consolidated financial statements.

**FLOWERVE CORPORAION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

Total Flowserve Corporation Shareholders' Equity										
	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Deferred Compensation Obligation	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Shares	Amount			Shares	Amount				
(Amounts in thousands)										
<b>Balance — January 1, 2020</b>	176,793	\$ 220,991	\$ 501,045	\$ 3,652,244	(46,262)	\$ (2,051,583)	\$ 8,334	\$ (584,292)	\$ 25,602	\$ 1,772,341
ASU No. 2016-13 - Measurement of Credit Losses on Financial Instruments (Topic 326)	—	—	—	(7,291)	—	—	—	—	—	(7,291)
Stock activity under stock plans	—	—	(26,070)	—	551	24,386	(2,170)	—	—	(3,854)
Stock-based compensation	—	—	27,252	—	—	—	—	—	—	27,252
Net earnings	—	—	—	130,420	—	—	—	—	10,455	140,875
Cash dividends declared (\$0.80 per share)	—	—	—	(104,830)	—	—	—	—	—	(104,830)
Repurchases of common shares	—	—	—	—	(1,057)	(32,112)	—	—	—	(32,112)
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	(25,333)	769	(24,564)
Other, net	—	—	—	—	—	—	—	—	(6,496)	(6,496)
<b>Balance — December 31, 2020</b>	176,793	\$ 220,991	\$ 502,227	\$ 3,670,543	(46,768)	\$ (2,059,309)	\$ 6,164	\$ (609,625)	\$ 30,330	\$ 1,761,321
Stock activity under stock plans	—	—	(25,320)	—	414	19,134	1,050	—	—	(5,136)
Stock-based compensation	—	—	29,479	—	—	—	—	—	—	29,479
Net earnings	—	—	—	125,949	—	—	—	—	10,233	136,182
Cash dividends declared (\$0.80 per share)	—	—	—	(105,469)	—	—	—	—	—	(105,469)
Repurchases of common shares	—	—	—	—	(440)	(17,531)	—	—	—	(17,531)
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	46,036	(1,302)	44,734
Other, net	—	—	—	—	—	—	—	—	(6,235)	(6,235)
<b>Balance — December 31, 2021</b>	176,793	\$ 220,991	\$ 506,386	\$ 3,691,023	(46,794)	\$ (2,057,706)	\$ 7,214	\$ (563,589)	\$ 33,026	\$ 1,837,345
Stock activity under stock plans	—	—	(24,432)	—	435	20,824	(235)	—	—	(3,843)
Stock-based compensation	—	—	25,530	—	—	—	—	—	—	25,530
Net earnings	—	—	—	188,689	—	—	—	—	9,326	198,015
Cash dividends declared (\$0.80 per share)	—	—	—	(105,503)	—	—	—	—	—	(105,503)
Repurchases of common shares	—	—	—	—	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	(84,199)	1,253	(82,946)
Other, net	—	—	—	—	—	—	—	—	(9,991)	(9,991)
<b>Balance — December 31, 2022</b>	176,793	\$ 220,991	\$ 507,484	\$ 3,774,209	(46,359)	\$ (2,036,882)	\$ 6,979	\$ (647,788)	\$ 33,614	\$ 1,858,607

See accompanying notes to consolidated financial statements.

**FLOWERVE CORPORAION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
<b>Cash flows — Operating activities:</b>			
Net earnings, including noncontrolling interests	\$ 198,015	\$ 136,182	\$ 140,875
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Depreciation	77,636	85,175	86,175
Amortization of intangible and other assets	13,317	14,647	14,578
Loss on extinguishment of debt	—	46,176	1,201
Stock-based compensation	25,530	29,478	27,252
Foreign currency, asset write downs and other non-cash adjustments	(27,758)	29,772	4,277
Change in assets and liabilities:			
Accounts receivable, net	(152,011)	(8,675)	45,648
Inventories, net	(147,492)	(32,124)	15,306
Contract assets, net	(41,768)	74,333	4,258
Prepaid expenses and other assets, net	17,461	1,302	34,262
Accounts payable	78,968	(19,505)	(22,571)
Contract liabilities	61,684	14,196	(34,066)
Accrued liabilities and income taxes payable	(5,226)	(13,948)	50,203
Retirement obligations and other	(1,430)	(15,690)	3,636
Net deferred taxes	(136,936)	(91,200)	(60,497)
Net cash flows provided (used) by operating activities	(40,010)	250,119	310,537
<b>Cash flows — Investing activities:</b>			
Capital expenditures	(76,287)	(54,936)	(57,405)
Proceeds from disposal of assets	4,422	2,663	15,705
Proceeds from termination of cross-currency swap	66,004	—	—
Affiliate investment activity	(225)	(7,204)	—
Net cash flows provided (used) by investing activities	(6,086)	(59,477)	(41,700)
<b>Cash flows — Financing activities:</b>			
Payments on senior notes	—	(1,243,548)	(191,258)
Proceeds from issuance of senior notes	—	498,280	498,280
Payments on long-term debt	(32,500)	(7,500)	—
Proceeds from issuance of long-term debt	—	300,000	—
Payments of deferred loan costs	—	(6,739)	(4,572)
Proceeds from short-term financing	45,000	—	—
Payments on short-term financing	(45,000)	—	—
Proceeds under other financing arrangements	1,733	1,408	2,285
Payments under other financing arrangements	(1,790)	(2,086)	(5,088)
Payments related to tax withholding for stock-based compensation	(4,683)	(5,984)	(4,607)
Repurchases of common shares	—	(17,531)	(32,112)
Payments of dividends	(104,549)	(104,604)	(104,159)
Other	(8,223)	(11,403)	(11,182)
Net cash flows provided (used) by financing activities	(150,012)	(599,707)	147,587
Effect of exchange rate changes on cash	(27,373)	(27,757)	7,870
Net change in cash and cash equivalents	(223,481)	(436,822)	424,294
Cash and cash equivalents at beginning of year	658,452	1,095,274	670,980
Cash and cash equivalents at end of year	\$ 434,971	\$ 658,452	\$ 1,095,274
Income taxes paid (net of refunds)	\$ 60,085	\$ 65,621	\$ 75,342
Interest paid	41,629	72,247	57,041
See accompanying notes to consolidated financial statements.			



**FLOWSERVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2022 AND 2021 AND FOR THE**  
**THREE YEARS ENDED DECEMBER 31, 2022**

**1. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING DEVELOPMENTS**

We are principally engaged in the worldwide design, manufacture, distribution and service of industrial flow management equipment. We provide long lead time, custom and other highly-engineered pumps; standardized, general-purpose pumps; mechanical seals; engineered and industrial valves; related automation products; and services and solutions primarily for oil and gas, chemical, power generation, water management and other general industries requiring flow management products and services. Equipment manufactured and serviced by us is predominantly used in industries that deal with difficult-to-handle and corrosive fluids, as well as environments with extreme temperatures, pressure, horsepower and speed. Our business is affected by economic conditions in the United States ("U.S.") and other countries where our products are sold and serviced, by the cyclical nature and competitive environment of our industries served, by the relationship of the U.S. dollar to other currencies and by the demand for and pricing of our customers' end products.

*Coronavirus Pandemic ("COVID-19")* — Over the past year, we continued to respond to the macroeconomics and global economic impacts caused by COVID-19. Many of our suppliers have experienced varying lengths of production and shipping delays related to the effects of COVID-19. These conditions have had an adverse impact on the speed at which we can manufacture and ship our products to customers, and have also led to an increase in logistics, transportation and freight costs. As a result of the macroeconomic impacts, we have also experienced labor constraints and inflationary pressures. The Company's condensed consolidated financial statements presented reflect management's estimates and assumptions regarding the effects of COVID-19 as of the date of the condensed consolidated financial statements.

*Russia and Ukraine Conflict* - In response to the ongoing military conflict in Ukraine, several countries, including the United States, have imposed economic sanctions and export controls on certain industry sectors and parties in Russia. As a result of this conflict, including the aforementioned sanctions and overall instability in the region, in February 2022 we stopped accepting new orders in Russia and temporarily suspended fulfillment of existing orders. In March 2022, we made the decision to permanently cease all Company operations in Russia. We have commenced the necessary actions to cease operations of our Russian subsidiary, including taking steps to cancel existing contracts with customers, terminate our approximately 50 Russia-based employees and terminate other related contractual commitments. As a result of the conflict and the resulting macroeconomic impacts we have also experienced supply shortages and inflationary pressures.

In 2021, our Russian subsidiary had approximately \$14 million of sales with an additional \$36 million of sales from certain of our other foreign subsidiaries into the Russian market. As of March 31, 2022, the net assets held on our Russian subsidiary's balance sheet were \$2.7 million, including \$7.1 million of cash, \$3.6 million of accounts receivables, a \$9.3 million net intercompany payable position and other immaterial amounts. In addition, certain of our other foreign subsidiaries had open contracts with Russian customers that were subsequently cancelled for which revenue had been previously recognized over time utilizing the percentage of completion ("POC") method. As a result of the above, in the first quarter of 2022 we recorded a \$20.2 million pre-tax charge (\$21.0 million after-tax) to reserve the asset positions of our Russian subsidiary (excluding cash) as of March 31, 2022, to record contra-revenue for previously recognized revenue and estimated cancellation fees on open contracts that were previously accounted for under POC and subsequently canceled, to establish a reserve for the estimated cost to exit the operations of our Russian subsidiary and to record a reserve for our estimated financial exposure on contracts that have or are anticipated to be cancelled.

We reevaluated our financial exposure as of December 31, 2022 and recorded an incremental \$13.6 million pre-tax charge (\$9.8 million after-tax) in the fourth quarter of 2022 for additional contract cancellation fees and to reserve our residual financial exposure due to increased Russia sanctions imposed during the latter part of 2022 and our decision to cancel backlog as a result of the additional sanctions.

The following table presents the above impacts of the Russia pre-tax charge:

	Year Ended December 31, 2022		
(Amounts in thousands)	Flowserve Pump Division	Flow Control Division	Consolidated Total
Sales	\$ (9,330)	\$ —	\$ (9,330)
Cost of sales ("COS")	7,442	1,418	8,860
Gross loss	(16,772)	(1,418)	(18,190)
Selling, general and administrative expense ("SG&A")	13,977	1,720	15,697
Operating loss	\$ (30,749)	\$ (3,138)	\$ (33,887)

We continue to monitor the situation involving Russia and Ukraine and its impact on the rest of our global business. This includes the macroeconomic impact, including with respect to global supply chain issues and inflationary pressures. To date, these impacts have not been material to our business and we do not currently expect that any incremental impact in future quarters, including any financial impacts caused by our cancellation of customer contracts and ceasing of operations in Russia, will be material to the Company.

**Acquisition** — On February 9, 2023 the Company entered into a definitive agreement under which it will acquire all of the outstanding equity of Velan Inc., a manufacturer of highly engineered industrial valves, in an all cash transaction valued at approximately \$245 million. The transaction is subject to customary closing conditions, including applicable regulatory approvals and target shareholder approval, and is expected to close by the end of the second quarter of 2023.

**Principles of Consolidation** — The consolidated financial statements include the accounts of our company and our wholly and majority-owned subsidiaries. In addition, we consolidate any variable interest entities for which we are deemed to be the primary beneficiary. Noncontrolling interests of non-affiliated parties have been recognized for all majority-owned consolidated subsidiaries. Intercompany profits/losses, transactions and balances among consolidated entities have been eliminated from our consolidated financial statements.

In the ordinary course of our operations worldwide, we have entered into joint ventures and interests (collectively referred to as “affiliates”) to provide greater flexibility in delivering our products and services, gain access to markets and geographical locations and reduce exposure and diversify risk. Investments in affiliate companies with a noncontrolling ownership interests between 20% and 50%, are unconsolidated and are accounted for using the equity method, which approximates our equity interest in their underlying equivalent net book value under accounting principles generally accepted in the U.S. (“U.S. GAAP”). All equity method investments are reviewed for impairment whenever events and conditions indicate that a decrease in the value of an investment has occurred that is other than temporary. If impaired, an impairment loss representing the difference between our carrying value and fair value is recorded and the investment is written down to a new carrying value. Investment in affiliate companies where we own less than 20% are accounted for by the cost method, whereby income is only recognized in the event of dividend receipt. Investments accounted for by the cost method are tested for impairment if an impairment indicator is present.

**Reclassifications** — Certain reclassifications have been made to prior year financial information to conform to the current year presentation.

**Use of Estimates** — The process of preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses. We believe our estimates and assumptions are reasonable; however, actual results may differ materially from such estimates. The most significant estimates and assumptions are used in determining:

- Timing and amount of revenue recognition;
- Deferred taxes, tax valuation allowances and tax reserves;
- Reserves for contingent loss;
- Pension and postretirement benefits; and
- Valuation of goodwill, indefinite-lived intangible assets and other long-lived assets.

**Revenue Recognition** — The majority of our revenues relate to customer orders that typically contain a single commitment of goods or services which have lead times under a year. Longer lead time, more complex contracts with our

customers typically have multiple commitments of goods and services, including any combination of designing, developing, manufacturing, modifying, installing and commissioning of flow management equipment and providing services and parts related to the performance of such products. We recognize revenue when (or as) we satisfy a performance obligation by transferring control to a customer. Transfer of control is evaluated based on the customer's ability to direct the use of and obtain substantially all of the benefits of a performance obligation. Revenue is recognized either over time or at a point in time, depending on the specific facts and circumstances for each contract, including the terms and conditions of the contract as agreed with the customer and the nature of the products or services to be provided. Service-related revenues do not typically represent a significant portion contracts with our customers and do not meet the thresholds requiring separate disclosure.

Our primary method for recognizing revenue over time is the percentage of completion ("POC") method, whereby progress towards completion is measured by applying an input measure based on costs incurred to date relative to total estimated costs at completion. If control of the products and/or services does not transfer over time, then control transfers at a point in time. We determine the point in time that control transfers to a customer based on the evaluation of specific indicators, such as title transfer, risk of loss transfer, customer acceptance and physical possession. For a detailed discussion related to revenue recognition refer to Note 2.

*Cash and Cash Equivalents* — We place temporary cash investments with financial institutions and, by policy, invest in those institutions and instruments that have minimal credit risk and market risk. These investments, with an original maturity of three months or less when purchased, are classified as cash equivalents. They are highly liquid and principal values are not subject to significant risk of change due to interest rate fluctuations.

*Accounts Receivable, Allowance for Expected Credit Losses and Credit Risk* — Trade accounts receivables are recorded at the invoiced amount and do not bear interest. We establish an allowance for expected credit losses on an aging schedule and according to historical losses as determined from our billings and collections history. Additionally, we consider factors that are specific to our customers' credit risk such as financial difficulties, liquidity issues, insolvency, and country and political risk. We also consider both the current and forecasted direction of macroeconomic conditions at the reporting date in estimating expected credit losses. Receivables are written off against the allowance in the period when the receivable is deemed to be uncollectible and further collection efforts have ceased. Subsequent recoveries of amounts previously written off are reflected as a reduction to credit impairment losses in the income statement.

Credit risks are mitigated by the diversity of our customer base across many different geographic regions and industries and by performing creditworthiness analyses on our customers. Additionally, we mitigate credit risk through letters of credit and advance payments received from our customers. We do not believe that we have any other significant concentrations of credit risk.

*Inventories and Related Reserves* — Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Reserves for excess and obsolete inventories are based upon our assessment of market conditions for our products determined by historical usage and estimated future demand. Due to the long life cycles of our products, we carry spare parts inventories that have historically low usage rates and provide reserves for such inventory based on demonstrated usage and aging criteria.

*Income Taxes, Deferred Taxes, Tax Valuation Allowances and Tax Reserves* — We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are calculated using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. We record valuation allowances to reduce the carrying value of deferred tax assets to amounts that we expect are more likely than not to be realized. We assess existing deferred tax assets, net operating losses and tax credits by jurisdiction and expectations of our ability to utilize these tax attributes through a review of past, current and estimated future taxable income and establishment of tax planning strategies.

We provide deferred taxes for the temporary differences associated with our investment in foreign subsidiaries that have a financial reporting basis that exceeds tax basis, unless we can assert permanent reinvestment in foreign jurisdictions. Financial reporting basis and tax basis differences in investments in foreign subsidiaries consist of both unremitted earnings and losses, as well as foreign currency translation adjustments.

The amount of income taxes we pay is subject to ongoing audits by federal, state, and foreign tax authorities, which often result in proposed assessments. We establish reserves for open tax years for uncertain tax positions that may be subject to challenge by various tax authorities. The consolidated tax provision and related accruals include the impact of such reasonably estimable losses and related interest and penalties as deemed appropriate.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

*Legal and Environmental Contingencies* — Legal and environmental reserves are recorded based upon a case-by-case analysis of the relevant facts and circumstances and an assessment of potential legal obligations and costs. Amounts relating to legal and environmental liabilities are recorded when it is probable that a loss has been incurred and such loss is reasonably estimable. Assessments of legal and environmental costs are based on information obtained from our independent and in-house experts and our loss experience in similar situations. Estimates are updated as applicable when new information regarding the facts and circumstances of each matter becomes available. Legal fees associated with legal and environmental liabilities are expensed as incurred.

We are a defendant in a number of lawsuits that seek to recover damages for personal injury allegedly resulting from exposure to asbestos-containing products formerly manufactured and/or distributed by heritage companies of the Company. We have estimated that the liability for pending and future claims not yet asserted, and which are probable and estimable, could be experienced through 2052, which represents the expected end of our asbestos liability exposure with no further ongoing claims expected beyond that date. This estimate is based on the Company's historical claim experience and estimates of the number and resolution cost of potential future claims that may be filed based on anticipated levels of unique plaintiff asbestos-related claims in the U.S. tort system against all defendants, the diminished volatility and consistency of observable claims data, the period of time that has elapsed since we stopped manufacturing products that contained encapsulated asbestos and an expected downward trend in claims due to the average age of our claimants. This estimate is not discounted to present value. In light of the uncertainties and variables inherent in the long-term projection of the total asbestos liability, as part of our ongoing review of asbestos claims, each year we will reassess the projected liability of unasserted asbestos claims to be filed through 2052, and we will continually reassess the time horizon over which a reasonable estimate of unasserted claims can be projected.

We assess the sufficiency of the estimated liability for pending and future claims on an ongoing basis by evaluating actual experience regarding claims filed, settled and dismissed, and amounts paid in settlements. In addition to claims and settlement experience, we consider additional quantitative and qualitative factors such as changes in legislation, the legal environment and the Company's defense strategy. In connection with our ongoing review of asbestos-related claims, we have also reviewed the amount of potential insurance coverage for such claims, taking into account the remaining limits of such coverage, the number and amount of claims on our insurance from co-insured parties, ongoing litigation against the Company's insurers, potential remaining recoveries from insolvent insurers, the impact of previous insurance settlements and coverage available from solvent insurers not party to the coverage litigation. Continuously, we review ongoing insurance coverage available for a significant amount of the potential future asbestos-related claims and in the future could secure additional insurance coverage as deemed necessary.

The study from the Company's actuary, based on data as of August 31, 2022, provided for a range of possible future liability from approximately \$81.8 million to \$127.3 million. The Company does not believe any amount within the range of potential outcomes represents a better estimate than another given the many factors and assumptions inherent in the projections and therefore the Company has recorded the liability at the actuarial central estimate of approximately \$98.7 million as of December 31, 2022. In addition, the Company has recorded estimated insurance receivables of approximately \$42.5 million as of December 31, 2022. The amounts recorded for the asbestos-related liability and the related insurance receivables are based on facts known at the time and a number of assumptions. However, projecting future events, such as the number of new claims to be filed each year, the length of time it takes to defend, resolve, or otherwise dispose of such claims, coverage issues among insurers and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual liability and insurance recoveries for us to be higher or lower than those projected or recorded. Additionally, we have claims pending against certain insurers that, if resolved more favorably than reflected in the recorded receivables, would result in discrete gains in the applicable year. Changes recorded in the estimated liability and estimated insurance

recovery based on projections of asbestos litigation and corresponding insurance coverage, result in the recognition of additional expense or income. For a discussion pertaining to the activity related to asbestos claims refer to Note 15.

*Warranty Accruals* — Warranty obligations are based upon product failure rates, materials usage, service delivery costs, an analysis of all identified or expected claims and an estimate of the cost to resolve such claims. The estimates of expected claims are generally a factor of historical claims and known product issues. Warranty obligations based on these factors are adjusted based on historical sales trends for the preceding 24 months.

*Insurance Accruals* — Insurance accruals are recorded for wholly or partially self-insured risks such as medical benefits and workers' compensation and are based upon an analysis of our claim loss history, insurance deductibles, policy limits and other relevant factors that are updated annually and are included in accrued liabilities in our consolidated balance sheets. The estimates are based upon information received from actuaries, insurance company adjusters, independent claims administrators or other independent sources. Receivables from insurance carriers are estimated using our historical experience with insurance recovery rates and estimates of future recoveries, which include estimates of coverage and financial viability of our insurance carriers. Estimated receivables are included in accounts receivable, net and other assets, net, as applicable, in our consolidated balance sheets.

*Pension and Postretirement Obligations* — Determination of pension and postretirement benefits obligations is based on estimates made by management in consultation with independent actuaries and investment advisors. Inherent in these valuations are assumptions including discount rates, expected rates of return on plan assets, retirement rates, mortality rates and rates of compensation increase and other factors all of which are reviewed annually and updated if necessary. Current market conditions, including changes in rates of return, interest rates and medical inflation rates, are considered in selecting these assumptions.

Actuarial gains and losses and prior service costs are recognized in accumulated other comprehensive loss as they arise and we amortize these costs into net pension expense over the remaining expected service period.

*Property, Plant and Equipment and Depreciation* — Property, plant and equipment are stated at historical cost, less accumulated depreciation. If asset retirement obligations exist, they are capitalized as part of the carrying amount of the asset and depreciated over the remaining useful life of the asset. The useful lives of leasehold improvements are the lesser of the remaining lease term or the useful life of the improvement. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income from operations for the period. Depreciation is computed by the straight-line method based on the estimated useful lives of the depreciable assets, or in the case of assets under finance leases, over the related lease term. Generally, the estimated useful lives of the assets are:

Buildings and improvements	10 to 40 years
Machinery, equipment and tooling	3 to 14 years
Software, furniture and fixtures and other	3 to 7 years

Costs related to routine repairs and maintenance are expensed as incurred.

*Leases* — We have operating and finance leases for certain manufacturing facilities, offices, service and quick response centers, machinery, equipment and automobiles. Our leases have remaining lease terms of up to 30 years. The terms and conditions of our leases may include options to extend or terminate the lease which are considered and included in the lease term when these options are reasonably certain of exercise.

We determine if a contract is (or contains) a lease at inception by evaluating whether the contract conveys the right to control the use of an identified asset. For all classes of leased assets, we account for any non-lease components in the contract together with the related lease component in the same unit of account. For lease contracts containing more than one lease component, we allocate the contract consideration to each of the lease components on the basis of relative standalone prices in order to identify the lease payments for each lease component.

Right-of-use ("ROU") assets and lease liabilities are recognized in our consolidated balance sheets at the commencement date based on the present value of remaining lease payments over the lease term. Additionally, ROU assets include any lease payments made at or before the commencement date, as well as any initial direct costs incurred,

and are reduced by any lease incentives received. In determining the discount rate used to measure the right-of-use asset and lease liability, we utilize the Company's incremental borrowing rate and consider the term of the lease, as well as the geographic location of the leased asset. Our incremental borrowing country-specific rate is determined based on information available at the commencement date of the lease.

Operating leases are included in operating lease right-of-use assets, net and operating lease liabilities in our consolidated balance sheets. Finance leases are included in property, plant and equipment, debt due within one year and long-term debt due after one year in our consolidated balance sheets.

For all classes of leased assets, we have applied an accounting policy election to exclude short-term leases from recognition in our consolidated balance sheets. A short-term lease has a lease term of 12 months or less at the commencement date and does not include a purchase option that is reasonably certain of exercise. We recognize short-term lease expense in our consolidated income statements on a straight-line basis over the lease term. Our short-term lease expense and short-term lease commitments as of December 31, 2022 are immaterial.

We have certain lease contracts with terms and conditions that provide for variability in the payment amount based on changes in facts or circumstances occurring after the commencement date. These variable lease payments are recognized in our consolidated income statements as the obligation is incurred.

We have certain lease contracts where we provide a guarantee to the lessor that the value of an underlying asset will be at least a specified amount at the end of the lease. Estimated amounts expected to be paid for residual value guarantees are included in lease liabilities and ROU assets.

*Internally Developed Software* — We capitalize certain costs associated with the development of internal-use software. Generally, these costs are related to significant software development projects and are amortized over their estimated useful life, typically three to seven years, upon implementation of the software. We also capitalize certain costs incurred during the application development stage of implementation of cloud computing arrangements. Amounts capitalized for cloud arrangements are amortized on a straight-line basis over a period of three to seven years and are reported as a component of other long-term assets.

*Intangible Assets* — Intangible assets, excluding trademarks (which are considered to have an indefinite life), consist primarily of engineering drawings, patents, existing customer relationships, software, distribution networks and other items that are being amortized over their estimated useful lives generally ranging from four to 40 years. These assets are reviewed for impairment whenever events and circumstances indicate impairment may have occurred.

*Valuation of Goodwill, Indefinite-Lived Intangible Assets and Other Long-Lived Assets* — The value of goodwill and indefinite-lived intangible assets is tested for impairment as of December 31 each year or whenever events or circumstances indicate such assets may be impaired. The identification of our reporting units begins at the operating segment level and considered whether components one level below the operating segment levels should be identified as reporting units for purpose of testing goodwill for impairment based on certain conditions. These conditions included, among other factors, (i) the extent to which a component represents a business and (ii) the aggregation of economically similar components within the operating segments and resulted in three reporting units. Other factors that were considered in determining whether the aggregation of components was appropriate included the similarity of the nature of the products and services, the nature of the production processes, the methods of distribution and the types of industries served.

Accounting Standards Codification ("ASC") 350 allows an optional qualitative assessment, prior to a quantitative assessment test, to determine whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount. We generally do not attempt a qualitative assessment and proceed directly to the quantitative test. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is impaired and an impairment loss is recorded equal to the excess of the carrying value over its fair value. We estimate the fair value of our reporting units based on an income approach, whereby we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. A discounted cash flow analysis requires us to make various judgmental assumptions about future sales, operating margins, growth rates and discount rates, which are based on our budgets, business plans, economic projections, anticipated future cash flows and market participants.

We did not record an impairment of goodwill in 2022, 2021 or 2020. The pump reporting unit is a component of FPD reporting segment and is primarily focused on highly engineered custom and pre-configured pump products and systems. As of December 31, 2022 our pump reporting unit had approximately \$277 million of goodwill and an estimated

fair value that exceeded its carrying value by approximately 65% as compared to estimated fair value that exceeded its carrying value by approximately 82% and 46% as of December 31, 2021 and 2020, respectively. The key factors considered in determining the estimated fair value of our reporting units included the annual operating plan and forecasted operating results, successful execution of our current continuous improvement and identified strategic initiatives, a constant cost of capital, continued stabilization and mid to long-term improvement of the macro-economic conditions of the oil and gas market, and a relatively stable global gross domestic product. Although we have concluded that there is no impairment on the goodwill associated with our pump reporting unit as of December 31, 2022, we will continue to closely monitor its performance and related market conditions for future indicators of potential impairment and reassess accordingly.

We also considered our market capitalization in our evaluation of the fair value of our goodwill. Our market capitalization as of December 31, 2022 was comparable with 2021 and did not indicate a potential impairment of our goodwill as of December 31, 2022.

Impairment losses for indefinite-lived intangible assets are recognized whenever the estimated fair value is less than the carrying value. Fair values are calculated for trademarks using a "relief from royalty" method, which estimates the fair value of a trademark by determining the present value of estimated royalty payments that are avoided as a result of owning the trademark. This method includes judgmental assumptions about sales growth and discount rates that have a significant impact on the fair value and are substantially consistent with the assumptions used to determine the fair value of our reporting unit discussed above. We did not record a material impairment of our trademarks in 2022, 2021 or 2020.

The recoverable value of other long-lived assets, including property, plant and equipment and finite-lived intangible assets, is reviewed when indicators of potential impairments are present. The recoverable value is based upon an assessment of the estimated future cash flows related to those assets, utilizing assumptions similar to those for goodwill. Additional considerations related to our long-lived assets include expected maintenance and improvements, changes in expected uses and ongoing operating performance and utilization.

*Deferred Loan Costs* — Deferred loan costs, consisting of fees and other expenses associated with debt financing, are amortized over the term of the associated debt using the effective interest method. Additional amortization is recorded in periods where optional prepayments on debt are made.

*Fair Values of Financial Instruments* — Our financial instruments are presented at fair value in our consolidated balance sheets, with the exception of our long-term debt. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in our consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels, as defined by ASC 820, "Fair Value Measurements and Disclosures," are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities. An asset or a liability's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. Hierarchical levels are as follows:

Level I — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II — Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Recurring fair value measurements are limited to investments in derivative instruments. The fair value measurements of our derivative instruments are determined using models that maximize the use of the observable market inputs including interest rate curves and both forward and spot prices for currencies, and are classified as Level II under the fair value hierarchy. The fair values of our derivative instruments are included in Note 8.

*Derivatives and Hedging Activities* — We have a foreign currency derivatives and hedging policy outlining the conditions under which we can enter into financial derivative transactions. We do not use derivative instruments for trading or speculative purposes. All derivative instruments are recognized on the balance sheet at their fair values.

We employ a foreign currency economic hedging strategy to mitigate certain financial risks resulting from foreign currency exchange rate movements that impact foreign currency denominated receivables and payables, firm committed transactions and forecasted sales and purchases. The changes in the fair values are recognized immediately in other income (expense), net in the consolidated statements of income. See Note 8 for further discussion of forward exchange contracts.

We are exposed to risk from credit-related losses resulting from nonperformance by counterparties to our financial instruments. We perform credit evaluations of our counterparties under forward exchange contracts and expect all counterparties to meet their obligations. If necessary, we would adjust the values of our derivative contracts for our or our counterparties' credit risks.

*Foreign Currency Translation* — Assets and liabilities of our foreign subsidiaries are translated to U.S. dollars at exchange rates prevailing at the balance sheet date, while income and expenses are translated at average rates for each month. Translation gains and losses are reported as a component of accumulated other comprehensive loss. Transactional currency gains and losses arising from transactions in currencies other than our sites' functional currencies are included in our consolidated results of operations.

Transaction and translation gains and losses arising from intercompany balances are reported as a component of accumulated other comprehensive loss when the underlying transaction stems from a long-term equity investment or from debt designated as not due in the foreseeable future. Otherwise, we recognize transaction gains and losses arising from intercompany transactions as a component of income. Where intercompany balances are not long-term investment related or not designated as due beyond the foreseeable future, we may mitigate risk associated with foreign currency fluctuations by entering into forward exchange contracts.

*Stock-Based Compensation* — Stock-based compensation is measured at the grant-date fair value. The exercise price of stock option awards and the value of restricted shares, restricted share units and performance-based unit awards (collectively referred to as "Restricted Shares") are set at the closing price of our common stock on the New York Stock Exchange on the date of grant, which is the date such grants are authorized by our Board of Directors. Restricted share units and performance-based units refer to restricted awards that do not have voting rights and accrue dividends, and are forfeited if vesting does not occur.

The intrinsic value of Restricted Shares, which is typically the product of share price at the date of grant and the number of Restricted Shares granted, is amortized on a straight-line basis to compensation expense over the periods in which the restrictions lapse based on the expected number of shares that will vest. We account for forfeitures as they occur resulting in the reversal of cumulative expense previously recognized.

*Earnings Per Share* — We use the two-class method of calculating Earnings Per Share ("EPS"), which determines earnings per share for each class of common stock and participating security as if all earnings for the period had been distributed. Unvested restricted share awards that earn non-forfeitable dividend rights qualify as participating securities and, accordingly, are included in the basic computation as such. Our unvested Restricted Shares participate on an equal basis with common shares; therefore, there is no difference in undistributed earnings allocated to each participating security.

*Research and Development Expense* — Research and development costs are charged to expense when incurred. Aggregate research and development costs included in SG&A were \$39.9 million, \$34.2 million and \$36.1 million in 2022, 2021 and 2020, respectively. Costs incurred for research and development primarily include salaries and benefits and consumable supplies, as well as rent, professional fees, utilities and the depreciation of property and equipment used in research and development activities.

*Shipping and Handling Costs* — Amounts billed to customers for reimbursement of shipping and handling costs are recorded as revenue when the related revenue is recognized and shipping and handling costs are recognized in Cost of sales. All other shipping and handling costs are recognized in Cost of sales in the period in which they are incurred.



## **Accounting Developments**

### ***Pronouncements Implemented***

In November 2021, the FASB issued ASU No. 2021-10, "Government Assistance (Topic 832)." The amendments in this ASU do not change GAAP and, therefore, are not expected to result in a significant change in practice. Rather, the amendments aim to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the financial statements. The amendments are effective for annual periods beginning after December 15, 2021 and can be applied either prospectively or retrospectively. The adoption of this ASU did not have a material impact on our consolidated balance sheets, consolidated statements of income or consolidated statements of cash flows.

### ***Pronouncements Not Yet Implemented***

In October 2021, the FASB issued ASU No. 2021-08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." The amendments in this Update improve comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. We do not expect the impact of this ASU to be material.

In September 2022, the FASB issued ASU No. 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." The amendments require a buyer that uses supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period, and associated roll-forward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The amendments are effective for all entities for fiscal years beginning after December 15, 2022 on a retrospective basis, including interim periods within those fiscal years, except for the requirement to disclose roll-forward information, which is effective prospectively for fiscal years beginning after December 15, 2023. We are evaluating the impact of this ASU on our disclosures.

## **2. REVENUE RECOGNITION**

The majority of our revenues relate to customer orders that typically contain a single commitment of goods or services which have lead times under a year. Longer lead time, more complex contracts with our customers typically have multiple commitments of goods and services, including any combination of designing, developing, manufacturing, modifying, installing and commissioning of flow management equipment and providing services and parts related to the performance of such products. Control transfers over time when the customer is able to direct the use of and obtain substantially all of the benefits of our work as we perform. Service-related revenues do not typically represent a significant portion contracts with our customers and do not meet the thresholds requiring separate disclosure.

Our primary method for recognizing revenue over time is the percentage of completion ("POC") method. Revenue from products and services transferred to customers over time accounted for approximately 13%, 15% and 22% of total revenue for the years ended December 31, 2022, 2021 and 2020, respectively. If control does not transfer over time, then control transfers at a point in time. We recognize revenue at a point in time at the level of each performance obligation based on the evaluation of certain indicators of control transfer, such as title transfer, risk of loss transfer, customer acceptance and physical possession. Revenue from products and services transferred to customers at a point in time accounted for approximately 87%, 85% and 78% of total revenue for the years ended December 31, 2022, 2021 and 2020, respectively.

### Disaggregated Revenue

We conduct our operations through two business segments based on the type of product and how we manage the business:

- FPD designs and manufactures custom, highly-engineered pumps, pre-configured industrial pumps, pump systems, mechanical seals, auxiliary systems and replacement parts and related services; and
- FCD designs, manufactures and distributes a broad portfolio of engineered-to-order and configured-to-order isolation valves, control valves, valve automation products and related equipment.

Our revenue sources are derived from our original equipment manufacturing and our aftermarket sales and services. Our original equipment revenues are generally related to originally designed, manufactured, distributed and installed equipment that can range from pre-configured, short-cycle products to more customized, highly-engineered equipment ("Original Equipment"). Our aftermarket sales and services are derived from sales of replacement equipment, as well as maintenance, advanced diagnostic, repair and retrofitting services ("Aftermarket"). Each of our two business segments generate Original Equipment and Aftermarket revenues.

The following table presents our customer revenues disaggregated by revenue source:

		December 31, 2022		
		FPD	FCD	Total
(Amounts in thousands)				
Original Equipment	\$	881,061	\$ 825,508	\$ 1,706,569
Aftermarket		1,636,939	271,612	1,908,551
	\$	2,518,000	\$ 1,097,120	\$ 3,615,120
		December 31, 2021		
		FPD	FCD	Total
(Amounts in thousands)				
Original Equipment	\$	899,519	\$ 804,744	\$ 1,704,263
Aftermarket		1,568,579	268,218	1,836,797
	\$	2,468,098	\$ 1,072,962	\$ 3,541,060
		December 31, 2020		
		FPD	FCD	Total
(Amounts in thousands)				
Original Equipment	\$	1,091,906	\$ 808,585	\$ 1,900,491
Aftermarket		1,581,799	245,844	1,827,643
	\$	2,673,705	\$ 1,054,429	\$ 3,728,134

Our customer sales are diversified geographically. The following table presents our revenues disaggregated by geography, based on the shipping addresses of our customers:

December 31, 2022			
(Amounts in thousands)	FPD	FCD	Total
North America(1)	\$ 1,060,393	\$ 472,467	\$ 1,532,860
Latin America(1)	222,878	23,575	246,453
Middle East and Africa	372,148	101,017	473,165
Asia Pacific	389,366	305,193	694,559
Europe	473,215	194,868	668,083
	<u>\$ 2,518,000</u>	<u>\$ 1,097,120</u>	<u>\$ 3,615,120</u>

December 31, 2021			
(Amounts in thousands)	FPD	FCD	Total
North America(1)	\$ 955,283	\$ 389,766	\$ 1,345,049
Latin America(1)	211,150	30,554	241,704
Middle East and Africa	311,161	107,533	418,694
Asia Pacific	482,596	333,513	816,109
Europe	507,908	211,596	719,504
	<u>\$ 2,468,098</u>	<u>\$ 1,072,962</u>	<u>\$ 3,541,060</u>

December 31, 2020			
(Amounts in thousands)	FPD	FCD	Total
North America(1)	\$ 1,039,285	\$ 429,572	\$ 1,468,857
Latin America(1)	191,517	26,393	217,910
Middle East and Africa	359,403	110,539	469,942
Asia Pacific	537,792	270,238	808,030
Europe	545,708	217,687	763,395
	<u>\$ 2,673,705</u>	<u>\$ 1,054,429</u>	<u>\$ 3,728,134</u>

(1) North America represents United States and Canada; Latin America includes Mexico.

On December 31, 2022, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations related to contracts having an original expected duration in excess of one year was approximately \$652 million. We estimate recognition of approximately \$451 million of this amount as revenue in 2023 and an additional \$201 million in 2024 and thereafter.

#### Contract Balances

We receive payment from customers based on a contractual billing schedule and specific performance requirements as established in our contracts. We record billings as accounts receivable when an unconditional right to consideration exists. A contract asset represents revenue recognized in advance of our right to bill the customer under the terms of a contract. A contract liability represents our contractual billings in advance of revenue recognized for a contract.

The following table presents opening and closing balances of contract assets and contract liabilities, current and long-term, for the years ended December 31, 2022 and 2021:

(Amounts in thousands)	Contract Assets, net (Current)	Long-term Contract Assets, net(1)	Contract Liabilities (Current)	Long-term Contract Liabilities(2)
<b>Balance — January 1, 2021</b>	\$ 277,734	\$ 1,139	\$ 194,227	\$ 822
Revenue recognized that was included in contract liabilities at the beginning of the period	—	—	(153,221)	—
Increase due to revenue recognized in the period in excess of billings	784,934	—	—	—
Increase due to billings arising during the period in excess of revenue recognized	—	—	165,990	—
Amounts transferred from contract assets to receivables	(848,031)	(2,329)	—	—
Currency effects and other, net	(19,039)	1,616	(4,031)	(358)
<b>Balance — December 31, 2021</b>	<b>\$ 195,598</b>	<b>\$ 426</b>	<b>\$ 202,965</b>	<b>\$ 464</b>
Revenue recognized that was included in contract liabilities at the beginning of the period	—	—	(143,736)	—
Increase due to revenue recognized in the period in excess of billings	660,039	—	—	—
Increase due to billings arising during the period in excess of revenue recognized	—	—	203,711	—
Amounts transferred from contract assets to receivables	(603,422)	(1,338)	—	—
Currency effects and other, net	(18,758)	1,209	(5,977)	595
<b>Balance — December 31, 2022</b>	<b>\$ 233,457</b>	<b>\$ 297</b>	<b>\$ 256,963</b>	<b>\$ 1,059</b>

(1) Included in other assets, net.

(2) Included in retirement obligations and other liabilities.

### 3. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The allowance for credit losses is an estimate of the credit losses expected over the life of our financial assets and instruments. We assess and measure expected credit losses on a collective basis when similar risk characteristics exist, including market, geography, credit risk and remaining duration. Financial assets and instruments that do not share risk characteristics are evaluated on an individual basis. Our estimate of the allowance balance is assessed and quantified using internal and external valuation information relating to past events, current conditions and reasonable and supportable forecasts over the contractual terms of an asset.

Our primary exposure to expected credit losses is through our accounts receivable and contract assets. For these financial assets, we record an allowance for expected credit losses that, when deducted from the gross asset balance, presents the net amount expected to be collected. Primarily, our experience of historical credit losses provides the basis for our estimation of the allowance. We estimate the allowance based on an aging schedule and according to historical losses as determined from our history of billings and collections. Additionally, we adjust the allowance for factors that are specific to our customers' credit risk such as financial difficulties, liquidity issues, insolvency, and country and geopolitical risks. We also consider both the current and forecasted macroeconomic conditions as of the reporting date. As identified and needed, we adjust the allowance and recognize adjustments in the income statement each period. Accounts receivable are written off against the allowance in the period when the receivable is deemed to be uncollectible and further collection efforts have ceased. Subsequent recoveries of previously written off amounts are reflected as a reduction to credit impairment losses in the consolidated statements of income.

Contract assets represent a conditional right to consideration for satisfied performance obligations that become a receivable when the conditions are satisfied. Generally, contract assets are recorded when contractual billing schedules differ from revenue recognition based on timing and are managed through the revenue recognition process. Based on our historical credit loss experience, the current expected credit loss for contract assets is estimated to be approximately 1% of the asset balance.

The following table presents the changes in the allowance for expected credit losses for our accounts receivable and short-term contract assets as of December 31, 2022, 2021 and 2020:

(Amounts in thousands)	Accounts receivable	Short-term contract assets
<b>Beginning balance, January 1, 2022</b>	\$ 74,336	\$ 2,393
Charges to cost and expenses, net of recoveries	12,530	2,785
Write-offs	(3,188)	—
Currency effects and other, net	(616)	641
<b>Ending balance, December 31, 2022</b>	<u>\$ 83,062</u>	<u>\$ 5,819</u>
<b>Beginning balance, January 1, 2021</b>	\$ 75,176	\$ 3,205
Charges to cost and expenses, net of recoveries	3,934	—
Write-offs	(2,015)	—
Currency effects and other, net	(2,759)	(812)
<b>Ending balance, December 31, 2021</b>	<u>\$ 74,336</u>	<u>\$ 2,393</u>
<b>Beginning balance, January 1, 2020</b>	\$ 53,412	\$ 206
Adoption of ASU 2016-13	6,970	2,779
Charges to cost and expenses, net of recoveries	9,326	—
Currency effects and other, net	5,468	220
<b>Ending balance, December 31, 2020</b>	<u>\$ 75,176</u>	<u>\$ 3,205</u>

Our allowance on long-term receivables, included in other assets, net, represent receivables with collection periods longer than 12 months and the balance primarily consists of reserved receivables associated with the national oil company in Venezuela. The following table presents the changes in the allowance for long-term receivables as of December 31, 2022, 2020 and 2020:

(Amounts in thousands)	2022	2021	2020
<b>Beginning balance, January 1,</b>	\$ 67,696	\$ 67,842	\$ 68,555
Adoption of ASU 2016-13	—	—	(679)
Currency effects and other, net	(1,319)	(146)	(34)
<b>Ending balance, December 31,</b>	<u>\$ 66,377</u>	<u>\$ 67,696</u>	<u>\$ 67,842</u>

We also have exposure to credit losses from off-balance sheet exposures, such as financial guarantees and standby letters of credit, where we believe the risk of loss is immaterial to our financial statements as of December 31, 2022.

#### 4. LEASES

We had \$2.0 million and \$15.8 million of legally binding minimum lease payments for operating leases signed but not yet commenced as of December 31, 2022 and 2021. We did not have material subleases, leases that imposed significant restrictions or covenants, material related party leases or sale-leaseback arrangements.

In conjunction with our close process for the third quarter of 2022, the Company identified an accounting error related to certain operating real estate leases that have escalating rent payments which were not correctly recorded on a straight-line basis in the amount of \$6.4 million. Approximately \$5.8 million of the error impacted the Company's consolidated statements of income prior to adoption of ASU No. 2016-02, Leases (Topic 842) in 2019 and the remaining immaterial amount impacted each period subsequent to adoption. To correct the cumulative impact of the error the Company recorded an adjustment of \$6.4 million of incremental operating lease expense in the third quarter of 2022 (\$5.5 million classified as SG&A and \$0.9 million classified as COS), with the offsetting adjustment to reduce operating lease right-of-use assets, net on our condensed consolidated balance sheet for the period ended September 30, 2022. There was no impact to our statements of cash flows as a result of the correction of the error.

Other information related to our leases is as follows:

	December 31,	
	2022	2021
	(Amounts in thousands)	
<b>Finance Leases:</b>		
ROU assets recorded under finance leases	\$ 33,427	\$ 28,416
Accumulated depreciation associated with finance leases	(15,851)	(12,227)
Total finance leases ROU assets, net(1)	\$ 17,576	\$ 16,189
Total finance leases liabilities(2)	\$ 17,939	\$ 16,477

The costs components of operating and finance leases are as follows:

	December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Operating Lease Costs:			
Fixed lease expense(3)	\$ 59,782	\$ 57,482	\$ 57,050
Variable lease expense(3)	7,412	9,331	7,299
Total operating lease expense	\$ 67,194	\$ 66,813	\$ 64,349
Finance Lease Costs:			
Depreciation of finance lease ROU assets(3)	\$ 5,984	\$ 5,374	\$ 5,392
Interest on lease liabilities(4)	604	617	646
Total finance lease expense	\$ 6,588	\$ 5,991	\$ 6,038

(1) Included in property, plant and equipment, net

(2) Included in debt due within one year and long-term debt due after one year, accordingly

(3) Included in cost of sales and selling, general and administrative expense, accordingly

(4) Included in interest expense

Supplemental cash flows information related to our leases is as follows:

(Amounts in thousands, except lease term and discount rate)	December 31,		
	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases(1)	\$ 57,712	\$ 61,240	\$ 66,478
Financing cash flows from finance leases(2)	6,039	5,285	4,704
ROU assets obtained in exchange for lease obligations:			
Operating leases	\$ 26,581	\$ 35,542	\$ 62,425
Finance leases	7,906	4,177	13,124
Weighted average remaining lease term (in years)			
Operating leases	8 years	8 years	9 years
Finance leases	6 years	6 years	7 years
Weighted average discount rate (percent)			
Operating leases	4.0 %	3.9 %	4.2 %
Finance leases	3.9 %	3.4 %	3.5 %

(1) Included in our consolidated statement of cash flows, operating activities, prepaid expenses and other assets, net and retirement obligations and other

(2) Included in our consolidated statement of cash flows, financing activities, payments under other financing arrangements

Future undiscounted lease payments under operating and finance leases as of December 31, 2022, were as follows:

Year ending December 31,	Operating Leases	Finance Leases
	(Amounts in thousands)	
2023	38,724	5,767
2024	33,466	4,288
2025	26,466	3,092
2026	21,565	1,549
2027	18,895	694
Thereafter	81,007	4,955
Total future minimum lease payments	\$ 220,123	\$ 20,345
Less: Imputed interest	(32,399)	(2,406)
Total	\$ 187,724	\$ 17,939
Other current liabilities	\$ 32,528	\$ —
Operating lease liabilities	155,196	—
Debt due within one year	—	5,545
Long-term debt due after one year	—	12,394
Total	\$ 187,724	\$ 17,939

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended December 31, 2022 and 2021 are as follows:

	FPD	FCD	Total
	(Amounts in thousands)		
<b>Balance as of December 31, 2020</b>	\$ 805,055	\$ 419,831	\$ 1,224,886
Currency translation and other	(17,842)	(10,565)	(28,407)
<b>Balance as of December 31, 2021</b>	\$ 787,213	\$ 409,266	\$ 1,196,479
Currency translation and other	(14,940)	(13,415)	(28,355)
<b>Balance as of December 31, 2022</b>	<u>\$ 772,273</u>	<u>\$ 395,851</u>	<u>\$ 1,168,124</u>

The following table provides information about our intangible assets for the years ended December 31, 2022 and 2021:

		December 31, 2022		December 31, 2021	
	Useful Life (Years)	Ending Gross Amount	Accumulated Amortization	Ending Gross Amount	Accumulated Amortization
(Amounts in thousands, except years)					
Finite-lived intangible assets:					
Engineering drawings(1)	10-22	\$ 88,830	\$ (88,256)	\$ 89,699	\$ (86,275)
Existing customer relationships(2)	5-10	79,472	(70,015)	82,420	(67,279)
Patents	9-16	25,639	(25,639)	26,339	(26,339)
Other	4-40	92,798	(49,481)	93,849	(46,436)
		<u>\$ 286,739</u>	<u>\$ (233,391)</u>	<u>\$ 292,307</u>	<u>\$ (226,329)</u>
Indefinite-lived intangible assets(3)		<u>\$ 82,640</u>	<u>\$ (1,485)</u>	<u>\$ 88,069</u>	<u>\$ (1,585)</u>

(1) Engineering drawings represent the estimated fair value associated with specific acquired product and component schematics.

(2) Existing customer relationships acquired prior to 2011 had a useful life of five years.

(3) Accumulated amortization for indefinite-lived intangible assets relates to amounts recorded prior to the implementation date of guidance issued in ASC 350.

The following schedule outlines actual amortization expense recognized during 2022 and an estimate of future amortization based upon the finite-lived intangible assets owned at December 31, 2022:

	Amortization Expense
	(Amounts in thousands)
Actual for year ended December 31, 2022	\$ 11,436
Estimated for year ended December 31, 2023	9,715
Estimated for year ended December 31, 2024	5,616
Estimated for year ended December 31, 2025	2,174
Estimated for year ended December 31, 2026	2,038
Estimated for year ended December 31, 2027	2,038
Thereafter	31,767

Amortization expense for finite-lived intangible assets was \$13.4 million in 2021 and \$13.6 million in 2020.



## 6. INVENTORIES

Inventories, net consisted of the following:

	December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Raw materials	\$ 360,039	\$ 318,348	321,600
Work in process	295,678	242,143	210,174
Finished goods	245,494	213,096	221,532
Less: Excess and obsolete reserve	(98,013)	(95,300)	(86,078)
Inventories, net	\$ 803,198	\$ 678,287	\$ 667,228

During 2022, 2021 and 2020, we recognized expenses of \$15.4 million, \$15.6 million and \$14.9 million, respectively, for excess and obsolete inventory. These expenses are included in COS in our consolidated statements of income.

## 7. STOCK-BASED COMPENSATION PLANS

Effective January 1, 2020, our shareholders approved the Flowserve Corporation 2020 Long-Term Incentive Plan ("2020 Plan"). The 2020 Plan replaces and supersedes the Flowserve Corporation Equity and Incentive Compensation Plan ("2010 Plan") in its entirety. The 2020 Plan authorizes the issuance of 12,500,000 shares of our common stock in the form of restricted shares, restricted share units and performance-based units (collectively referred to as "Restricted Shares"), incentive stock options, non-statutory stock options, stock appreciation rights and bonus stock, in addition to any shares available for issuance or subject to forfeiture under the expired 2010 Plan. Of the shares of common stock authorized under the 2020 Plan and remaining shares under the 2010 Plan, 9,756,068 were available for issuance as of December 31, 2022. Restricted Shares primarily vest over a three year period. Restricted Shares granted to employees who retire and have achieved at least 55 years of age and 10 years of service continue to vest over the original vesting period ("55/10 Provision").

*Stock Options* — Options granted to officers, other employees and directors allow for the purchase of common shares at the market value of our stock on the date the options are granted. Options generally become exercisable after three years. Options generally expire ten years from the date of the grant or within a short period of time following the termination of employment or cessation of services by an option holder. As of December 31, 2022, 114,943 stock options were outstanding and exercisable, with a grant date fair value of \$2.0 million recognized over three years and a weighted average exercise price of \$48.63. As of December 31, 2020, compensation associated with these stock options was fully earned. Using the Black-Scholes option pricing model to estimate the fair value of each option award, as of December 31, 2022 the total fair value of stock options vested was \$2.0 million. No stock options were exercised during the years ended December 31, 2022, 2021 or 2020. No stock options were granted, canceled or vested during years ended December 31, 2022, 2021 or 2020. The weighted average remaining contractual life of options outstanding at December 31, 2022, 2021 and 2020 was 4.3 years, 5.3 years and 6.3 years, respectively.

*Restricted Shares* — Generally, the restrictions on Restricted Shares do not expire for a minimum of one year and a maximum of three years, and shares are subject to forfeiture during the restriction period. Most typically, Restricted Share grants have staggered vesting periods over one to three years from grant date. The intrinsic value of the Restricted Shares, which is typically the product of share price at the date of grant and the number of Restricted Shares granted, is amortized on a straight-line basis to compensation expense over the periods in which the restrictions lapse.

Awards of Restricted Shares are valued at the closing market price of our common stock on the date of grant. The unearned compensation is amortized to compensation expense over the vesting period of the Restricted Shares, except for awards related to the 55/10 Provision which are expensed when granted. As of December 31, 2022 and 2021, we had \$18.0 million and \$24.2 million, respectively, of unearned compensation cost related to unvested Restricted Shares, which is expected to be recognized over a weighted-average period of approximately one year. The total fair value of Restricted Shares vested during the years ended December 31, 2022, 2021 and 2020 was \$23.5 million, \$25.2 million and \$26.4 million, respectively.

We recorded stock-based compensation for Restricted Shares as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in millions)		
Stock-based compensation expense	\$ 25.5	\$ 29.5	\$ 27.3
Related income tax benefit	(5.8)	(6.7)	(6.2)
Net stock-based compensation expense	\$ 19.7	\$ 22.8	\$ 21.1

The following table summarizes information regarding Restricted Shares:

	Year Ended December 31, 2022	
	Shares	Weighted Average Grant-Date Fair Value
Number of unvested Restricted Shares:		
Outstanding — beginning of year	1,671,011	\$ 43.06
Granted	982,654	32.91
Vested	(549,129)	42.85
Canceled	(406,757)	43.41
Outstanding — end of year	1,697,779	\$ 37.17

Unvested Restricted Shares outstanding as of December 31, 2022, includes approximately 485,000 units with performance-based vesting provisions issuable in common stock and vest upon the achievement of predefined performance metrics. Targets for outstanding performance awards are based on our average return on invested capital, total shareholder return ("TSR") or free cash flow as a percent of net income over a three-year period. Performance units issued in 2022 and 2021 include a secondary measure, relative total shareholder return, which can increase or decrease the number of vesting units by 15% depending on the Company's performance versus peers. Performance units issued in 2020 have a vesting percentage between 0% and 200%, while the 2021 and 2022 performance units have a vesting percentage up to 230%. Compensation expense is recognized ratably over a cliff-vesting period of 36 months, based on the fair value of our common stock on the date of grant, adjusted for actual forfeitures. During the performance period, earned and unearned compensation expense is adjusted based on changes in the expected achievement of the performance targets for all performance-based units granted except for the TSR-based units. Vesting provisions range from 0 to approximately 1,067,000 shares based on performance targets. As of December 31, 2022, we estimate vesting of approximately 247,000 shares based on expected achievement of performance targets.

## 8. DERIVATIVES AND HEDGING ACTIVITIES

Our risk management and foreign currency derivatives and hedging policy specifies the conditions under which we may enter into derivative contracts. See Note 1 for additional information on our purpose for entering into derivatives and our overall risk management strategies. We enter into foreign exchange forward contracts to hedge our cash flow risks associated with transactions denominated in currencies other than the local currency of the operation engaging in the transaction.

Foreign exchange contracts had notional values of \$459.2 million and \$425.2 million at December 31, 2022 and 2021, respectively. At December 31, 2022, the length of foreign exchange contracts currently in place ranged from 3 days to 26 months.

We are exposed to risk from credit-related losses resulting from nonperformance by counterparties to our financial instruments. We perform credit evaluations of our counterparties under forward exchange contracts and expect all counterparties to meet their obligations. We have not experienced credit losses from our counterparties.

The fair values of foreign exchange contracts are summarized below:

	Year Ended December 31,	
	2022	2021
	(Amounts in thousands)	
Current derivative assets	\$ 2,207	\$ 740
Noncurrent derivative assets	66	2
Current derivative liabilities	4,422	2,924
Noncurrent derivative liabilities	63	82

Current and noncurrent derivative assets are reported in our consolidated balance sheets in prepaid expenses and other and other assets, net, respectively. Current and noncurrent derivative liabilities are reported in our consolidated balance sheets in accrued liabilities and retirement obligations and other liabilities, respectively.

The impact of net changes in the fair values of foreign exchange contracts are summarized below:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Gains (losses) recognized in income	\$ (6,173)	\$ 3,295	\$ (10,294)

Gains and losses recognized in our consolidated statements of income for foreign exchange contracts are classified as other income (expense), net.

As a means of managing the volatility of foreign currency exposure with the Euro/U.S. dollar exchange rate, we entered into cross-currency swap agreements ("Swaps") as a hedge of our Euro investment in certain of our international subsidiaries. Accordingly, on April 14, 2021 and March 9, 2021, we entered into Swaps, with both having termination dates of October 1, 2030 and the March 9, 2021 cross currency swap having an early termination date of March 11, 2025. Also, during the third quarter of 2020 we entered into a cross currency swap agreement with a termination date of October 1, 2030 and an early termination date of September 22, 2025. The swap agreements were designated as net investment hedges and classified as Level II under the fair value hierarchy. On December 20, 2022 all outstanding swap agreements were early terminated resulting in net cash proceeds received of \$66.0 million. Prior to the early termination the cross-currency swaps had a combined notional value of €423.2 million and a fair value of \$68.2 million.

The fair values of our cross-currency swaps are summarized below:

	Year Ended December 31,	
	2022	2021
	(Amounts in thousands)	
Other assets, net	\$ —	\$ 23,129

We excluded the interest accruals on the swaps from the assessment of hedge effectiveness and recognize the interest accruals in earnings within interest expense. For each reporting period, the change in the fair value of the swap attributable to changes in the spot rate and differences between the change in the fair value of the excluded components and the amounts recognized in earnings under the swap accrual process were reported in accumulated other comprehensive loss ("AOCL") on our consolidated balance sheets. For the period ended December 31, 2022, an interest accrual of \$8.5 million was recognized within interest expense in our consolidated statements of income.

The cumulative net investment hedge (gain) loss, net of deferred taxes, under cross-currency swaps recorded in AOCL on our consolidated balance sheets are summarized below:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
(Gain) loss-included component (1)	\$ (37,135)	\$ (15,578)	\$ 6,067
(Gain) loss-excluded component (2)	(11,875)	(2,111)	7,769
(Gain) loss recognized in AOCL	<u>\$ (49,010)</u>	<u>\$ (17,689)</u>	<u>\$ 13,836</u>

(1) Change in the fair value of the swaps attributable to changes in spot rates.

(2) Change in the fair value of the swaps due to changes other than those attributable to spot rates.

In March 2015, we designated €255.7 million of our 1.25% EUR Senior Notes ("2022 Euro Senior Notes") as a net investment hedge of our Euro investment in certain of our international subsidiaries. On September 22, 2020, we increased the designated hedged value on the 2022 Euro Senior Notes to €336.3 million, which reflected the remaining balance of the 2022 Euro Senior Notes. For each reporting period, the change in the carrying value due to the remeasurement of the effective portion is reported in AOCL on our consolidated balance sheets and the remaining change in the carrying value of the ineffective portion, if any, is recognized in other income (expense), net in our consolidated statements of income. As a result of the redemption of our 2022 Euro Senior Notes in the first quarter of 2021 we dedesignated the hedged value of our net investment hedge.

Prior to the dedesignation, the cumulative impact recorded in AOCL on our consolidated balance sheets from the change in carrying value due to the remeasurement of the effective portion of the net investment hedge are summarized below:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Loss recorded in AOCL	\$ —	\$ (29,554)	\$ (34,973)

Prior to the dedesignation of the net investment hedge, we used the spot method to measure the effectiveness of both net investment hedges and evaluate the effectiveness on a prospective basis at the beginning of each quarter. We did not record any ineffectiveness for the periods ended December 31, 2021 and 2020.

## 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied. Assets and liabilities recorded at fair value in our consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Recurring fair value measurements are limited to investments in derivative instruments. The fair value measurements of our derivative instruments are determined using models that maximize the use of the observable market inputs including interest rate curves and both forward and spot prices for currencies, and are classified as Level II under the fair value hierarchy. The fair values of our derivatives are included above in Note 8.

The carrying value of our financial instruments as reflected in our consolidated balance sheets approximates fair value, with the exception of our long-term debt. The estimated fair value of our long-term debt, excluding the Senior Notes, approximates the carrying value and is classified as Level II under the fair value hierarchy. The carrying value of our debt is included in Note 12. The estimated fair value of our Senior Notes at December 31, 2022 was \$790.5 million compared to the carrying value of \$989.2 million. The estimated fair value of the Senior Notes is based on Level I quoted market rates. The carrying amounts of our other financial instruments (i.e., cash and cash equivalents, accounts receivable, net and accounts payable) approximated fair value due to their short-term nature at December 31, 2022 and December 31, 2021.

# 10. DETAILS OF CERTAIN CONSOLIDATED BALANCE SHEET CAPTIONS

The following tables present financial information of certain consolidated balance sheets captions.

*Accounts Receivable, net* — Accounts receivable, net were:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Trade accounts receivables	\$ 919,045	\$ 770,280
Less: allowance for expected credit losses	(66,444)	(55,264)
Other short-term receivables	32,649	43,266
Less: allowance for expected credit losses	(16,618)	(19,072)
Accounts receivable, net	<u>\$ 868,632</u>	<u>\$ 739,210</u>

*Property, Plant and Equipment, net* — Property, plant and equipment, net were:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Land	\$ 60,669	\$ 62,613
Buildings and improvements	425,019	441,627
Machinery, equipment and tooling	750,933	751,944
Software, furniture and fixtures and other	437,280	451,566
Gross property, plant and equipment	1,673,901	1,707,750
Less: accumulated depreciation	(1,172,956)	(1,191,823)
Property, plant and equipment, net	<u>\$ 500,945</u>	<u>\$ 515,927</u>

*Accrued Liabilities* — Accrued liabilities were:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Wages, compensation and other benefits	\$ 175,898	\$ 204,347
Commissions and royalties	18,526	21,911
Warranty costs and late delivery penalties	21,850	23,741
Sales and use tax	29,092	20,782
Income tax	32,968	47,186
Other	149,244	127,125
Accrued liabilities	<u>\$ 427,578</u>	<u>\$ 445,092</u>

"Other" accrued liabilities include professional fees, lease obligations, insurance, interest, freight, accrued cash dividends payable, legal and environmental matters, derivative liabilities, restructuring reserves and other items, none of which individually exceed 5% of current liabilities.

*Retirement Obligations and Other Liabilities* — Retirement obligations and other liabilities were:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Pension and postretirement benefits	\$ 142,204	\$ 188,999
Deferred taxes	7,901	9,169
Legal and environmental	90,207	86,561
Uncertain tax positions and other tax liabilities	37,604	37,013
Other	31,613	30,320
Retirement obligations and other liabilities	<u>\$ 309,529</u>	<u>\$ 352,062</u>

"Other" includes derivative liabilities, deferred compensation liabilities, asset retirement obligations, insurance-related liabilities and other items, none of which exceed 5% of retirement obligations and other liabilities.

## 11. EQUITY METHOD INVESTMENTS

We occasionally enter into joint venture arrangements with local country partners as our preferred means of entry into countries where barriers to entry may exist. Similar to our consolidated subsidiaries, these unconsolidated joint ventures generally operate within our primary businesses of designing, manufacturing, assembling and distributing fluid motion and control products and services. We have agreements with certain of these joint ventures that restrict us from otherwise entering the respective market and certain joint ventures produce and/or sell our products as part of their broader product offering. Net earnings from investments in unconsolidated joint ventures is reported in net earnings from affiliates in our consolidated statements of income. Given the integrated role of the unconsolidated joint ventures in our business, net earnings from affiliates is presented as a component of operating income.

As of December 31, 2022, we had investments in five joint ventures, one located in each of Chile, India, Saudi Arabia, South Korea and the United Arab Emirates that were accounted for using the equity method and are immaterial for disclosure purposes.

## 12. DEBT AND FINANCE LEASE OBLIGATIONS

Debt, including finance lease obligations, consisted of:

	December 31,	
	2022	2021
	(Amounts in thousands)	
3.50% USD Senior Notes due October 1, 2030, net of unamortized discount and debt issuance costs of \$5,055 and \$5,611 at December 31, 2022 and 2021, respectively	494,945	494,389
2.80% USD Senior Notes due January 15, 2032, net of unamortized discount and debt issuance costs of \$5,727 and \$6,273 at December 31, 2022 and 2021, respectively	494,273	493,727
Term Loan Facility, interest rate of 5.98% and 1.45%, net of debt issuance costs of \$444 and \$639 at December 31, 2022 and 2021, respectively	259,556	291,861
Finance lease obligations and other borrowings	24,712	22,851
Debt and finance lease obligations	<u>1,273,486</u>	<u>1,302,828</u>
Less amounts due within one year	49,335	41,058
Total debt due after one year	<u>\$ 1,224,151</u>	<u>\$ 1,261,770</u>

Scheduled maturities of our Senior Notes and other debt, are (amounts in thousands):

	Term Loan	Senior Notes and other debt	Total
	(Amounts in thousands)		
2023	\$ 39,830	\$ 9,335	\$ 49,165
2024	59,863	15,377	75,240
2025	59,905	—	59,905
2026	99,958	—	99,958
2027	—	—	—
Thereafter	—	989,218	989,218
Total	<u>\$ 259,556</u>	<u>\$ 1,013,930</u>	<u>\$ 1,273,486</u>

### Senior Notes

On March 19, 2021, we redeemed the remaining \$400.9 million of our 2022 Euro Senior Notes and recorded a loss on early extinguishment of \$7.6 million in the first quarter of 2021, which included the impact of a \$6.6 million make-whole premium.

### Senior Credit Facility

On September 13, 2021, we amended and restated our credit agreement (the "Amended and Restated Credit Agreement") under our Senior Credit Facility (the "Credit Facility") with Bank of America, N.A. and the other lenders to provide greater flexibility in maintaining adequate liquidity and access to available borrowings. The Amended and Restated Credit Agreement, (i) retained, from the previous credit agreement, the \$800.0 million unsecured Revolving Credit Facility (the "Revolving Credit Facility"), which includes a \$750.0 million sublimit for the issuance of letters of credit and a \$30.0 million sublimit for swing line loans ii) provides for an up to \$300 million unsecured Term Loan Facility (the "Term Loan"), (iii) extends the maturity date of the agreement to September 13, 2026, (iv) reduces commitment fees, (v) extends net leverage ratio covenant definition through the maturity of the agreement, and (vi) provides the ability to make certain adjustments to the otherwise applicable commitment fee, interest rate and letter of credit fees based on the Company's performance against to-be-established key performance indicators with respect to certain of the Company's environmental, social and governance targets.

The interest rates per annum applicable to the Revolving Credit Facility are unchanged under the Amended and Restated Credit Agreement. The interest rates per annum applicable to the Credit Facility, other than with respect to swing line loans, are LIBOR plus between 1.000% to 1.750%, depending on our debt rating by either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Financial Services LLC ("S&P"), or, at our option, the Base Rate (as defined in the Amended and Restated Credit Agreement) plus between 0.000% to 0.750% depending on our debt rating by either Moody's or S&P. At December 31, 2022, the interest rate on the Revolving Credit Facility was LIBOR plus 1.375% in the case of LIBOR loans and the Base Rate plus 0.375% in the case of Base Rate loans. In addition, a commitment fee is payable quarterly in arrears on the daily unused portions of the Credit Facility. The commitment fee will be between 0.080% and 0.250% of unused amounts under the Credit Facility depending on our debt rating by either Moody's or S&P. The commitment fee was 0.175% (per annum) during the period ended December 31, 2022.

Under the terms and conditions of the Amended and Restated Credit Agreement, interest rates per annum applicable to the Term Loan are stated as LIBOR plus between 0.875% to 1.625%, depending on the Company's debt rating by either Moody's or S&P, or, at the option of the Company, the Base Rate plus between 0.000% to 0.625% depending on the Company's debt rating by either Moody's or S&P.

As of December 31, 2022, and December 31, 2021, we had no revolving loans outstanding under the Senior Credit Facility. We had outstanding letters of credit of \$71.7 million and \$78.3 million at December 31, 2022, and December 31, 2021, respectively. After consideration of the financial covenants under our Senior Credit Facility and outstanding letters of credit, as of December 31, 2022, the amount available for borrowings under our Senior Credit Facility was limited to \$293.9 million. As of December 31, 2021, the amount available for borrowings under our Revolving Credit facility was

\$614.2 million. We have scheduled repayments of \$10.0 million due in each of the subsequent four quarters through December 31, 2023.

*Financial Covenants* — Our compliance with the financial covenants under the Senior Notes and Senior Credit Facility are tested quarterly. We were in compliance with all covenants as of December 31, 2022.

### **13. PENSION AND POSTRETIREMENT BENEFITS**

We sponsor several noncontributory defined benefit pension plans, covering substantially all U.S. employees and certain non-U.S. employees, which provide benefits based on years of service, age, job grade levels and type of compensation. Retirement benefits for all other covered employees are provided through contributory pension plans, cash balance pension plans and government-sponsored retirement programs. All funded defined benefit pension plans receive funding based on independent actuarial valuations to provide for current service and an amount sufficient to amortize unfunded prior service over periods not to exceed 30 years, with funding falling within the legal limits prescribed by prevailing regulation. We also maintain unfunded defined benefit plans that, as permitted by local regulations, receive funding only when benefits become due.

Our defined benefit plan strategy is to ensure that current and future benefit obligations are adequately funded in a cost-effective manner. Additionally, our investing objective is to achieve the highest level of investment performance that is compatible with our risk tolerance and prudent investment practices. Because of the long-term nature of our defined benefit plan liabilities, our funding strategy is based on a long-term perspective for formulating and implementing investment policies and evaluating their investment performance.

The asset allocation of our defined benefit plans reflects our decision about the proportion of the investment in equity and fixed income securities, and, where appropriate, the various sub-asset classes of each. At least annually, we complete a comprehensive review of our asset allocation policy and the underlying assumptions, which includes our long-term capital markets rate of return assumptions and our risk tolerances relative to our defined benefit plan liabilities.

The expected rates of return on defined benefit plan assets are derived from review of the asset allocation strategy, expected long-term performance of asset classes, risks and other factors adjusted for our specific investment strategy. These rates are impacted by changes in general market conditions, but because they are long-term in nature, short-term market changes do not significantly impact the rates.

Our U.S. defined benefit plan assets consist of a balanced portfolio of equity and fixed income securities. Our non-U.S. defined benefit plan assets include a significant concentration of United Kingdom ("U.K.") fixed income securities. We monitor investment allocations and manage plan assets to maintain acceptable levels of risk.

For all periods presented, we used a measurement date of December 31 for each of our U.S. pension plans, non-U.S. pension plans and postretirement medical plans.

#### **U.S. Defined Benefit Plans**

We maintain qualified and non-qualified defined benefit pension plans in the U.S. The qualified plan provides coverage for substantially all full-time U.S. employees who receive benefits, up to an earnings threshold specified by the U.S. Department of Labor. The non-qualified plans primarily cover a small number of employees including current and former members of senior management, providing them with benefit levels equivalent to other participants, but that are otherwise limited by U.S. Department of Labor rules. The U.S. plans are designed to operate as "cash balance" arrangements, under which the employee has the option to take a lump sum payment at the end of their service. The difference between total accumulated benefit obligation and total projected benefit obligation ("Benefit Obligation") is immaterial.



The following are assumptions related to the U.S. defined benefit pension plans:

	Year Ended December 31,		
	2022	2021	2020
Weighted average assumptions used to determine Benefit Obligations:			
Discount rate	5.73 %	3.00 %	2.62 %
Rate of increase in compensation levels	3.50	3.50	3.63
Weighted average assumptions used to determine net pension expense:			
Long-term rate of return on assets	5.75 %	6.00 %	6.00 %
Discount rate	3.00	2.62	3.41
Rate of increase in compensation levels	3.50	3.50	3.56
Weighted-average interest crediting rates	3.79 %	3.79 %	3.79 %

At December 31, 2022 as compared with December 31, 2021, we increased our discount rate from 3.00% to 5.73% based on an analysis of publicly-traded investment grade U.S. corporate bonds, which had a higher yield due to current market conditions. In determining 2022 expense, the expected rate of return on U.S. plan assets decreased to 5.75%, primarily based on our target allocations and expected long-term asset returns. The long-term rate of return assumption is calculated using a quantitative approach that utilizes unadjusted historical returns and asset allocation as inputs for the calculation. For all U.S. plans, we adopted the Pri-2012 mortality tables and the MP-2021 improvement scale published in October 2021. We applied the Pri-2012 tables based on the constituency of our plan population for union and non-union participants. We adjusted the improvement scale to utilize the Proxy SSA Long Term Improvement Rates, consistent with assumptions adopted by the Social Security Administration trustees, based on long-term historical experience. Currently, we believe this approach provides the best estimate of our future obligation. Most plan participants elect to receive plan benefits as a lump sum at the end of service, rather than an annuity. As such, the updated mortality tables had an immaterial effect on our pension obligation.

Net pension expense for the U.S. defined benefit pension plans (including both qualified and non-qualified plans) was:

	Year Ended December 31,		
	2022	2021	2020
(Amounts in thousands)			
Service cost	\$ 24,680	\$ 25,162	\$ 25,893
Interest cost	13,157	11,952	15,100
Expected return on plan assets	(25,345)	(25,377)	(25,794)
Settlement (gain) loss	—	—	128
Amortization of unrecognized prior service cost	175	188	184
Amortization of unrecognized net loss	3,461	7,725	6,977
U.S. net pension expense	<u>\$ 16,128</u>	<u>\$ 19,650</u>	<u>\$ 22,488</u>

The following summarizes the net pension (liability) asset for U.S. plans:

	December 31,	
	2022	2021
(Amounts in thousands)		
Plan assets, at fair value	\$ 365,044	\$ 488,281
Benefit Obligation	(382,959)	(471,825)
Funded status	<u>\$ (17,915)</u>	<u>\$ 16,456</u>

The following summarizes amounts recognized in the balance sheet for U.S. plans:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Noncurrent assets	\$ —	\$ 22,398
Current liabilities	(232)	(170)
Noncurrent liabilities	(17,683)	(5,772)
Funded status	<u>\$ (17,915)</u>	<u>\$ 16,456</u>

The following is a summary of the changes in the U.S. defined benefit plans' pension obligations:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Balance — January 1	\$ 471,825	\$ 487,418
Service cost	24,680	25,162
Interest cost	13,157	11,952
Plan amendments and settlements	179	—
Actuarial (gain) loss (1)	(87,791)	(11,208)
Benefits paid	(39,091)	(41,499)
Balance — December 31	<u>\$ 382,959</u>	<u>\$ 471,825</u>
Accumulated benefit obligations at December 31	<u>\$ 382,488</u>	<u>\$ 471,024</u>

(1) The actuarial gains in 2022 and 2021 primarily reflect the impact of changes in the discount rate.

The following table summarizes the expected cash benefit payments for the U.S. defined benefit pension plans in the future (amounts in millions):

2023	\$ 40.6
2024	39.1
2025	40.0
2026	40.4
2027	40.0
2028-2032	194.1

The following table shows the change in accumulated other comprehensive loss attributable to the components of the net cost and the change in Benefit Obligations for U.S. plans, net of tax:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Balance — January 1	\$ (30,014)	\$ (49,321)
Amortization of net loss	2,647	5,907
Amortization of prior service cost	134	144
Net gain (loss) arising during the year	(17,085)	13,256
Prior service cost arising during the year	(137)	—
Balance — December 31	<u>\$ (44,455)</u>	<u>\$ (30,014)</u>

Amounts recorded in accumulated other comprehensive loss consist of:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Unrecognized net loss	\$ (43,725)	\$ (29,344)
Unrecognized prior service cost	(730)	(670)
Accumulated other comprehensive loss, net of tax	<u>\$ (44,455)</u>	<u>\$ (30,014)</u>

The following is a reconciliation of the U.S. defined benefit pension plans' assets:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Balance — January 1	\$ 488,281	\$ 477,680
Gain (loss) on plan assets	(84,785)	31,501
Company contributions	639	20,599
Benefits paid	(39,091)	(41,499)
Balance — December 31	<u>\$ 365,044</u>	<u>\$ 488,281</u>

We contributed \$0.6 million and \$20.6 million to the U.S. defined benefit pension plans during 2022 and 2021, respectively.

All U.S. defined benefit plan assets are held by the qualified plan. The asset allocations for the qualified plan at the end of 2022 and 2021 by asset category, are as follows:

Asset category	Target Allocation at December 31,		Percentage of Actual Plan Assets at December 31,	
	2022	2021	2022	2021
Cash and cash equivalents	1 %	1 %	1 %	1 %
Cash and cash equivalents	1 %	1 %	1 %	1 %
Global Equity	20 %	27 %	21 %	26 %
Global Real Assets	14 %	15 %	13 %	16 %
Equity securities	34 %	42 %	34 %	42 %
Diversified Credit	14 %	15 %	18 %	15 %
Liability-Driven Investment	51 %	42 %	47 %	42 %
Fixed income	65 %	57 %	65 %	57 %

None of our common stock is directly held by our qualified plan. Our investment strategy is to earn a long-term rate of return consistent with an acceptable degree of risk and minimize our cash contributions over the life of the plan, while taking into account the liquidity needs of the plan. We preserve capital through diversified investments in high quality securities. Our current allocation target is to invest approximately 34% of plan assets in equity securities and 65% in fixed income securities. Within each investment category, assets are allocated to various investment strategies. Professional money management firms manage our assets, and we engage a consultant to assist in evaluating these activities. We periodically review the allocation target, generally in conjunction with an asset and liability study and in consideration of our future cash flow needs. We regularly rebalance the actual allocation to our target investment allocation.

Plan assets are invested in commingled funds. Our "Pension and Investment Committee" is responsible for setting the investment strategy and the target asset allocation for the plan's assets. As the qualified plan approached fully funded status, we implemented a Liability-Driven Investing ("LDI") strategy, which more closely aligns the duration of the plan's assets with the duration of its liabilities. The LDI strategy results in an asset portfolio that more closely matches the behavior of the liability, thereby reducing the volatility of the plan's funded status.

The plan's financial instruments, shown below, are presented at fair value. See Note 1 for further discussion on how the hierarchical levels of the fair values of the Plan's investments are determined. The fair values of our U.S. defined benefit plan assets were:

	At December 31, 2022				At December 31, 2021			
	Total	Hierarchical Levels			Total	Hierarchical Levels		
		I	II	III		I	II	III
	(Amounts in thousands)				(Amounts in thousands)			
Cash and cash equivalents	\$ 4,072	\$ 4,072	\$ —	\$ —	\$ 6,192	\$ 6,192	\$ —	\$ —
Commingled Funds:								
Equity securities								
Global Equity(a)	77,217	—	77,217	—	128,269	—	128,269	—
Global Real Assets(b)	46,476	—	46,476	—	79,089	—	79,089	—
Fixed income securities								
Diversified Credit(c)	64,877	—	64,877	—	71,100	—	71,100	—
Liability-Driven Investment(d)	172,402	—	172,402	—	203,631	—	203,631	—
	<u>\$ 365,044</u>	<u>\$ 4,072</u>	<u>\$ 360,972</u>	<u>\$ —</u>	<u>\$ 488,281</u>	<u>\$ 6,192</u>	<u>\$ 482,089</u>	<u>\$ —</u>

(a) Global Equity fund seeks to closely track the performance of the MSCI All Country World Index.

(b) Global Real Asset funds seek to provide exposure to the listed global real estate investment trusts and infrastructure markets.

(c) Diversified Credit funds seek to provide exposure to the high yield, emerging markets, bank loans and securitized credit markets.

(d) Liability-Driven Investment ("LDI") funds seek to invest in high quality fixed income securities that collectively closely match those found in discount curves used to value the plan's liabilities.

#### Non-U.S. Defined Benefit Plans

We maintain defined benefit pension plans, which cover some or all of our employees in the following countries: Austria, Belgium, Canada, France, Germany, India, Italy, Japan, Mexico, The Netherlands, Switzerland and the U.K. The assets of the plans in the U.K. (two plans), The Netherlands and Canada represent 90% of the total non-U.S. plan assets ("non-U.S. assets"). Details of other countries' plan assets have not been provided due to immateriality.

The following are assumptions related to the non-U.S. defined benefit pension plans:

	Year Ended December 31,		
	2022	2021	2020
Weighted average assumptions used to determine Benefit Obligations:			
Discount rate	4.46 %	1.71 %	1.23 %
Rate of increase in compensation levels	3.61	3.18	3.11
Weighted average assumptions used to determine net pension expense:			
Long-term rate of return on assets	2.43 %	2.37 %	2.37 %
Discount rate	1.71	1.23	1.61
Rate of increase in compensation levels	3.18	3.11	3.12
Weighted-average interest crediting rates	1.49 %	1.41 %	1.00 %

At December 31, 2022, as compared with December 31, 2021, we increased our average discount rate for non-U.S. plans from 1.71% to 4.46% based on analysis of bonds and other publicly-traded instruments, by country, which had higher yields due to market conditions. To determine 2022 pension expense, our average expected rate of return on plan assets increased to 2.43% based on our target allocations and expected long-term asset returns. As the expected rate of return on plan assets is long-term in nature, short-term market fluctuations do not significantly impact the rate.

Many of our non-U.S. defined benefit plans are unfunded, as permitted by local regulation. The expected long-term rate of return on assets for funded plans was determined by assessing the rates of return for each asset class and is calculated using a quantitative approach that utilizes unadjusted historical returns and asset allocation as inputs for the calculation. We work with our actuaries to determine the reasonableness of our long-term rate of return assumptions by looking at several factors including historical returns, expected future returns, asset allocation, risks by asset class and other items.

Net pension expense for non-U.S. defined benefit pension plans was:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Service cost	\$ 5,984	\$ 7,336	\$ 7,052
Interest cost	6,506	5,544	6,572
Expected return on plan assets	(5,883)	(6,204)	(5,018)
Amortization of unrecognized net loss	2,729	4,509	4,315
Amortization of unrecognized prior service cost	293	300	262
Settlement loss and other	(75)	640	708
Non-U.S. net pension expense	<u>\$ 9,554</u>	<u>\$ 12,125</u>	<u>\$ 13,891</u>

The following summarizes the net pension liability for non-U.S. plans:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Plan assets, at fair value	\$ 172,276	\$ 275,941
Benefit Obligation	(268,364)	(420,809)
Funded status - Underfunded	\$ (96,088)	\$ (144,868)

The following summarizes amounts recognized in the balance sheet for non-U.S. plans:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Noncurrent assets	\$ 15,305	\$ 22,655
Current liabilities	(6,877)	(7,205)
Noncurrent liabilities	(104,516)	(160,318)
Funded status	\$ (96,088)	\$ (144,868)

The following is a reconciliation of the non-U.S. plans' defined benefit pension obligations:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Balance — January 1	\$ 420,809	\$ 469,998
Service cost	5,984	7,336
Interest cost	6,506	5,544
Employee contributions	71	74
Settlements and other	(7,944)	(3,140)
Actuarial gains(1)	(108,546)	(24,493)
Net benefits and expenses paid	(15,797)	(17,316)
Currency translation impact(2)	(32,719)	(17,194)
Balance — December 31	\$ 268,364	\$ 420,809
Accumulated benefit obligations at December 31	\$ 253,428	\$ 399,757

(1) Actuarial gains primarily reflects the impact of changes in the discount rates for all plans.

(2) In 2022 and 2021, the currency translation gains reflects the strengthening of the U.S. dollar against the Euro and the British pound.

The following table summarizes the expected cash benefit payments for the non-U.S. defined benefit plans in the future (amounts in millions):

2023	\$ 15.1
2024	15.8
2025	16.5
2026	17.1
2027	18.0
2028-2032	91.9

The following table shows the change in accumulated other comprehensive loss attributable to the components of the net cost and the change in Benefit Obligations for non-U.S. plans, net of tax:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Amounts in thousands)</b>	
Balance — January 1	\$ (70,581)	\$ (97,246)
Amortization of net loss	2,450	4,207
Net gains arising during the year	21,099	17,995
Settlement losses	130	616
Prior service cost arising during the year	(233)	—
Currency translation impact and other	4,714	3,847
Balance — December 31	<u>\$ (42,421)</u>	<u>\$ (70,581)</u>

Amounts recorded in accumulated other comprehensive loss consist of:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Amounts in thousands)</b>	
Unrecognized net loss	\$ (39,007)	\$ (67,192)
Unrecognized prior service cost	(3,414)	(3,389)
Accumulated other comprehensive loss, net of tax	<u>\$ (42,421)</u>	<u>\$ (70,581)</u>

The following is a reconciliation of the non-U.S. plans' defined benefit pension assets:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Amounts in thousands)</b>	
Balance — January 1	\$ 275,941	\$ 287,308
Return on plan assets	(71,104)	1,631
Employee contributions	71	74
Company contributions	15,657	11,964
Settlements	(8,039)	(3,096)
Currency translation impact	(24,453)	(4,624)
Net benefits and expenses paid	(15,797)	(17,316)
Balance — December 31	<u>\$ 172,276</u>	<u>\$ 275,941</u>

UK pension plans contributed to the change in the non-US plan assets due to lower asset returns in 2022 and 2021, respectively. Our contributions to non-U.S. defined benefit pension plans in 2023 are expected to be approximately \$2 million, excluding direct benefits paid.

The asset allocations for the non-U.S. defined benefit pension plans at the end of 2022 and 2021 are as follows:

Asset category	Target Allocation at December 31,		Percentage of Actual Plan Assets at December 31,	
	2022	2021	2022	2021
Cash and cash equivalents	1 %	— %	1 %	— %
Cash and cash equivalents	1 %	— %	1 %	— %
North American Companies	— %	1 %	— %	1 %
Global Equity	— %	1 %	— %	1 %
Equity securities	— %	2 %	— %	2 %
U.K. Government Gilt Index	38 %	42 %	38 %	42 %
Liability-Driven Investment	12 %	9 %	12 %	9 %
Fixed income	50 %	51 %	50 %	51 %
Multi-asset	20 %	20 %	20 %	20 %
Buy-in Contracts	19 %	20 %	19 %	20 %
Other	10 %	7 %	10 %	7 %
Other types	49 %	47 %	49 %	47 %

None of our common stock is held directly by these plans. In all cases, our investment strategy for these plans is to earn a long-term rate of return consistent with an acceptable degree of risk and minimize our cash contributions over the life of the plan, while taking into account the liquidity needs of the plan and the legal requirements of the particular country. We preserve capital through diversified investments in high quality securities.

Asset allocation differs by plan based upon the plan's benefit obligation to participants, as well as the results of asset and liability studies that are conducted for each plan and in consideration of our future cash flow needs. Professional money management firms manage plan assets and we engage a consultant in the U.K. to assist in evaluation of these activities. The assets of the U.K. plans are overseen by a group of Trustees who review the investment strategy, asset allocation and fund selection. These assets are passively managed as they are invested in index funds that attempt to match the performance of the specified benchmark index.



The fair values of the non-U.S. assets were:

	At December 31, 2022				At December 31, 2021			
	Total	Hierarchical Levels			Total	Hierarchical Levels		
		I	II	III		I	II	III
	(Amounts in thousands)				(Amounts in thousands)			
Cash	\$ 2,134	\$ 2,134	\$ —	—	\$ 2,264	\$ 2,264	\$ —	\$ —
Commingled Funds:								
Equity securities								
North American Companies(a)	—	—	—	—	2,609	—	2,609	—
Global Equity(b)	—	—	—	—	2,516	—	2,516	—
Fixed income securities								
U.K. Government Gilt Index(c)	65,650	—	65,650	—	115,450	—	115,450	—
Liability-Driven Investment(d)	20,849	—	20,849	—	25,387	—	25,387	—
Other Types of Investments:								
Multi-asset(e)	34,268	—	34,268	—	54,824	—	54,824	—
Buy-in Contracts(f)	32,313	—	—	32,313	54,896	—	—	54,896
Other(g)	17,062	—	—	17,062	17,995	—	—	17,995
	<u>\$ 172,276</u>	<u>\$ 2,134</u>	<u>\$ 120,767</u>	<u>\$ 49,375</u>	<u>\$ 275,941</u>	<u>\$ 2,264</u>	<u>\$ 200,786</u>	<u>\$ 72,891</u>

- (a) North American Companies represents U.S. and Canadian large cap equity funds, which are managed to track their respective benchmarks (FTSE All-World USA Index and FTSE All-World Canada Index).
- (b) Global Equity represents actively managed global equity funds, taking a top-down strategic view on the different regions by analyzing companies based on fundamentals, market-driven, thematic and quantitative factors to generate alpha.
- (c) U.K. Government Gilt Index represents U.K. government issued fixed income investments which are passively managed to track their respective benchmarks.
- (d) LDI seeks to invest in fixed income securities that collectively closely match those found in discount curves used to value the plan's liabilities.
- (e) Multi-asset seeks an attractive risk-adjusted return by investing in a diversified portfolio of strategies, including equities and fixed income.
- (f) The Buy-in Contracts ("Contract" or "Contracts") represent assets held by plans, whereby the cost of providing benefits to plan participants is funded by the Contract. The Contracts are held by the plans for the benefit of plan participants in the Netherlands and U.K. The fair value of these assets are based on the current present value of accrued benefits and will fluctuate based on changes in the obligations associated with covered plan members as well as the assumptions used in the present value calculation. The fair value of asset held in the Netherlands Contract as of January 1, 2022 was \$24.3 million, with contributions and currency adjustments resulting in a fair value of \$15.7 million at December 31, 2022. Similarly, the fair value of asset held in the U.K. plan Contract as of January 1, 2022 was \$30.6 million, with contributions and currency adjustments resulting in a fair value of \$16.6 million at December 31, 2022.
- (g) Includes assets held by plans outside the United Kingdom, the Netherlands and Canada. Details have not been provided due to immateriality.

### Defined Benefit Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets

The following summarizes key pension plan information regarding U.S. and non-U.S. plans whose accumulated benefit obligations exceed the fair value of their respective plan assets.

	December 31,	
	2022	2021
	(Amounts in thousands)	
Benefit Obligation	\$ 529,531	\$ 230,688
Accumulated benefit obligation	519,287	215,535
Fair value of plan assets	401,285	59,232

In 2021, the fair value of its plan assets exceeded the benefit obligation for the U.S. plan, and is not included in the table above.

### Postretirement Medical Plans

We sponsor several defined benefit postretirement medical plans covering certain current retirees and a limited number of future retirees in the U.S. These plans provide for medical and dental benefits and are administered through insurance companies and health maintenance organizations. The plans include participant contributions, deductibles, co-insurance provisions and other limitations and are integrated with Medicare and other group plans. We fund the plans as benefits and health maintenance organization premiums are paid, such that the plans hold no assets in any period presented. Accordingly, we have no investment strategy or targeted allocations for plan assets. Benefits under our postretirement medical plans are not available to new employees or most existing employees.

The following are assumptions related to postretirement benefits:

	Year Ended December 31,		
	2022	2021	2020
Weighted average assumptions used to determine Benefit Obligation:			
Discount rate	5.83 %	2.83 %	2.32 %
Weighted average assumptions used to determine net expense:			
Discount rate	2.83 %	2.32 %	3.27 %

The assumed ranges for the annual rates of increase in medical costs used to determine net expense were 7.25% for 2022, 7.50% for 2021 and 7.00% for 2020, with a gradual decrease to 5.00% for 2032 and future years.

Net postretirement benefit cost for postretirement medical plans was:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Interest cost	\$ 464	\$ 399	\$ 596
Amortization of unrecognized prior service cost	122	122	122
Amortization of unrecognized net (gain) loss	192	(21)	(132)
Net postretirement benefit expense	\$ 778	\$ 500	\$ 586

The following summarizes the accrued postretirement benefits liability for the postretirement medical plans:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Postretirement Benefit Obligation	\$ 13,353	\$ 17,021
Funded status	\$ (13,353)	\$ (17,021)

The following summarizes amounts recognized in the balance sheet for postretirement Benefit Obligation:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Current liabilities	\$ (2,086)	\$ (2,239)
Noncurrent liabilities	(11,267)	(14,782)
Funded status	<u>\$ (13,353)</u>	<u>\$ (17,021)</u>

The following is a reconciliation of the postretirement Benefit Obligation:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Balance — January 1	\$ 17,021	\$ 18,648
Interest cost	464	399
Employee contributions	792	874
Medicare subsidies receivable	—	67
Actuarial (gain) loss	(1,747)	1,225
Net benefits and expenses paid	(3,177)	(4,192)
Balance — December 31	<u>\$ 13,353</u>	<u>\$ 17,021</u>

The following presents expected benefit payments for future periods (amounts in millions):

	Expected Payments
2023	\$ 2.1
2024	1.9
2025	1.8
2026	1.6
2027	1.5
2028-2032	5.3

The following table shows the change in accumulated other comprehensive loss attributable to the components of the net cost and the change in Benefit Obligations for postretirement benefits, net of tax:

	2022	2021
	(Amounts in thousands)	
Balance — January 1	\$ (2,072)	\$ (1,213)
Amortization of net (gain) loss	147	(16)
Amortization of prior service cost	93	94
Net gain (loss) arising during the year	1,336	(937)
Balance — December 31	<u>\$ (496)</u>	<u>\$ (2,072)</u>

Amounts recorded in accumulated other comprehensive loss consist of:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Unrecognized net gain (loss)	\$ 55	\$ (1,420)
Unrecognized prior service cost	(551)	(652)
Accumulated other comprehensive income, net of tax	<u>\$ (496)</u>	<u>\$ (2,072)</u>

We made contributions to the postretirement medical plans to pay benefits of \$2.4 million in 2022, \$3.3 million in 2021 and \$3.2 million in 2020. Because the postretirement medical plans are unfunded, we make contributions as the covered individuals' claims are approved for payment. Accordingly, contributions during any period are directly correlated to the benefits paid.

#### Defined Contribution Plans

We sponsor several defined contribution plans covering substantially all U.S. and Canadian employees and certain other non-U.S. employees. Employees may contribute to these plans, and these contributions are matched in varying amounts by us, including opportunities for discretionary matching contributions by us. Defined contribution plan expense was \$21.9 million in 2022, \$19.9 million in 2021 and \$20.0 million in 2020.

#### 14. EARNINGS PER SHARE

The following is a reconciliation of net earnings of Flowserve Corporation and weighted average shares for calculating net earnings per common share. Earnings per weighted average common share outstanding was calculated as follows:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands, except per share data)		
Net earnings of Flowserve Corporation	\$ 188,689	\$ 125,949	\$ 130,420
Dividends on restricted shares not expected to vest	—	—	—
Earnings attributable to common and participating shareholders	<u>\$ 188,689</u>	<u>\$ 125,949</u>	<u>\$ 130,420</u>
Weighted average shares:			
Common stock	130,591	130,277	130,373
Participating securities	39	28	22
Denominator for basic earnings per common share	<u>130,630</u>	<u>130,305</u>	<u>130,395</u>
Effect of potentially dilutive securities	685	552	655
Denominator for diluted earnings per common share	<u>131,315</u>	<u>130,857</u>	<u>131,050</u>
Net earnings per share attributable to Flowserve Corporation common shareholders:			
Basic	\$ 1.44	\$ 0.97	\$ 1.00
Diluted	1.44	0.96	1.00

Diluted earnings per share is based upon the weighted average number of shares as determined for basic earnings per share plus shares potentially issuable in conjunction with stock options, restricted shares, restricted share units and performance share units.

For the years ended December 31, 2022, 2021 and 2020, unvested restricted shares of 118,334, 156,578 and 375,203, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

## 15. LEGAL MATTERS AND CONTINGENCIES

### Asbestos-Related Claims

We are a defendant in a substantial number of lawsuits that seek to recover damages for personal injury allegedly caused by exposure to asbestos-containing products manufactured and/or distributed by our heritage companies in the past. Typically, these lawsuits have been brought against multiple defendants in state and federal courts. While the overall number of asbestos-related claims in which we or our predecessors have been named has generally declined in recent years, there can be no assurance that this trend will continue, or that the average cost per claim to us will not further increase. Asbestos-containing materials incorporated into any such products were encapsulated and used as internal components of process equipment, and we do not believe that significant emission of asbestos fibers occurred during the use of this equipment.

Our practice is to vigorously contest and resolve these claims, and we have been successful in resolving a majority of claims with little or no payment, other than legal fees. Activity related to asbestos claims during the periods indicated was as follows:

	2022	2021	2020
Beginning claims, January 1,(1)	8,712	8,366	8,345
New claims	2,454	2,482	2,140
Resolved claims	(2,204)	(2,211)	(2,203)
Other(2)	(823)	75	84
Ending claims, December 31,(1)	8,139	8,712	8,366

(1) Beginning and ending claims data in each period excludes inactive claims, as the Company considers it unlikely that inactive cases will be pursued further by the respective plaintiffs. A claim is classified as inactive either due to inactivity over a period of time or if designated as inactive by the applicable court.

(2) Represents the net change in claims as a result of the reclassification of active cases as inactive and inactive cases as active during the period indicated. Cases moved from active to inactive status are removed from the claims count without being accounted for as a "Resolved claim", and cases moved from inactive status to active status are added back to the claims count without being accounted for as a "New claim".

The following table presents the changes in the estimated asbestos liability as of December 31, 2022, 2021 and 2020:

(Amounts in thousands)	2022	2021	2020
Beginning balance, January 1,	\$ 94,423	\$ 99,530	\$ 97,979
Asbestos liability adjustments, net	14,782	4,783	8,642
Cash payment activity	(5,733)	(7,521)	(8,445)
Other, net	(4,820)	(2,369)	1,354
Ending balance, December 31,	\$ 98,652	\$ 94,423	\$ 99,530

The Company incurred expenses of approximately \$14.8 million, \$10.0 million and \$15.8 million during the periods ended December 31, 2022, 2021 and 2020, respectively, to defend, resolve or otherwise dispose of outstanding claims, including legal and other related expenses. These expenses are included within SG&A in the Consolidated Statements of Income.

The Company had cash inflows/(outflows) (net of insurance and/or indemnity) to defend, resolve or otherwise dispose of outstanding claims, including legal and other related expenses of approximately \$4.2 million, \$(4.7) million and \$4.8 million during the periods ended December 31, 2022, 2021 and 2020, respectively.

Historically, a high percentage of resolved claims have been covered by applicable insurance or indemnities from other companies, and we believe that a portion of existing claims should continue to be covered by insurance or indemnities, in whole or in part.

We believe that our reserve for asbestos claims and the receivable for recoveries from insurance carriers that we have recorded for these claims reflects reasonable and probable estimates of these amounts. Our estimate of our ultimate exposure for asbestos claims, however, is subject to significant uncertainties, including the timing, number and types of new claims, unfavorable court rulings, judgments or settlement terms and ultimate costs to settle. Additionally, the continued viability of carriers, may also impact the amount of probable insurance recoveries. We believe that these uncertainties could have a material adverse impact on our business, financial condition, results of operations and cash flows, though we currently believe the likelihood is remote.

Additionally, we have claims pending against certain insurers that, if in future periods are resolved more favorably than reflected in the recorded receivables, would result in discrete gains in the applicable year.

#### Other

We are currently involved as a potentially responsible party at four former public waste disposal sites in various stages of evaluation or remediation. The projected cost of remediation at these sites, as well as our alleged "fair share" allocation, will remain uncertain until all studies have been completed and the parties have either negotiated an amicable resolution or the matter has been judicially resolved. At each site, there are many other parties who have similarly been identified. Many of the other parties identified are financially strong and solvent companies that appear able to pay their share of the remediation costs. Based on our information about the waste disposal practices at these sites and the environmental regulatory process in general, we believe that it is likely that ultimate remediation liability costs for each site will be apportioned among all liable parties, including site owners and waste transporters, according to the volumes and/or toxicity of the wastes shown to have been disposed of at the sites. We believe that our financial exposure for existing disposal sites will not be materially in excess of accrued reserves.

We are also a defendant in a number of other lawsuits, including product liability claims, that are insured, subject to the applicable deductibles, arising in the ordinary course of business, and we are also involved in other uninsured routine litigation incidental to our business. We currently believe none of such litigation, either individually or in the aggregate, is material to our business, operations or overall financial condition. However, litigation is inherently unpredictable, and resolutions or dispositions of claims or lawsuits by settlement or otherwise could have an adverse impact on our financial position, results of operations or cash flows for the reporting period in which any such resolution or disposition occurs.

Although none of the aforementioned potential liabilities can be quantified with absolute certainty except as otherwise indicated above, we have established or adjusted reserves covering exposures relating to contingencies, to the extent believed to be reasonably estimable and probable based on past experience and available facts. While additional exposures beyond these reserves could exist, they currently cannot be estimated. We will continue to evaluate and update the reserves as necessary and appropriate.

## 16. WARRANTY RESERVE

We have recorded reserves for product warranty claims that are included in current liabilities. The following is a summary of the activity in the warranty reserve:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
Balance — January 1	\$ 23,893	\$ 27,944	\$ 30,854
Accruals for warranty expense, net of adjustments	17,342	19,179	21,701
Settlements made	(19,188)	(23,230)	(24,611)
Balance — December 31	<u>\$ 22,047</u>	<u>\$ 23,893</u>	<u>\$ 27,944</u>

## 17. SHAREHOLDERS' EQUITY

*Dividends* – Generally, our dividend date-of-record is in the last month of the quarter, and the dividend is paid the following month. Any subsequent dividends will be reviewed by our Board of Directors and declared in its discretion.

Dividends declared per share were as follows:

	Year Ended December 31,		
	2022	2021	2020
Dividends declared per share	\$ 0.80	\$ 0.80	\$ 0.80

*Share Repurchase Program* – In 2014, our Board of Directors approved a \$500.0 million share repurchase authorization. Our share repurchase program does not have an expiration date, and we reserve the right to limit or terminate the repurchase program at any time without notice.

We repurchased no shares of our outstanding common stock during the year ended December 31, 2022, compared to 440,000 repurchases of shares of our outstanding common stock for \$17.5 million and 1,057,115 repurchases of shares of our outstanding common stock for \$32.1 million during the years ended December 31, 2021 and 2020, respectively. As of December 31, 2022, we had \$96.1 million of remaining capacity under our current share repurchase program.

## 18. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	Year Ended December 31,		
	2022	2021	2020
(Amounts in thousands)			
Current:			
U.S. federal	\$ 45,130	\$ 66,486	\$ 40,234
Foreign	40,876	29,987	42,487
State and local	6,177	1,478	5,894
Total current provision (benefit)	92,183	97,951	88,615
Deferred:			
U.S. federal	(88,498)	(92,021)	(50,038)
Foreign	(42,756)	(4,339)	26,742
State and local	(4,568)	(4,185)	(3,902)
Total deferred provision (benefit)	(135,822)	(100,545)	(27,198)
Total provision (benefit)	\$ (43,639)	\$ (2,594)	\$ 61,417

The provision for income taxes differs from the statutory corporate rate due to the following:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in millions)		
Statutory federal income tax at 21%	\$ 32.4	\$ 28.1	\$ 39.2
Base Erosion and Anti-abuse Tax	(7.6)	7.6	—
Foreign impact, net	(22.3)	(158.0)	0.1
Change in valuation allowances	(50.5)	146.6	26.9
State and local income taxes, net	1.6	(2.7)	2.0
Reversal of deferred tax liabilities following legal entity reorganizations	—	(22.6)	—
Research and development credit	(1.0)	(3.6)	(5.2)
Non-deductible items	2.3	4.4	1.8
U.S. federal tax return to accrual adjustments, not separately disclosed in other categories	1.8	(0.8)	(1.6)
Recognition of compensation costs related to restricted shares	2.4	(1.3)	1.0
Intercompany profit in inventory	(2.0)	(0.3)	0.3
Other, net	(0.7)	—	(3.1)
Total	(43.6)	(2.6)	61.4
Effective tax rate	(28.3)%	(1.9)%	30.4 %

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”), which provided the base-erosion and anti-abuse tax (“BEAT”) provision which effectively creates a new minimum tax on certain deductible payments to foreign affiliates. For the year ended December 31, 2022, we are not subject to BEAT tax, and the previously recorded 2021 BEAT tax was reversed in 2022 following finalization of the 2021 U.S. federal income tax return.

For the year ended December 31, 2022, the change in valuation allowances is driven mainly by the release of the valuation allowance against our deferred tax assets in Germany and Mexico partially offset by a valuation allowance establishment in Argentina as well as the release of the valuation allowance on our U.S. foreign tax credit carryforwards on general category income. The Company determined that the net deferred tax assets in Germany and Mexico are realizable based on recent history of profitability and future income projections. In addition, we determined that the U.S. foreign tax credit carryforwards on general category income were realizable based on the development of a tax planning strategy..

For the year ended December 31, 2021, the net foreign impact is driven mainly by the Hungarian net operating loss and foreign tax credit carryforward that are both fully offset in the change in valuation allowance (see discussion below).

For the years ended December 31, 2022, 2021 and 2020 we have asserted indefinite reinvestment on certain earnings of our foreign subsidiaries. As of December 31, 2022, we had not recorded approximately \$24.5 million of deferred tax liabilities associated with remaining unremitted earnings considered indefinitely reinvested, specifically related to foreign withholding taxes that would be due upon repatriation of the designated earnings to the U.S. While the company has estimated the foreign withholding tax impact related to distributing earnings currently deemed permanently reinvested, the calculation of the potential US tax consequences associated with the distribution of earnings currently deemed permanently reinvested is impracticable.



Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the consolidated deferred tax assets and liabilities were:

	December 31,	
	2022	2021
	(Amounts in thousands)	
Deferred tax assets related to:		
Net operating loss carryforwards	\$ 183,541	\$ 200,196
Credit and capital loss carryforwards	197,774	185,832
Warranty and accrued liabilities	49,302	26,116
Section 59(e) capitalized expenses	54,486	43,434
Other	168,933	161,418
Total deferred tax assets	654,036	616,996
Valuation allowances	(356,557)	(415,962)
Net deferred tax assets	\$ 297,479	\$ 201,034
Deferred tax liabilities related to:		
Goodwill and intangibles	\$ (123,088)	\$ (123,133)
Foreign undistributed earnings	(11,154)	(15,529)
Operating lease right-of-use-assets	(20,453)	(25,556)
Other	(1,395)	(1,936)
Total deferred tax liabilities	(156,090)	(166,154)
Deferred tax asset (liabilities), net	\$ 141,389	\$ 34,880

We had \$1,475.0 million of U.S. and foreign net operating loss carryforwards at December 31, 2022. Of this total, \$19.8 million are state net operating losses. State net operating losses generated in the U.S., if unused, will expire in 2027. \$234.0 million of our foreign net operating losses carry forward without expiration. Our Hungarian net operating loss of \$1,089.0 million that has a full valuation allowance (see discussion below), if unused, will expire in 2025. The remaining foreign net operating losses of \$132.1 million that do not carry forward without expiration, if unused, will expire between 2023-2033. Additionally, we had \$93.5 million of foreign tax credit carryforwards at December 31, 2022, that have a valuation allowance on the foreign branch category income (see discussion below), if unused, will expire between 2026-2032.

The following schedule presents the changes in deferred tax asset valuation allowance as follows:

(Amounts in thousands)	Balance at beginning of year	Additions charged to cost and expenses	Additions charged to other accounts - currency effects and other, net	Deductions from reserve	Balance at end of year
Year Ended December 31, 2022					
Deferred tax asset valuation allowance(1):	\$ 415,962	\$ 36,822	\$ (11,775)	\$ (84,452)	\$ 356,557
Year Ended December 31, 2021					
Deferred tax asset valuation allowance(1):	287,410	178,203	(15,572)	(34,079)	415,962
Year Ended December 31, 2020					
Deferred tax asset valuation allowance(1):	266,414	49,950	(529)	(28,425)	287,410

(1) Deductions from reserve result from the release of valuation allowances on deferred tax assets, expiration or utilization of net operating losses and foreign tax credits previously reserved. Additions to reserve result from the establishment of valuation allowances on deferred tax assets, generation of net operating losses and foreign tax credits.

The Company maintains a full valuation allowance against the net deferred tax assets in certain foreign jurisdictions as of December 31, 2022. As of each reporting date, management considers new evidence, both positive and negative that could affect its view of the future realization of net deferred tax assets. It is possible that within the next 12 months there may be sufficient positive evidence to release a portion or all of the remaining valuation allowance in those foreign jurisdictions. Release of the valuation allowance would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment and the level of profitability achieved.

Our valuation allowances primarily relate to the deferred tax assets established for U.S. foreign tax credit carryforwards on foreign branch category income of \$45.2 million, Hungarian net operating loss carryforward of \$98.0 million, a foreign capital loss carryforward of \$100.0 million, and other foreign deferred tax assets of \$113.4 million. The Hungarian net operating loss carryforward was a result of a local statutory impairment of investments in subsidiaries in 2021. It is more likely than not that the loss will not be utilized within its five year carryforward period and, therefore, has a full valuation allowance. The foreign capital loss carryforward was the result of a reorganization of certain foreign subsidiaries in 2019. Due to its capital nature, it is more likely than not that the loss will not be utilized within its ten year carryforward period and, therefore, has a full valuation allowance.

Earnings before income taxes comprised:

	Year Ended December 31,		
	2022	2021	2020
	(Amounts in thousands)		
U.S.	\$ 63,508	\$ (52,915)	\$ 73,109
Foreign	90,868	186,504	129,183
Total	<u>\$ 154,376</u>	<u>\$ 133,589</u>	<u>\$ 202,292</u>

A tabular reconciliation of the total gross amount of unrecognized tax benefits, excluding interest and penalties, is as follows (in millions):

	2022	2021	2020
Balance — January 1	\$ 49.9	\$ 54.8	\$ 40.6
Gross amount of increase (decrease) in unrecognized tax benefits resulting from tax positions taken:			
During a prior year	5.4	8.0	3.8
During the current period	5.8	4.5	11.1
Decreases in unrecognized tax benefits relating to:			
Settlements with taxing authorities	(5.5)	(10.2)	(0.2)
Lapse of the applicable statute of limitations	(4.1)	(5.1)	(2.5)
Increase (decrease) in unrecognized tax benefits relating to foreign currency translation adjustments	(1.3)	(2.1)	2.0
Balance — December 31	<u>\$ 50.2</u>	<u>\$ 49.9</u>	<u>\$ 54.8</u>

The amount of gross unrecognized tax benefits at December 31, 2022, was \$71.1 million, which includes \$20.9 million of accrued interest and penalties. Of this amount \$57.5 million, if recognized, would favorably impact our effective tax rate.

With limited exception, we are no longer subject to U.S. federal income tax audits for years through 2017, state and local income tax audits for years through 2016 or foreign income tax audits for years through 2015. We are currently under examination for various years in Canada, China, Germany, India, Indonesia, Italy, Kenya, Madagascar, Malaysia, Mexico, the Philippines, Saudi Arabia, the U.S. and Venezuela.

It is reasonably possible that within the next 12 months the effective tax rate will be impacted by the resolution of some or all of the matters audited by various taxing authorities. It is also reasonably possible that we will have the statute of limitations close in various taxing jurisdictions within the next 12 months. As such, we estimate we could record a reduction in our tax expense up to approximately \$12 million within the next 12 months.

## 19. BUSINESS SEGMENT INFORMATION

Our business segments share a focus on industrial flow control technology and have a high number of common customers. These segments also have complementary product offerings and technologies that are often combined in applications that provide us a net competitive advantage. Our segments also benefit from our global footprint and our economies of scale in reducing administrative and overhead costs to serve customers more cost effectively.

We conduct our operations through two business segments based on type of product and how we manage the business:

- FPD for custom, highly-engineered pumps, pre-configured industrial pumps, pump systems, mechanical seals, auxiliary systems and replacement parts and related services; and
- FCD for engineered and industrial valves, control valves, actuators and controls and related services.

Our corporate headquarters does not constitute a separate division or business segment. Amounts classified as "Eliminations and All Other" include corporate headquarters costs and other minor entities that do not constitute separate segments. Inter segment sales and transfers are recorded at cost plus a profit margin, with the sales and related margin on such sales eliminated in consolidation.

The following is a summary of the financial information of our reportable segments as of and for the years ended December 31, 2022, 2021 and 2020 reconciled to the amounts reported in the consolidated financial statements.

	FPD	FCD	Subtotal— Reportable Segments	Eliminations and All Other	Consolidated Total
(Amounts in thousands)					
<b>Year Ended December 31, 2022:</b>					
Sales to external customers	\$2,518,000	\$ 1,097,120	\$ 3,615,120	\$ —	\$ 3,615,120
Intersegment sales	4,508	3,489	7,997	(7,997)	—
Segment operating income (loss)	207,957	113,417	321,374	(124,155)	197,219
Depreciation and amortization	49,654	18,931	68,585	22,368	90,953
Identifiable assets	3,110,733	1,269,690	4,380,423	410,211	4,790,634
Capital expenditures	34,295	17,178	51,473	24,814	76,287
	FPD	FCD	Subtotal— Reportable Segments	Eliminations and All Other	Consolidated Total
(Amounts in thousands)					
<b>Year Ended December 31, 2021:</b>					
Sales to external customers	\$2,468,098	\$ 1,072,962	\$ 3,541,060	\$ —	\$ 3,541,060
Intersegment sales	2,750	2,924	5,674	(5,674)	—
Segment operating income (loss)	243,203	119,651	362,854	(92,095)	270,759
Depreciation and amortization	51,094	21,286	72,380	27,442	99,822
Identifiable assets	2,927,346	1,223,316	4,150,662	599,106	4,749,768
Capital expenditures	21,575	12,283	33,858	21,078	54,936
	FPD	FCD	Subtotal— Reportable Segments	Eliminations and All Other	Consolidated Total
(Amounts in thousands)					
<b>Year Ended December 31, 2020:</b>					
Sales to external customers	\$ 2,673,705	\$ 1,054,429	\$ 3,728,134	\$ —	\$ 3,728,134
Intersegment sales	1,965	3,120	5,085	(5,085)	—
Segment operating income (loss)	270,960	125,573	396,533	(146,256)	250,277
Depreciation and amortization	52,390	21,949	74,339	26,414	100,753
Identifiable assets	3,039,069	1,308,136	4,347,205	967,472	5,314,677
Capital expenditures	21,714	14,043	35,757	21,648	57,405

*Geographic Information* — We attribute sales to different geographic areas based on our facilities' locations. Long-lived assets are classified based on the geographic area in which the assets are located and exclude deferred taxes, goodwill and intangible assets. Sales and long-lived assets by geographic area are as follows:

Year Ended December 31, 2022				
	Sales	Percentage	Long-Lived Assets	Percentage
(Amounts in thousands, except percentages)				
United States	\$ 1,536,961	42.5 %	\$ 412,896	46.6 %
EMA(1)	1,210,436	33.5 %	274,511	30.9 %
Asia(2)	524,952	14.5 %	144,206	16.2 %
Other(3)	342,771	9.5 %	56,132	6.3 %
Consolidated total	<u>\$ 3,615,120</u>	<u>100.0 %</u>	<u>\$ 887,745</u>	<u>100.0 %</u>

Year Ended December 31, 2021				
	Sales	Percentage	Long-Lived Assets	Percentage
(Amounts in thousands, except percentages)				
United States	\$ 1,376,771	38.9 %	\$ 476,176	49.2 %
EMA(1)	1,270,326	35.9 %	298,426	30.8 %
Asia(2)	557,314	15.7 %	141,810	14.6 %
Other(3)	336,649	9.5 %	51,688	5.4 %
Consolidated total	<u>\$ 3,541,060</u>	<u>100.0 %</u>	<u>\$ 968,100</u>	<u>100.0 %</u>

Year Ended December 31, 2020				
	Sales	Percentage	Long-Lived Assets	Percentage
(Amounts in thousands, except percentages)				
United States	\$ 1,463,680	39.3 %	\$ 455,622	46.2 %
EMA(1)	1,385,245	37.2 %	336,577	34.1 %
Asia(2)	535,440	14.4 %	138,947	14.1 %
Other(3)	343,769	9.1 %	55,278	5.6 %
Consolidated total	<u>\$ 3,728,134</u>	<u>100.0 %</u>	<u>\$ 986,424</u>	<u>100.0 %</u>

(1) "EMA" includes Europe, the Middle East and Africa. U. K. accounted for approximately 10% for 2022, 10% for 2021 and 9% for 2020, of consolidated long-lived assets. No other individual country within this group represents 10% or more of consolidated totals for any period presented.

(2) "Asia" includes Asia and Australia. No individual country within this group represents 10% or more of consolidated totals for any period presented.

(3) "Other" includes Canada and Latin America. No individual country within this group represents 10% or more of consolidated totals for any period presented.

Net sales to international customers, including export sales from the U.S., represented approximately 62% of total sales in 2022, 67% of total sales in 2021 and 65% of total sales in 2020.

*Major Customer Information* — We have a large number of customers across a large number of manufacturing and service facilities and do not have sales to any individual customer that represent 10% or more of consolidated sales for any of the years presented.

## 20. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following presents the components of accumulated other comprehensive loss (AOCL), net of related tax effects:

(Amounts in thousands)	2022				2021			
	Foreign currency translation items(1)	Pension and other post-retirement effects	Cash flow hedging activity (2)	Total(1)	Foreign currency translation items(1)	Pension and other post-retirement effects	Cash flow hedging activity (2)	Total(1)
Balance - January 1	\$ (456,025)	\$ (101,665)	\$ (1,336)	\$ (559,026)	\$ (456,549)	\$ (146,723)	\$ (488)	\$ (603,760)
Other comprehensive income (loss) before reclassifications (3)	(98,658)	16,684	314	(81,660)	524	34,960	—	35,484
Amounts reclassified from AOCL	—	(1,375)	89	(1,286)	—	10,098	(848)	9,250
Net current-period other comprehensive income (loss) (3)	(98,658)	15,309	403	(82,946)	524	45,058	(848)	44,734
Balance - December 31	<u>\$ (554,683)</u>	<u>\$ (86,356)</u>	<u>\$ (933)</u>	<u>\$ (641,972)</u>	<u>\$ (456,025)</u>	<u>\$ (101,665)</u>	<u>\$ (1,336)</u>	<u>\$ (559,026)</u>

(1) Includes foreign currency translation adjustments attributable to noncontrolling interests of \$5.8 million, \$4.6 million and \$5.9 million for December 31, 2022, 2021 and 2020, respectively. Also includes the cumulative impacts from the changes in fair value of our cross-currency swaps, which were \$49.0 million, \$17.7 million and \$(13.8) million for December 31, 2022, 2021 and 2020, respectively.

(2) Other comprehensive loss before reclassifications and amounts reclassified from AOCL to interest expense related to designated cash flow hedges.

(3) Amounts in parentheses indicate an increase to AOCL.

The following table presents the reclassifications out of AOCL:

(Amounts in thousands)	Affected line item in the statement of income	2022(1)	2021(1)
<b>Pension and other postretirement effects</b>			
Amortization of actuarial losses(2)	Other income (expense), net	\$ (6,382)	\$ (12,213)
Prior service costs(2)	Other income (expense), net	(591)	(610)
Settlements and other(2)	Other income (expense), net	(75)	(640)
	Tax benefit (expense)	8,423	3,365
	Net of tax	\$ 1,375	\$ (10,098)
<b>Cash flow hedging activity</b>			
Amortization of Treasury rate lock	Interest income (expense)	\$ (117)	\$ 848
	Tax benefit (expense)	28	—
	Net of tax	\$ (89)	\$ 848

(1) Amounts in parentheses indicate decreases to income. None of the reclassification amounts have a noncontrolling interest component.

(2) These AOCL components are included in the computation of net periodic pension cost. See Note 13 for additional details.

## 21. REALIGNMENT PROGRAMS

In the second quarter of 2020, we identified and initiated certain realignment activities to right-size our organizational operations based on the current business environment, with the overall objective to reduce our workforce costs, including manufacturing optimization through the consolidation of certain facilities ("Realignment Program"). The realignment activities consist of restructuring and non-restructuring charges. Restructuring charges represent costs associated with the relocation of certain business activities and facility closures and include related severance costs. Non-restructuring charges are primarily employee severance associated with the workforce reductions. Severance costs primarily include costs associated with involuntary termination benefits. Expenses are primarily reported in cost of sales ("COS") or selling, general and administrative ("SG&A"), as applicable, in our consolidated statements of income. The total investment in these activities is approximately \$95 million with the vast majority of the charges incurred in 2020 and 2021. There are certain remaining realignment activities that are being evaluated, but have not yet been finalized and therefore not included in the anticipated total investment.

Generally, the aforementioned charges will be paid in cash, except for asset write-downs, which are non-cash charges. The following is a summary of total charges, net of adjustments, incurred related to our Realignment Program:

December 31, 2022					
(Amounts in thousands)	FPD	FCD	Subtotal– Reportable Segments	All Other	Consolidated Total
<b>Restructuring Charges</b>					
COS	\$ 768	\$ 93	\$ 861	\$ —	\$ 861
SG&A	—	(4)	(4)	—	(4)
	<u>\$ 768</u>	<u>\$ 89</u>	<u>\$ 857</u>	<u>\$ —</u>	<u>\$ 857</u>
<b>Non-Restructuring Charges</b>					
COS	\$ (530)	\$ 86	\$ (444)	\$ (61)	\$ (505)
SG&A	148	(391)	(243)	(274)	(517)
	<u>\$ (382)</u>	<u>\$ (305)</u>	<u>\$ (687)</u>	<u>\$ (335)</u>	<u>\$ (1,022)</u>
<b>Total Realignment Charges</b>					
COS	\$ 238	\$ 179	\$ 417	\$ (61)	\$ 356
SG&A	148	(395)	(247)	(274)	(521)
Total	<u>\$ 386</u>	<u>\$ (216)</u>	<u>\$ 170</u>	<u>\$ (335)</u>	<u>\$ (165)</u>

December 31, 2021					
(Amounts in thousands)	FPD	FCD	Subtotal– Reportable Segments	All Other	Consolidated Total
<b>Restructuring Charges</b>					
COS	\$ 8,046	\$ 811	\$ 8,857	\$ —	\$ 8,857
SG&A	665	(9)	656	—	656
	<u>\$ 8,711</u>	<u>\$ 802</u>	<u>\$ 9,513</u>	<u>\$ —</u>	<u>\$ 9,513</u>
<b>Non-Restructuring Charges</b>					
COS	\$ 6,203	\$ 1,196	\$ 7,399	\$ 590	\$ 7,989
SG&A	368	708	1,076	3,913	4,989
	<u>\$ 6,571</u>	<u>\$ 1,904</u>	<u>\$ 8,475</u>	<u>\$ 4,503</u>	<u>\$ 12,978</u>
<b>Total Realignment and Transformation Charges</b>					
COS	\$ 14,249	\$ 2,007	\$ 16,256	\$ 590	\$ 16,846
SG&A	1,033	699	1,732	3,913	5,645
Total	<u>\$ 15,282</u>	<u>\$ 2,706</u>	<u>\$ 17,988</u>	<u>\$ 4,503</u>	<u>\$ 22,491</u>



The following is a summary of total inception to date charges, net of adjustments, related to the Realignment Program:

(Amounts in thousands)	Inception to Date				
	FPD	FCD	Subtotal- Reportable Segments	All Other	Consolidated Total
<b>Restructuring Charges</b>					
COS	\$ 26,642	\$ 2,131	\$ 28,773	\$ —	\$ 28,773
SG&A	716	328	1,044	(16)	1,028
	<u>\$ 27,358</u>	<u>\$ 2,459</u>	<u>\$ 29,817</u>	<u>\$ (16)</u>	<u>\$ 29,801</u>
<b>Non-Restructuring Charges</b>					
COS	\$ 24,877	\$ 808	\$ 25,685	\$ 581	\$ 26,266
SG&A	11,197	4,871	16,068	21,521	37,589
	<u>\$ 36,074</u>	<u>\$ 5,679</u>	<u>\$ 41,753</u>	<u>\$ 22,102</u>	<u>\$ 63,855</u>
<b>Total Realignment Charges</b>					
COS	\$ 51,519	\$ 2,939	\$ 54,458	\$ 581	\$ 55,039
SG&A	11,913	5,199	17,112	21,505	38,617
Total	<u>\$ 63,432</u>	<u>\$ 8,138</u>	<u>\$ 71,570</u>	<u>\$ 22,086</u>	<u>\$ 93,656</u>

Restructuring charges represent costs related to employee severance at closed facilities, contract termination costs, asset write-downs and other costs. Contract termination costs include costs related to the termination of operating leases or other contract termination costs. Asset write-downs include accelerated depreciation of fixed assets, accelerated amortization of intangible assets, divestiture of certain non-strategic assets and inventory write-downs. Other costs generally include costs related to employee relocation, asset relocation, vacant facility costs (i.e., taxes and insurance) and other charges.

The following is a summary of restructuring charges, net of adjustments, for our restructuring activities. Restructuring charges incurred related to our Realignment Program:

(Amounts in thousands)	December 31, 2022				
	Severance	Contract Termination	Asset Write- Downs	Other	Total
COS	\$ 122	\$ 327	\$ 273	\$ 139	\$ 861
SG&A	(4)	—	—	—	(4)
Total	<u>\$ 118</u>	<u>\$ 327</u>	<u>\$ 273</u>	<u>\$ 139</u>	<u>\$ 857</u>

	December 31, 2021				
(Amounts in thousands)	Severance	Contract Termination	Asset Write-Downs	Other	Total
COS	\$ 964	\$ 34	\$ 2,683	\$ 5,176	\$ 8,857
SG&A	167	—	—	489	656
Total	\$ 1,131	\$ 34	\$ 2,683	\$ 5,665	\$ 9,513

The following is a summary of total inception to date charges, net of adjustments, related to our Realignment Program:

	Inception to Date				
(Amounts in thousands)	Severance	Contract Termination	Asset Write-Downs	Other	Total
COS	\$ 16,324	\$ 413	\$ 4,368	\$ 7,668	\$ 28,773
SG&A	247	—	14	767	1,028
Total	\$ 16,571	\$ 413	\$ 4,382	\$ 8,435	\$ 29,801

The following represents the activity, primarily severance, related to the restructuring reserve for the Realignment Programs for the years ended December 31, 2022 and 2021:

(Amounts in thousands)	2022	2021
Balance at January 1,	\$ 4,868	\$ 18,255
Charges	584	6,829
Cash expenditures	(3,518)	(18,942)
Other non-cash adjustments, including currency	(969)	(1,274)
Balance at December 31,	\$ 965	\$ 4,868

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### ITEM 9A. CONTROLS AND PROCEDURES

##### Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to provide reasonable assurance that the information, which we are required to disclose in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the U.S. SEC rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the preparation of this Annual Report on Form 10-K for the year ended December 31, 2022, our management, under the supervision and with the participation of our Principal Executive Officer and our Principal Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2022.

##### Management's Report on Internal Control Over Financial Reporting

Our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. 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 in the United States ("U.S. GAAP"). Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, our management conducted an assessment of our internal control over financial reporting as of December 31, 2022, based on the criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded our internal control over financial reporting was effective as of December 31, 2022, based on criteria in *Internal Control - Integrated Framework* (2013) issued by the COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2022, has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report, which is included herein.

#### **Changes in Internal Control Over Financial Reporting**

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

#### **Other**

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 existing policies or procedures may deteriorate.

#### **ITEM 9B. OTHER INFORMATION**

None.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required in this Item 10 is incorporated by reference to all information under the captions "Security Ownership of Directors and Certain Executive Officers," "Security Ownership of Certain Beneficial Owners," "Proposal One: Election of Directors," "Executive Officers," "Shareholder Proposals and Nominations," "Delinquent Section 16(a)"

Reports,” to the extent applicable, and “Certain Relationships and Related Transactions” in our definitive Proxy Statement relating to our 2023 annual meeting of shareholders.

We have adopted a Code of Conduct that applies to all of our directors, officers and employees, including our Principal Executive, Principal Financial and Principal Accounting Officers, or persons performing similar functions. Our Code of Conduct is available on the Company’s website at [www.flowserve.com](http://www.flowserve.com) under the “Investors - Corporate Governance” caption. We intend to disclose future amendments to certain provisions of the Code of Conduct, and waivers of the Code of Conduct granted to executive officers and directors, on the website within four business days following the date of the amendment or waiver.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required in this Item 11 is incorporated by reference to all information under the captions “Executive Compensation,” “Proposal Two: Advisory Vote to Approve Executive Compensation,” “Delinquent Section 16(a) Reports,” to the extent applicable, “Security Ownership of Directors and Certain Executive Officers,” “Compensation Committee Interlocks and Insider Participation” and “Certain Relationships and Related Transactions” in our definitive Proxy Statement relating to our 2023 annual meeting of shareholders.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required in this Item 12 is incorporated by reference to all information under the captions “Security Ownership of Directors and Certain Executive Officers,” “Security Ownership of Certain Beneficial Owners,” “Equity Compensation Plan Information” and “Executive Compensation” in our definitive Proxy Statement relating to our 2023 annual meeting of shareholders.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required in this Item 13 is incorporated by reference to all information under the captions “Role of the Board; Corporate Governance Matters,” “Board Committees” and “Certain Relationships and Related Transactions” in our definitive Proxy Statement relating to our 2023 annual meeting of shareholders.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required in this Item 14 is incorporated by reference to all information under the caption “Other Audit Information” in our definitive Proxy Statement relating to our 2023 annual meeting of shareholders.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as a part of this Annual Report:

*1. Consolidated Financial Statements*

The following consolidated financial statements and notes thereto are filed as part of this Annual Report:

Report of Independent Registered Public Accounting Firm (PCAOB ID 238)

Flowserve Corporation Consolidated Financial Statements:

Consolidated Balance Sheets at December 31, 2022 and 2021:

For each of the three years in the period ended December 31, 2022:

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

## 2. Consolidated Financial Statement Schedules

None

Financial statement schedules not included in this Annual Report have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

## 3. Exhibits

The exhibits of this Annual Report on Form 10-K included herein are set forth below.

Exhibit No.	Description
<a href="#">3.1</a>	Restated Certificate of Incorporation of Flowserve Corporation, as amended and restated effective May 20, 2021 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated May 25, 2021).
<a href="#">3.2</a>	Flowserve Corporation By-Laws, as amended and restated effective August 16, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated August 17, 2022).
<a href="#">4.1</a>	Senior Indenture, dated September 11, 2012, by and between Flowserve Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated September 11, 2012).
<a href="#">4.2</a>	First Supplemental Indenture, dated September 11, 2012, by and among Flowserve Corporation, certain of its subsidiaries and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated September 11, 2012).
<a href="#">4.3</a>	Second Supplemental Indenture, dated November 1, 2013, by and among Flowserve Corporation, certain of its subsidiaries and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated November 1, 2013).
<a href="#">4.4</a>	Third Supplemental Indenture, dated March 17, 2015, by and among Flowserve Corporation, certain of its subsidiaries and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated March 17, 2015).
<a href="#">4.5</a>	Fourth Supplemental Indenture, dated September 21, 2020, between Flowserve Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated September 22, 2020).
<a href="#">4.6</a>	Fifth Supplemental Indenture, dated September 23, 2021, by and between Flowserve Corporation and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated September 23, 2021).
<a href="#">4.7</a>	Description of Registrant's Securities (incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) dated February 18, 2020).
<a href="#">10.1</a>	Amended and Restated Credit Agreement, dated as of September 13, 2021, among Flowserve Corporation, Bank of America, N.A., as swing line lender, a letter of credit issuer and administrative agent, and the other lenders and sing line lenders referred to therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated September 13, 2021).
<a href="#">10.2+</a>	First Amendment to Amended and Restated Credit Agreement, dated as of February 3, 2023, among Flowserve Corporation, Bank of American, N.A., as administrative agent, and the other lenders referred to therein.

Exhibit No.	Description
<a href="#"><u>10.3</u></a>	Amended and Restated Flowserve Corporation Director Cash Deferral Plan, effective January 1, 2009 (incorporated by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2008).*
<a href="#"><u>10.4</u></a>	Amended and Restated Flowserve Corporation Director Stock Deferral Plan, dated effective January 1, 2009 (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2008).*
<a href="#"><u>10.5</u></a>	Trust for Non-Qualified Deferred Compensation Benefit Plans, dated February 11, 2011 (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2010).*
<a href="#"><u>10.6</u></a>	Flowserve Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2000).*
<a href="#"><u>10.7</u></a>	Amendment No. 1 to the Flowserve Corporation Deferred Compensation Plan, as amended and restated, effective June 1, 2000 (incorporated by reference to Exhibit 10.50 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2002).*
<a href="#"><u>10.8</u></a>	Amendment to the Flowserve Corporation Deferred Compensation Plan, dated December 14, 2005 (incorporated by reference to Exhibit 10.70 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2004).*
<a href="#"><u>10.9</u></a>	Amendment No. 3 to the Flowserve Corporation Deferred Compensation Plan, as amended and restated effective June 1, 2000 (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2007).*
<a href="#"><u>10.10</u></a>	Flowserve Corporation Senior Management Retirement Plan, amended and restated effective November 2, 2018 (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2018).*
<a href="#"><u>10.11</u></a>	Flowserve Corporation Supplemental Executive Retirement Plan, amended and restated effective November 2, 2018 (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2018).*
<a href="#"><u>10.12</u></a>	Flowserve Corporation Equity and Incentive Compensation Plan (incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A (File No. 001-13179) dated April 3, 2009).*
<a href="#"><u>10.13</u></a>	Flowserve Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A (File No. 001-13179) dated April 11, 2019).*
<a href="#"><u>10.14</u></a> <sup>+</sup>	Amendment to Flowserve Corporation 2020 Long-Term Incentive Plan, dated December 8, 2022.*
<a href="#"><u>10.15</u></a>	Form of Indemnification Agreement for all Directors and Officers (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K (File No. 001-13179) for the year ended December 31, 2015).
<a href="#"><u>10.16</u></a>	Offer Letter, dated as of February 6, 2017, by and between Flowserve Corporation and R. Scott Rowe (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated as of February 8, 2017).*
<a href="#"><u>10.17</u></a>	Flowserve Corporation Change In Control Severance Plan, amended and restated effective November 2, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended September 30, 2018).*
<a href="#"><u>10.18</u></a>	Flowserve Corporation Executive Officer Severance Plan, as amended and restated effective August 17, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended September 30, 2022).*
<a href="#"><u>10.19</u></a>	Flowserve Corporation Annual Incentive Plan, as amended and restated effective August 17, 2022 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended September 30, 2022).*
<a href="#"><u>10.20</u></a>	Form of Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended June 30, 2020).*
<a href="#"><u>10.21</u></a> <sup>+</sup>	Form of 2023 Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (Annual Award).*

Exhibit No.	Description
<a href="#"><u>10.22</u></a>	Form of 2021 Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (Retention Award) (incorporated by reference to Exhibit 10.23 to the Registrant's Annual report on Form 10-K (File No. 001-13179) for the year ended December 31, 2021).*
<a href="#"><u>10.23</u></a>	Form of 2022 Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended March 31, 2022).*
<a href="#"><u>10.24</u></a>	Form of Performance Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (TSR) (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended June 30, 2020).*
<a href="#"><u>10.25</u></a>	Form of Performance Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (ROIC) (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended June 30, 2020).*
<a href="#"><u>10.26</u></a> +	Form of 2023 Performance Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan.*
<a href="#"><u>10.27</u></a>	Form of 2022 Performance Restricted Stock Unit Agreement for certain officers pursuant to the Flowserve Corporation 2020 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended March 31, 2022).*
<a href="#"><u>10.28</u></a>	Amendment to Performance Restricted Stock Unit Agreements under the Flowserve Corporation 2020 Long-Term Incentive Plan by and between Flowserve Corporation and R. Scott Rowe dated April 19, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-13179) for the quarter ended June 30, 2022).*
<a href="#"><u>14.1</u></a>	Flowserve Corporation Employee Code of Conduct (incorporated by reference to Exhibit 14.1 to the Registrant's Current Report on Form 8-K (File No. 001-13179) dated as of August 15, 2019).
<a href="#"><u>21.1</u></a> +	Subsidiaries of the Registrant.
<a href="#"><u>23.1</u></a> +	Consent of PricewaterhouseCoopers LLP.
<a href="#"><u>31.1</u></a> +	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#"><u>31.2</u></a> +	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#"><u>32.1</u></a> ++	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<a href="#"><u>32.2</u></a> ++	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.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	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL (included as Exhibit 101).

\* Management contract or compensatory plans or arrangement.

+ Filed herewith.

++ Furnished herewith.

**ITEM 16. FORM 10-K SUMMARY**

None.



## SIGNATURES

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

FLOWSERVE CORPORATION

By: /s/ R. Scott Rowe

R. Scott Rowe  
President and Chief Executive Officer

Date: March 7, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ David E. Roberts</u> David E. Roberts	Non-Executive Chairman of the Board	March 7, 2023
<u>/s/ R. Scott Rowe</u> R. Scott Rowe	President, Chief Executive Officer and Director (Principal Executive Officer)	March 7, 2023
<u>/s/ Amy B. Schwetz</u> Amy B. Schwetz	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 7, 2023
<u>/s/ Scott K. Vopni</u> Scott K. Vopni	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 7, 2023
<u>/s/ Sujeet Chand</u> Sujeet Chand	Director	March 7, 2023
<u>/s/ Ruby R. Chandy</u> Ruby R. Chandy	Director	March 7, 2023
<u>/s/ Gayla J. Delly</u> Gayla J. Delly	Director	March 7, 2023
<u>/s/ John R. Friedery</u> John R. Friedery	Director	March 7, 2023
<u>/s/ John L. Garrison</u> John L. Garrison	Director	March 7, 2023
<u>/s/ Michael C. McMurray</u> Michael C. McMurray	Director	March 7, 2023
<u>/s/ Kenneth I. Siegel</u> Kenneth I. Siegel	Director	March 7, 2023
<u>/s/ Carlyn R. Taylor</u> Carlyn R. Taylor	Director	March 7, 2023

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of February 3, 2023 (this “Amendment”), is entered into among FLOWERVE CORPORATION, a New York corporation (the “Borrower”), the Lenders party hereto and BANK OF AMERICA, N.A., as Administrative Agent. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Amended and Restated Credit Agreement, dated as of September 13, 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”); and

WHEREAS, the parties hereto have agreed to amend the Credit Agreement as provided herein.

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

AGREEMENT1. Amendments.

(a) The Credit Agreement (but not the Schedules and Exhibits thereto) is hereby amended and restated in its entirety to read as set forth on Annex A attached hereto.

(b) Exhibit 2.02 to the Credit Agreement is hereby amended to read as Exhibit 2.02 attached hereto.

(c) Exhibit 2.05 to the Credit Agreement is hereby amended to read as Exhibit 2.05 attached hereto.

(d) Notwithstanding anything to the contrary in the Credit Agreement, including Section 2.02(c) thereof, it is understood and agreed that, with respect to any Loan bearing interest at the Eurocurrency Rate outstanding immediately prior to the effectiveness of this Amendment, such Loan shall continue as a Eurocurrency Rate Loan until the end of the current Interest Period(s) applicable thereto, and any provisions of the Credit Agreement (as in effect immediately prior to giving effect to this Amendment) applicable to such Loans are incorporated herein by reference, *mutatis mutandis*, and the parties hereto hereby agree that (i) such provisions shall continue to apply to such Loans until the end of the current Interest Period(s) applicable thereto and (ii) on the last day of such Interest Period applicable to each Eurocurrency Rate Loan, such Eurocurrency Rate Loan shall be converted to either Term SOFR Loans or Base Rate Loans, as specified by the Borrower in the applicable Loan Notice and, in the case of Term SOFR Loans, with the Interest Period specified therein by the Borrower to be applicable thereto. For the avoidance of doubt, “Eurocurrency Rate” and “Eurocurrency Rate Loan”, as used in this Section 1(d), mean “Eurocurrency Rate” and “Eurocurrency Loan”, in each case, as such term is defined in the Credit Agreement immediately prior to giving effect to this Amendment.

2. Effectiveness; Conditions Precedent. This Amendment shall be effective upon (a) receipt by the Administrative Agent of copies of this Amendment duly executed by the Borrower and the Lenders, (b) receipt by the Administrative Agent (or a designated Affiliate thereof), for the account of each Lender executing this Amendment, of all agreed upon fees in connection with this Amendment and payment to the Administrative Agent (or a designated Affiliate thereof), for its own account, of all agreed upon fees in connection with this Amendment, and (c) the Borrower’s payment of all reasonable and documented fees, charges and disbursements of legal counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced at least two (2) Business Days prior to the date hereof.

3. Ratification of Credit Agreement. The Borrower acknowledges and consents to the terms set forth herein and agrees that this Amendment does not impair, reduce or limit any of its obligations under the Loan Documents, as amended hereby. This Amendment is a Loan Document.

4. Authority/Enforceability. The Borrower represents and warrants as of the date hereof as follows:

(a) It has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment by it.

(b) This Amendment has been duly executed and delivered by the Borrower and constitutes its legal, valid and binding obligations, enforceable against the Borrower in accordance with its terms, except as may be limited by applicable Debtor Relief Laws or by equitable principles relating to enforceability.

(c) No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is required in connection with the execution, delivery or performance by, or enforcement against, the Borrower of this Amendment, except for such as have been made or obtained and are in full force and effect and customary SEC disclosure filings.

(d) The execution and delivery of this Amendment by the Borrower does not (i) violate the terms of its Organization Documents or (ii) violate any applicable Law.

5. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Lenders that immediately before and immediately after giving effect to this Amendment (a) the representations and warranties set forth in Article VI of the Credit Agreement are true and correct in all material respects (or, if any such representation or warranty is qualified by materiality or Material Adverse Effect, it shall be true and correct in all respects as drafted) as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (or, if such representation or warranty is qualified by materiality or Material Adverse Effect, it shall be true and correct in all respects as drafted) as of such earlier date, and (b) no Default exists.

6. Counterparts/Facsimile. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts of this Amendment by facsimile or other secure electronic format (.pdf) shall be effective as an original.

7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. THE TERMS OF SECTIONS 11.14 AND 11.15 OF THE CREDIT AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE, *MUTATIS MUTANDIS*.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

9. Headings. The headings of the sections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Amendment.

10. Severability. If any provision of this Amendment is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11. No Waiver. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor, except as expressly provided herein, constitute a waiver or amendment of any provision of any of the Loan Documents

**12. THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER: FLOWSERVE CORPORATION,  
a New York corporation

By: /s/ John E. Roueche, III  
Name: John E. Roueche, III  
Title: Vice President, Investor Relations and Treasurer

ADMINISTRATIVE  
AGENT: bank of america, n.a.,  
as Administrative Agent

By: /s/ Don B. Pinzon  
Name: Don B. Pinzon  
Title: Vice President

LENDERS: bank of america, n.a., as a Lender, L/C Issuer and Swing Line Lender  
By: /s/ Oscar D. Cortez

Name: Oscar D. Cortez  
Title: Director

BNP PARIBAS,  
as a Lender and L/C Issuer

By: /s/ Kirk Hoffman

Name: Kirk Hoffman  
Title: Managing Director

By: /s/ Monica Tilani

Name: Monica Tilani  
Title: Director

JPMORGAN CHASE BANK, N.A.,  
as a Lender and L/C Issuer

By: /s/ Gus Huerta

Name: Gus Huerta  
Title: Authorized Officer

MIZUHO BANK, LTD.,  
as a Lender and an L/C Issuer

By: /s/ Donna DeMagistris

Name: Donna DeMagistris  
Title: Executive Director

PNC BANK, NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Khoa Duong

Name: Khoa Duong  
Title: Senior Vice President

MUFG BANK, LTD.,  
as a Lender

By: /s/ Jorge Georgalos  
Name: Jorge Georgalos  
Title: Director

BMO Harris Bank N.A.,  
as a Lender

By: /s/ Patrick Hartweger

Name: Patrick Hartweger  
Title: Managing Director

CITIBANK, N.A.,  
as a Lender

By: /s/ Kevin (KC) Clark

Name: Kevin (KC) Clark  
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Steven L. Sawyer

Name: Steven L. Sawyer  
Title: Senior Vice President

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. NEW YORK BRANCH,  
as a Lender

By: /s/ Cara Younger  
Name: Cara Younger  
Title: Managing Director

By: /s/ Armen Semizian  
Name: Armen Semizian  
Title: Executive Director

THE HUNTINGTON NATIONAL BANK,  
as a Lender

By: /s/ Phil Andresen

Name: Phil Andresen  
Title: Director

THE NORTHERN TRUST COMPANY,  
as a Lender

By: /s/ Will Hicks

Name: Will Hicks  
Title: Vice President

THE BANK OF NOVA SCOTIA,  
as a Lender

By: /s/ Frans Braniotis  
Name: Frans Braniotis  
Title: Managing Director

TEXAS NATIONAL BANK,  
as a Lender

By: /s/ Michael J. Williamson

Name: Michael J. Williamson  
Title: Executive Vice President

**Annex A**

**AMENDED CREDIT AGREEMENT**

See attached.

ANNEX A

**Published CUSIP Numbers:**

**Deal: 34354LAY0**

**Revolver: 34354LAZ7**

**Term Loan: 34354LBA1**

**AMENDED AND RESTATED CREDIT AGREEMENT**

Dated as of September 13, 2021

among

**FLOWERVE CORPORATION,**  
as the Borrower,

**THE SUBSIDIARIES OF THE BORROWER IDENTIFIED HEREIN,**  
as the Guarantors,

**BANK OF AMERICA, N.A.,**  
as Administrative Agent, Swing Line Lender and an L/C Issuer,

**BNP PARIBAS,**  
**JPMORGAN CHASE BANK, N.A.**  
and  
**MIZUHO BANK, LTD.,**  
as Co-Syndication Agents,

**BMO HARRIS BANK, N.A.,**  
**CITIBANK, N.A.,**  
**MUFG BANK, LTD.**  
and  
**PNC BANK, NATIONAL ASSOCIATION,**  
as Co-Documentation Agents

and

**THE OTHER LENDERS PARTY HERETO**

Arranged By:

**BOFA SECURITIES, INC.,**  
**BNP PARIBAS SECURITIES CORP.,**  
**JPMORGAN CHASE BANK, N.A.**  
and  
**MIZUHO BANK, LTD.,** as Joint Lead Arrangers and Joint Bookrunners

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## AMENDED AND RESTATED CREDIT AGREEMENT

This **AMENDED AND RESTATED CREDIT AGREEMENT** is entered into as of September 13, 2021 among **FLOWERVE CORPORATION**, a New York corporation (the “Borrower”), the Guarantors (defined herein), the Lenders (defined herein) and **BANK OF AMERICA, N.A.**, as Administrative Agent, Swing Line Lender and L/C Issuer.

The Borrower has requested that the Lenders provide \$1,100,000,000 senior credit facilities for the purposes set forth herein, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

### A. DEFINITIONS AND ACCOUNTING TERMS

#### **1.01 Defined Terms.**

As used in this Agreement, the following terms shall have the meanings set forth below:

“Acquisition”, by any Person, means the acquisition by such Person, in a single transaction or in a series of related transactions, of either (a) all or any substantial portion of the property of, or a line of business or division of, another Person or (b) all of the Voting Stock of another Person, in each case whether or not involving a merger or consolidation with such other Person.

“Act” has the meaning set forth in Section 11.18.

“Administrative Agent” means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means, with respect to any currency, the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 11.02 with respect to such currency, or such other address or account with respect to such currency as the Administrative Agent may from time to time notify the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in substantially the form of Exhibit 11.06(b)(iv) or any other form approved by the Administrative Agent.

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

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agent Parties” has the meaning set forth in Section 11.02(c).

“Aggregate Revolving Commitments” means the Revolving Commitments of all the Lenders. The initial amount of the Aggregate Revolving Commitments in effect on the Closing Date is \$800,000,000.

“Agreement” means this Credit Agreement.

“Agreement Currency” has the meaning set forth in Section 11.19.

“Alternative Currency” means each of Euro, Sterling and each other currency (other than Dollars) that is approved in accordance with Section 1.08; provided that for each Alternative Currency, such requested currency is an Eligible Currency at the time of the applicable Credit Extension.

“Alternative Currency Daily Rate” means, for any day, with respect to any Credit Extension:

- i. denominated in Sterling, the rate per annum equal to SONIA determined pursuant to the definition thereof plus the SONIA Adjustment; and
- ii. denominated in any other Alternative Currency (to the extent such Loans denominated in such currency will bear interest at a daily rate), the daily rate per annum as designated with respect to such Alternative Currency at the time such Alternative Currency is approved by the Administrative Agent and the relevant Lenders pursuant to Section 1.08 plus the adjustment (if any) determined by the Administrative Agent and the relevant Lenders pursuant to Section 1.08;

provided that if any Alternative Currency Daily Rate shall be less than 0%, then such rate shall be deemed 0% for purposes of this Agreement. Any change in an Alternative Currency Daily Rate shall be effective from and including the date of such change without further notice.

“Alternative Currency Daily Rate Loan” means a Loan that bears interest at a rate based on the definition of “Alternative Currency Daily Rate.” All Alternative Currency Daily Rate Loans must be denominated in an Alternative Currency.

“Alternative Currency Equivalent” means, at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Alternative Currency as determined by the Administrative Agent or the L/C Issuer, as the case may be, by reference to Bloomberg (or such other publicly available service for displaying exchange rates), to be the exchange rate for the purchase of such Alternative Currency with Dollars at approximately 11:00 a.m. on the date two (2) Business Days prior to the date as of which the foreign exchange computation is made; provided, however, that if no such rate is available, the “Alternative Currency Equivalent” shall be determined by the Administrative Agent or the L/C Issuer, as the case may be, using any reasonable method of determination it deems appropriate in its sole discretion (and such determination shall be conclusive absent manifest error).

“Alternative Currency Loan” means an Alternative Currency Daily Rate Loan or an Alternative Currency Term Rate Loan, as applicable.

“Alternative Currency Sublimit” means an amount equal to the lesser of the Aggregate Revolving Commitments and \$350,000,000. The Alternative Currency Sublimit is part of, and not in addition to, the Aggregate Revolving Commitments.

“Alternative Currency Term Rate” means, for any Interest Period, with respect to any Credit Extension:

- i. denominated in Euros, the rate per annum equal to the Euro Interbank Offered Rate (“EURIBOR”), as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) on the day that is two TARGET Days preceding the first day of such Interest Period with a term equivalent to such Interest Period; and
- ii. denominated in any other Alternative Currency (to the extent such Loans denominated in such currency will bear interest at a term rate), the term rate per annum as designated with respect to such Alternative Currency at the time such Alternative Currency is approved by the Administrative Agent and the relevant Lenders pursuant to Section 1.08 plus the adjustment (if any) determined by the Administrative Agent and the relevant Lenders pursuant to Section 1.08;

provided that if any Alternative Currency Term Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

“Alternative Currency Term Rate Loan” means a Loan that bears interest at a rate based on the definition of “Alternative Currency Term Rate.”

All Alternative Currency Term Rate Loans must be denominated in an Alternative Currency.

“Applicable Authority” means, with respect to any Alternative Currency, the applicable administrator for the Relevant Rate for such Alternative Currency or any Governmental Authority having jurisdiction over the Administrative Agent or such administrator.

“Applicable Local Time” means, with respect to any borrowings and payments in any Alternative Currency, the local time in the place of settlement for such Alternative Currency, as may be determined by the Administrative Agent or the L/C Issuer, as the case may be, to be necessary for timely settlement on the relevant date in accordance with normal banking procedures in the place of payment.

“Applicable Percentage” means with respect to any Lender at any time, (a) with respect to such Lender’s Revolving Commitment at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Revolving Commitments represented by such Lender’s Revolving Commitment at such time; provided that if the commitment of each Lender to make Revolving Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 9.02 or if the Aggregate Revolving Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments, and (b) with respect to such Lender’s portion of the outstanding Term Loan at any time, the percentage (carried out to the ninth decimal place) of the outstanding principal amount of the Term Loan held by such Lender at such time. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption or other documentation pursuant to which such Lender becomes a party hereto, as applicable. The Applicable Percentages shall be subject to adjustment as provided in Section 2.15.

“Applicable Rate” means, from time to time:

(a) with respect to Revolving Loans, Swing Line Loans, Letter of Credit Fees and the Commitment Fee, the following percentages per annum, based upon the Debt Rating as set forth below:

Pricing Level	Debt Rating	Commitment Fee	Term SOFR Loans, Alternative Currency Daily Rate Loans and Alternative Currency Term Rate Loans	Base Rate Loans	Letter of Credit Fees		
					Financial	Performance	Commercial
1	A3/A- or better	0.080%	1.000%	0.000%	1.000%	0.500%	0.250%
2	Baa1/BBB+	0.100%	1.125%	0.125%	1.125%	0.550%	0.300%
3	Baa2/BBB	0.125%	1.250%	0.250%	1.250%	0.625%	0.375%
4	Baa3/BBB-	0.175%	1.375%	0.375%	1.375%	0.750%	0.450%
5	Ba1/BB+	0.225%	1.500%	0.500%	1.500%	0.875%	0.500%
6	Ba2/BB or worse	0.250%	1.750%	0.750%	1.750%	1.000%	0.600%

(b) with respect to the Term Loan, the following percentages per annum, based upon the Debt Rating as set forth below:

Pricing Level	Debt Rating	Term SOFR Loans	Base Rate Loans
1	A3/A- or better	0.875%	0.000%
2	Baa1/BBB+	1.000%	0.000%
3	Baa2/BBB	1.125%	0.125%
4	Baa3/BBB-	1.250%	0.250%

5	Ba1/BB+	1.375%	0.375%
6	Ba2/BB or worse	1.625%	0.625%

“Debt Rating” means, as of any date of determination, the rating as determined by either S&P or Moody’s (collectively, the “Debt Ratings”) of the Borrower’s non-credit-enhanced, senior unsecured long-term debt; provided that (a) if the respective Debt Ratings issued by foregoing rating agencies differ by one level, then the Pricing Level for the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level 1 being the highest and the Debt Rating for Pricing Level 6 being the lowest); (b) if there is a split in Debt Ratings of more than one level, then the Pricing Level that is one level lower than the Pricing Level of the higher Debt Rating shall apply; (c) if the Borrower has only one Debt Rating, the Pricing Level that is one level lower than that of such Debt Rating shall apply; and (d) if the Borrower does not have any Debt Rating, Pricing Level 6 shall apply.

Initially, the Applicable Rate shall be determined based upon Pricing Level 4. Thereafter, each change in the Applicable Rate resulting from a publicly announced change in the Debt Rating shall be effective, in the case of an upgrade, during the period commencing on the date of delivery by the Borrower to the Administrative Agent of notice thereof pursuant to Section 7.05(d), and ending on the date immediately preceding the effective date of the next such change and, in the case of a downgrade, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change.

“Approved Fund” means any Fund 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.

“Asset Sale” means the sale, transfer or other disposition of any property by the Borrower or any of the Subsidiaries other than (a) sales of inventory in the ordinary course of business, (b) dispositions of damaged, obsolete or worn-out assets, scrap that are disposed of in the ordinary course of business, (c) the sale of Program Receivables pursuant to the Receivables Program, (d) dispositions between or among Loan Parties, (e) dispositions from Subsidiaries that are not Loan Parties to Loan Parties, (f) dispositions between or among Subsidiaries that are not Loan Parties, (g) dispositions from Loan Parties to Subsidiaries that are not Loan Parties of assets having an aggregate value not in excess of 10% of Consolidated Tangible Assets (determined as of the most recently ended fiscal quarter for which financial statements are available) from and after the Closing Date, (h) dispositions of delinquent accounts receivable in connection with the collection or compromise thereof, (i) the sale or disposition of Permitted Investments for fair market value, (j) to the extent constituting dispositions of property, Investments permitted by Section 8.04, (k) dispositions by a Loan Party of the Equity Interests of a direct Foreign Subsidiary of such Loan Party to a direct or indirect wholly-owned Foreign Subsidiary of the Borrower (the “transferee”), (l) dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any asset of the Borrower or any Subsidiary and (m) other sales, transfers or other dispositions in any fiscal year of the Borrower of assets having an aggregate value not in excess of \$20,000,000. For purposes of clarification, Restricted Payments and Asset Swaps shall not be treated as Asset Sales for purposes of this Agreement.

“Asset Swap” means any transfer of assets of the Borrower or any Subsidiary to any Person (other than the Borrower or any Affiliate of the Borrower) in exchange for assets of such Person if such exchange would qualify, whether in part or in full, as a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code. Nothing in this definition shall require the Borrower or any Subsidiary to elect that Section 1031 of the Internal Revenue Code be applicable to any Asset Swap.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit 11.06(b) or any other form (including electronic documentation generated by use of an electronic platform) approved by the Administrative Agent.

“Audited Financial Statements” means the audited consolidated balance sheet of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2020, and the related consolidated statements of income or operations, shareholders’ equity and cash flows of the Borrower and its Subsidiaries for such fiscal year, including the notes thereto.

“Auto-Extension Letter of Credit” has the meaning set forth in Section 2.03(b)(iii).

“Availability Period” means, with respect to the Revolving Commitments, the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Revolving Commitments pursuant to Section 2.06, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 9.02.

“Bail-In Action” means 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” means (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, rule, regulation or requirement for such EEA Member Country from time to time which 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 of America” means Bank of America, N.A. and its successors.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy”, as now and hereafter in effect, or any successor statute.

“BAS” means BofA Securities, Inc., in its capacity as a joint lead arranger and joint bookrunner.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate” and (c) Term SOFR plus 1.0%, subject to the interest rate floors set forth in the definition of “Federal Funds Rate” or “Term SOFR”, as applicable; provided that if the Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement. The “prime rate” is a rate set by Bank of America based upon various factors including Bank of America’s 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 “prime rate” announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change. If the Base Rate is being used as an alternate rate of interest pursuant to Section 3.03 hereof, then the Base Rate shall be the greater of clauses (a) and (b) above and shall be determined without reference to clause (c) above.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate. All Base Rate Loans shall be denominated in Dollars.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Benefit Plan” means any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Internal Revenue Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Internal Revenue Code) the assets of any such “employee benefit plan” or “plan”.

“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.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 7.04.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type, in the same currency and, in the case of Term SOFR Loans and Alternative Currency Term Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located; provided that:

(a) if such day relates to any interest rate settings as to an Alternative Currency Loan denominated in Euro, any fundings, disbursements, settlements and payments in Euro in respect of any such Alternative Currency Loan, or any other dealings in Euro to be carried out pursuant to this Agreement in respect of any such Alternative Currency Loan, “Business Day” means any TARGET Day which is also a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located;

(b) if such day relates to any interest rate settings as to an Alternative Currency Loan denominated in Sterling, “Business Day” means a day other than a day banks are closed for general business in London because such day is a Saturday, Sunday or a legal holiday under the laws of the United Kingdom; and

(c) if such day relates to any fundings, disbursements, settlements and payments in a currency other than Euro in respect of an Alternative Currency Loan denominated in a currency other than Euro, or any other dealings in any currency other than Euro to be carried out pursuant to this Agreement in respect of any such Alternative Currency Loan (other than any interest rate settings), “Business Day” means any such day on which banks are open for foreign exchange business in the principal financial center of the country of such currency.

“Capital Lease Obligations” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the L/C Issuer or the Lenders, as collateral for L/C Obligations or obligations of the Lenders to fund participations in respect of L/C Obligations, cash or deposit account balances or, if the Administrative Agent and the L/C Issuer shall agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer. “Cash Collateral” shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

“Cash Restructuring Expenses” means restructuring and/or realignment expenses as disclosed in the Borrower’s realignment footnote(s) published within its financial statements and filed with the SEC.

“Cash Restructuring Limit” means, with respect to any four fiscal quarter period, \$100,000,000; provided that (i) to the extent Cash Restructuring Expenses added back in the calculation of Consolidated EBITDA for any four fiscal quarter period are less than \$100,000,000, such unused amount (not to exceed \$75,000,000) may be carried forward to increase the Cash Restructuring Limit in the following four fiscal quarter period, and (ii) the aggregate amount of all Cash Restructuring

Expenses added back in the calculation of Consolidated EBITDA may not exceed \$200,000,000 during the term of this Agreement.

“CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Sect. 9601 et seq.).

“Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any Law, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith or the implementation thereof and (ii) 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, issued or implemented.

“Change of Control” means an event or series of events by which: (a) any person or group (within the meaning of Rule 13(d) and 14(d) of the Securities Exchange Act of 1934 as in effect on the Closing Date) shall beneficially own (within the meaning of Rules 13d-3 and 13d-5 of the Securities Exchange Act of 1934 as in effect on the Closing Date) directly or indirectly, shares representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time be occupied by persons who were neither (i) nominated, appointed or approved for election by the board of directors of the Borrower, nor (ii) appointed by directors so nominated, appointed or approved for election; or (c) any change in control (or similar event, however denominated) with respect to the Borrower or any Subsidiary shall occur under and as defined in any indenture or agreement in respect of Material Indebtedness to which the Borrower or any Subsidiary is a party.

“Closing Date” means September 13, 2021.

“CME” means CME Group Benchmark Administration Limited.

“Commitment” means, as to each Lender, the Revolving Commitment of such Lender and/or the Term Commitment of such Lender.

“Commitment Fee” has the meaning specified in Section 2.09(a).

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.).

“Communication” means this Agreement, any Loan Document and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to any Loan Document.

“Compliance Certificate” means a certificate substantially in the form of Exhibit 7.04.

“Conforming Changes” means, with respect to the use, administration of or any conventions associated with SOFR, Term SOFR, SONIA or any proposed Successor Rate or Successor Term SOFR Rate, as applicable, any conforming changes to the definitions of “Base Rate”, “SOFR”, “Term SOFR”, “SONIA”, and “Interest Period”, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definitions of “Business Day” and “U.S. Government Securities Business Day”, the timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such applicable rate(s) and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice for such Alternative Currency (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such rate for such Alternative Currency exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Agreement and any other Loan Document).

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period, plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) Consolidated Interest Charges for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period, (iv) any unusual or non-recurring charges or losses for such period, (v) the amount of premium payments paid by the Borrower or its Subsidiaries, and charges in respect of unamortized fees and expenses, in each case associated with the repayment of Indebtedness, (vi) charges in respect of unamortized fees and expenses associated with the amendment and restatement of the Existing Credit Agreement, and all costs, fees and expenses paid by the Borrower in connection with the issuance of the Borrower’s senior unsecured notes on or before December 31, 2021 and the amendment and restatement of the Existing Credit Agreement, (vii) the amount of post-retirement health benefits accrued in such period less the amount of post-retirement health benefits paid in such period, in an amount of up to \$5,000,000, (viii) expenses relating to stock-based compensation plans resulting from the application of FASB ASC 718, and (ix) Cash Restructuring Expenses during such period not to exceed the Cash Restructuring Limit (provided that such Cash Restructuring Expenses are reasonably identified and set forth in the Compliance Certificate), and minus (b) without duplication and to the extent included in determining such Consolidated Net Income, any unusual or non-recurring income or gains for such period, all determined on a consolidated basis in accordance with GAAP.

“Consolidated Funded Indebtedness” means, as of any date of determination, the total consolidated Indebtedness of the Borrower and the Subsidiaries (excluding (a) Guarantees under Section 8.04(k), and (b) Indebtedness of the type described in clause (a) of the definition of “Indebtedness” and under Sections 8.01(f) and (g), except, in each case, to the extent of any unreimbursed drawings or payments thereunder).

“Consolidated Interest Charges” means, for any period, the interest expense for the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, plus, without duplication, all fees, discounts, premiums, expenses or similar amounts incurred by the Borrower or any of its Subsidiaries in connection with the Receivables Program for such period, including purchase discounts (net of any loss reserves), purchase premiums, operating expense fees, structuring fees, collection agent fees, unutilized purchase limit fees and other similar fees and expenses.

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the most recently completed four fiscal quarters to (b) Consolidated Interest Charges for the most recently completed four fiscal quarters; provided, however, that if as of any date the Consolidated Interest Coverage Ratio is being determined, the Borrower or any Subsidiary shall have completed a Permitted Acquisition or an Asset Sale during the relevant four fiscal quarter period, Consolidated EBITDA shall be computed (for purposes of such determination) on a Pro Forma Basis as if such transaction(s) and any related incurrence of Indebtedness, had occurred at the beginning of such period.

“Consolidated Net Income” means, for any period, the net income or loss of the Borrower and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by the Subsidiary of that income is not at the time permitted by operation of the terms of its Organization Documents or any agreement, instrument, judgment, decree, statute, rule or regulation applicable to such Subsidiary, (b) the income or loss of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or any Subsidiary or the date that such Person’s assets are acquired by the Borrower or any Subsidiary, and (c) after tax gains and losses attributable to sales of assets outside of the ordinary course of business.

“Consolidated Net Leverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated Funded Indebtedness as of such date less the aggregate amount of unrestricted cash and cash equivalents of the Borrower and its Subsidiaries in excess of \$250,000,000 included in the consolidated balance sheet of the Borrower as of such date to (b) Consolidated EBITDA for the most recently completed four fiscal quarters; provided, however, that if as of any date the Consolidated Net Leverage Ratio is being determined, the Borrower or any Subsidiary shall have completed a Permitted Acquisition or an Asset Sale during the relevant four fiscal quarter period, Consolidated EBITDA shall be computed (for purposes of such determination) on a Pro Forma Basis as if such transaction(s) and any related incurrence of Indebtedness, had occurred at the beginning of such period.

“Consolidated Tangible Assets” means, as of any date, total assets (excluding treasury stock, unamortized debt discount and expense, goodwill, trademarks, trade names, patents, deferred charges and other intangible assets) of the Borrower and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto. Without limiting the generality of the foregoing, a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, the power to vote 10% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

“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).

“Covered Party” has the meaning specified in Section 11.21.

“Credit Extension” means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

“Daily Simple SOFR” with respect to any applicable determination date means SOFR published on such date on the Federal Reserve Bank of New York’s website (or any successor source).

“Debt Rating” has the meaning specified in the definition of “Applicable Rate”.

“Debtor Relief Laws” means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means (a) when used with respect to Obligations other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Term SOFR Loan or Alternative Currency Loan, the Default Rate shall be an interest rate equal to the interest rate otherwise applicable to such Loan plus 2% per annum, in each case, to the fullest extent permitted by applicable Laws and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate plus 2% per annum.



“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.

“Defaulting Lender” means, subject to Section 2.15(d), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded 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 the Administrative Agent, the L/C Issuer, the Swing Line 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 Swing Line Loans) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent, the L/C Issuer or the Swing Line Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such 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 be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-In Action; provided 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. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.15(d)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower, the L/C Issuer, the Swing Line Lender and each Lender promptly following such determination.

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

“Disqualifying Event” has the meaning specified in the definition of “Eligible Currency”.

“Dollar” and “\$” mean lawful money of the United States.

“Dollar Equivalent” means, for any amount, at the time of determination thereof, (a) if such amount is expressed in Dollars, such amount, (b) if such amount is expressed in an Alternative Currency, the equivalent of such amount in Dollars determined by using the rate of exchange for the purchase of Dollars with the Alternative Currency last provided (either by publication or otherwise provided to the Administrative Agent or the L/C Issuer, as applicable) by the applicable Bloomberg source (or such other publicly available source for displaying exchange rates) on the date that is two (2) Business Days immediately preceding the date of determination (or if such service ceases to be available or ceases to provide such rate of exchange, the equivalent of such amount in Dollars as determined by the Administrative Agent or the L/C Issuer, as applicable, using any method of determination it deems appropriate in its sole discretion) and (c) if such amount is denominated in any other currency, the equivalent of such amount in Dollars as determined by the Administrative Agent or the L/C Issuer, as applicable, using any method of determination it deems appropriate in its sole discretion. Any determination by the Administrative Agent or the L/C Issuer pursuant to clauses (b) or (c) above shall be conclusive absent manifest error.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any state of the United States or the District of Columbia.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which 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” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

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

1. “Electronic Copy” has the meaning specified in Section 11.17.

“Electronic Record” and “Electronic Signature” shall have the meanings assigned to them, respectively, by 15 U.S.C. §7006, as it may be amended from time to time.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Sections 11.06(b)(iii) and (v) (subject to such consents, if any, as may be required under Section 11.06(b)(iii)).

“Eligible Currency” means any lawful currency other than Dollars that is readily available, freely transferable and convertible into Dollars in the international interbank market available to the Lenders in such market and as to which a Dollar Equivalent may be readily calculated. If, after the designation by the Lenders of any currency as an Alternative Currency, any change in currency controls or exchange regulations or any change in the national or international financial, political or economic conditions that are imposed in the country in which such currency is issued, result in, in the reasonable opinion of the Required Lenders (in the case of any Loans to be denominated in an Alternative Currency) or the L/C Issuer (in the case of any Letter of Credit to be denominated in an Alternative Currency), (a) such currency no longer being readily available, freely transferable and convertible into Dollars, (b) a Dollar Equivalent no longer being readily calculable with respect to such currency, (c) it being impracticable for the Lenders, in their reasonable business judgment, to provide such currency or (d) such currency no longer being a currency in which the Required Lenders are willing to make such Credit Extensions (each of (a), (b), (c), and (d) a “Disqualifying Event”), then the Administrative Agent shall promptly notify the Lenders and the Borrower, and such country’s currency shall no longer be an Alternative Currency until such time as the Disqualifying Event(s) no longer exist. Within, five (5) Business Days after receipt of such notice from the Administrative Agent, the Borrower shall repay all Loans in such currency to which the Disqualifying Event applies or convert such Loans into the Dollar Equivalent of Loans in Dollars, subject to the other terms contained herein.

“Environmental Laws” means all applicable federal, state, local and foreign Laws (including common law), treaties, regulations, rules, ordinances, codes, decrees, judgments and orders (including consent orders), in each case, relating to protection of the environment, natural resources, or public health as related to (i) hazardous substances (as that term is defined in CERCLA) or petroleum products, (ii) the presence, Release of, or exposure to, such hazardous substances or petroleum products or (iii) the generation, manufacture, processing, distribution, use, treatment, storage, transport, recycling or handling of, or the arrangement for such activities with respect to, hazardous substances or petroleum products.

“Environmental Liability” means liabilities, obligations, claims, actions, suits, judgments or orders under or relating to any Environmental Law for any damages, injunctive relief, losses, fines, penalties, fees, expenses (including fees and expenses of attorneys and consultants) or costs, including those arising from or relating to: (a) any action to address the on- or off-site presence, Release of, or exposure to, Hazardous Materials; (b) permitting and licensing, administrative oversight, insurance premiums and financial assurance requirements; (c) any personal injury (including death), property damage (real or personal) or natural resource damage; and (d) the compliance or non-compliance with any Environmental Law.

“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, all of the securities convertible into or exchangeable for 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.

“Equity Notes Payable” means notes payable or similar instruments issued by a Foreign Subsidiary to its parent to evidence a distribution of retained earnings or return of capital to such parent or a reclassification of an earlier equity Investment by such parent in such Foreign Subsidiary, in each case entered into for repatriation planning purposes and not issued or created in connection with a substantially concurrent Investment by the parent to such Foreign Subsidiary.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Internal Revenue Code, or solely for purposes of Section 302 of ERISA and Section 412 of the Internal Revenue Code, is treated as a single employer under Section 414 of the Internal Revenue Code.

“ERISA Event” means (a) any “reportable event,” as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the determination that any Plan is considered an “at-risk plan” within the meaning of Section 430 of the Internal Revenue Code or Section 303 of ERISA; (c) the filing pursuant to Section 412(c) of the Internal Revenue Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the imposition on the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of, or withdrawal from, any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Multiemployer Plan; (e) the receipt by the Borrower or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the receipt by the Borrower or any of its ERISA Affiliates of any notice from any Multiemployer Plan concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA that results in any additional contributions by or the imposition of any excise taxes on the Borrower or any of its ERISA Affiliates; (g) the occurrence of a “prohibited transaction” (within the meaning of Section 4975 of the Internal Revenue Code) with respect to which the Borrower or any such Subsidiary incurs liability; or (h) any Foreign Benefit Event.

1. “ESG” has the meaning specified in Section 2.16(a).
2. “ESG Amendment” has the meaning specified in Section 2.16(a).
3. “ESG Applicable Rate Adjustments” has the meaning specified in Section 2.16(a).
4. “ESG Pricing Provisions” has the meaning specified in Section 2.16(a).

“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.

“Euro” and “EUR” mean the single currency of the Participating Member States.

“Event of Default” has the meaning specified in Section 9.01.

“Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or the grant under a Loan Document by such Guarantor of a security interest to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act (or the application or official interpretation thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 4.08 and any and all guarantees of such Guarantor’s Swap Obligations by other Loan Parties) at the time the Guaranty of such Guarantor, or grant by such Guarantor of a security interest, becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a Master Agreement governing more than one Swap Contract, such exclusion shall apply to only the portion of such Swap Obligation that is attributable to Swap Contracts for which such Guaranty or security interest is or becomes illegal.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 11.13) or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 3.01(a)(ii) or 3.01(c), amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Recipient’s failure to comply with Section 3.01(e) and (d) any withholding Taxes imposed pursuant to FATCA.

“Existing Credit Agreement” means that certain credit agreement, dated as of July 16, 2019, as amended, restated, supplemented and otherwise modified from time to time prior to the date hereof, among the Borrower, the lenders party thereto and Bank of America, as administrative agent.

“Existing Letters of Credit” means those letters of credit identified on Schedule 1.01(a).

“Facility Office” means, with respect to any Lender, the office through which such Lender will perform its obligations under this Agreement.

“FASB ASC” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“FATCA” means Sections 1471 through 1474 of the Internal Revenue Code, as of the Closing Date (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 Internal Revenue Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Internal Revenue Code.

“Federal Funds Rate” means, for any day, the rate per annum calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate; provided that if the Federal Funds Rate as so determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Fee Letter” means the letter agreement, dated August 18, 2021, among the Borrower, the Administrative Agent and BAS.

“Financial Officer” of any Person means the principal financial officer, chief financial officer, principal accounting officer, financial vice president, treasurer, assistant treasurer or controller of such Person.

“Finsub” means any bankruptcy-remote, wholly owned subsidiary of the Borrower, organized and existing solely for the purpose of engaging in the Receivables Program.

“Foreign Benefit Event” means, with respect to any Foreign Pension Plan, (a) the existence of unfunded liabilities in excess of the amount permitted under any applicable Law, or in excess of the amount that would be permitted absent a waiver from a Governmental Authority, (b) the failure to make the required contributions or payments, under any applicable Law, on or before the due date for such contributions or payments, (c) the receipt of a notice by a Governmental Authority relating to the intention to terminate any such Foreign Pension Plan or to appoint a trustee or similar official to administer any such Foreign Pension Plan, or alleging the insolvency of any such Foreign Pension Plan, in any such case, that results in the incurrence of any liability by the Borrower or any of its Subsidiaries, or the imposition on the Borrower or any of its Subsidiaries of any fine, excise tax or penalty, in each case, in excess of \$10,000,000 (or the Dollar Equivalent thereof in another currency) and (d) the incurrence of any liability in excess of \$10,000,000 (or the Dollar Equivalent thereof in another currency) by the Borrower or any of its Subsidiaries under applicable Law on account of the complete or partial termination of such Foreign Pension Plan or the complete or partial withdrawal of any participating employer therein, or (e) the occurrence of any transaction that is prohibited under any applicable Law that results in the incurrence of any liability by the Borrower or any of its Subsidiaries, or the imposition on the Borrower or any of its Subsidiaries of any fine, excise tax or penalty resulting from any noncompliance with any applicable Law, in each case, in excess of \$10,000,000 (or the Dollar Equivalent thereof in another currency).

“Foreign Lender” means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the Laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Foreign Pension Plan” means any benefit plan which under applicable foreign Law is required to be funded through a trust or other funding vehicle other than a trust or funding vehicle maintained exclusively by a Governmental Authority.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fronting Exposure” means, at any time that there is a Defaulting Lender, (a) with respect to the L/C Issuer, such Defaulting Lender’s Applicable Percentage of the Outstanding Amount of all outstanding L/C Obligations other than L/C Obligations as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swing Line Lender, such Defaulting Lender’s Applicable Percentage of Swing Line Loans other than Swing Line Loans as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders in accordance with the terms hereof.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“GAAP” means, subject to Section 1.03, generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, consistently applied and as in effect from time to time.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or other obligation, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment of such Indebtedness or other obligation or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation; provided, however, that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business.

“Guarantors” means, collectively, (a) each Domestic Subsidiary of the Borrower that, at the Borrower’s option, joins as a Guarantor by execution and delivery of a Joinder Agreement, together with supporting documentation, (b) with respect to (i) Obligations of a Subsidiary of the Borrower under any Swap Contract, (ii) Obligations of a Subsidiary of the Borrower under any Treasury Management Agreement and (iii) any Swap Obligation of a Specified Loan Party (determined before giving effect to Sections 4.01 and 4.08) under the Guaranty which is a Subsidiary of the Borrower, the Borrower, and (c) the successors and permitted assigns of the foregoing.

“Guaranty” means the Guaranty made by the Guarantors in favor of the Administrative Agent, the Lenders, the L/C Issuer, each Affiliate of a Lender that enters into a Swap Contract or a Treasury Management Agreement with any Loan Party or any Subsidiary thereof and each other holder of the Obligations pursuant to Article IV.

“Hazardous Materials” mean (a) any petroleum products or byproducts and all other hydrocarbons, coal ash, asbestos in friable form, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and all other ozone-depleting substances, in each case, regulated by any Environmental Law, and (b) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law due to its effect or potential effect on public health and the environment.

“Honor Date” has the meaning set forth in Section 2.03(c)(i).

“IFRS” means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements delivered under or referred to herein.

“Immaterial Subsidiary” means (a) any Subsidiary that (i) has not conducted any business during the twelve-month period preceding the date of determination and (ii) has less than \$50,000 in assets and (b) any Foreign Subsidiary whose (i) assets (together with the assets of its Subsidiaries) represent less than 2% of consolidated assets of the Borrower and its Subsidiaries and (ii) revenue (together with the revenue of its Subsidiaries) represent less than 2% of consolidated revenue of the Borrower and its Subsidiaries.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for

which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed (but, in cases where recourse is limited to such property, only to the extent of the lesser of (1) the amount of such Indebtedness and (2) the fair market value of such property), (f) all Guarantees by such Person of Indebtedness of third parties, (g) all Capital Lease Obligations of such Person, (h) the principal portion of all obligations of such Person as an account party in respect of letters of credit, (i) the principal portion of all obligations of such Person in respect of bankers' acceptances, and (j) all Receivables Program Indebtedness of such Person. The Indebtedness of any Person shall (i) include the Indebtedness of any partnership in which such Person is a general partner, except to the extent the terms of such Indebtedness provide that such Indebtedness is not recourse to such Person and (ii) shall exclude Equity Notes Payable.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Indemnitees" has the meaning specified in Section 11.04(b).

"Information" has the meaning specified in Section 11.07.

"Interest Payment Date" means, (a) as to any Term SOFR Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for a Term SOFR Loan or an Alternative Currency Term Rate Loan, as applicable, exceeds three (3) months, the respective dates that fall every three (3) months after the beginning of such Interest Period shall be Interest Payment Dates; (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date; (c) as to any Alternative Currency Daily Rate Loan (except as provided in clause (d) below), the last Business Day of each March, June, September and December and the Maturity Date; (d) as to any Loan that bears interest at a rate based on SONIA, the last Business Day of each month and the Maturity Date; and (e) as to any Alternative Currency Term Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that if any Interest Period for an Alternative Currency Term Rate Loan exceeds three (3) months, the respective dates that fall every three (3) months after the beginning of such Interest Period shall be Interest Payment Dates.

"Interest Period" means, as to each Term SOFR Loan and each Alternative Currency Term Loan, the period commencing on the date such Loan is disbursed or converted to or continued as a Term SOFR Loan or an Alternative Currency Term Rate Loan, as applicable, and ending on the date one month, three months or six months thereafter (in each case, subject to availability for the interest rate applicable to the relevant currency), as selected by the Borrower in its Loan Notice; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) 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 the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Maturity Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, or (c) an Acquisition. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases, write-downs or write-offs in the value of such Investment; provided, however, that (i) Investments which are capital contributions or acquisitions of Equity Interests shall be valued at the amount actually contributed or paid to acquire such Equity Interests as of the date of such contribution or payment less all cash distributions and returns of capital from the date such Investment is made through and including the date of calculation and (ii) Investments which are loans, advances, extensions of credit or Guarantees shall be valued at the principal amount of such loan, advance or extension of credit outstanding as of the date of determination or, as applicable, the principal amount of the loan or advance outstanding as of the date of determination actually Guaranteed.

"IRS" means the United States Internal Revenue Service.

"ISP" means the International Standby Practices, International Chamber of Commerce Publication No. 590 (or such later version thereof as may be in effect at the applicable time).

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Application, and any other document, agreement and instrument entered into by the L/C Issuer and the Borrower (or any Subsidiary) or in favor of the L/C Issuer and relating to such Letter of Credit.

"Joinder Agreement" means a joinder agreement substantially in the form of Exhibit 7.10 executed and delivered by a Domestic Subsidiary.

"Joint Venture" means a joint venture, partnership or other similar arrangement entered into by the Borrower or any Subsidiary, whether in corporate, partnership or other legal form, but excluding any Subsidiary of the Borrower.

"Judgment Currency" has the meaning set forth in Section 11.19.

"KPIs" has the meaning set forth in Section 2.16(a).

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the legally binding interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, licenses, authorizations and permits of, and agreements with, any Governmental Authority having the force of law.

“L/C Advance” means, with respect to each Lender, such Lender’s funding of its participation in any L/C Borrowing in accordance with its Applicable Percentage. All L/C Advances shall be denominated in Dollars.

“L/C Borrowing” means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Borrowing of Revolving Loans. All L/C Borrowings shall be denominated in Dollars.

“L/C Credit Extension” means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

“L/C Issuer” means, individually and collectively (as the context requires), each of (a) Bank of America, in its capacity as issuer of Letters of Credit hereunder, (b) JPMorgan Chase Bank, N.A., in its capacity as issuer of Letters of Credit hereunder, (c) BNP Paribas, in its capacity as issuer of Letters of Credit hereunder, (d) Mizuho Bank, Ltd., in its capacity as issuer of Letters of Credit hereunder, (e) any other Lender with a Revolving Commitment that upon request of the Borrower agrees to issue one or more Letters of Credit hereunder and (f) any successor issuer of Letters of Credit hereunder. The term “L/C Issuer” when used with respect to a Letter of Credit or the L/C Obligations relating to a Letter of Credit shall refer to the L/C Issuer that issued such Letter of Credit.

“L/C Obligations” means, as at any date of determination, the aggregate amount available to be drawn under all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“Lender Parties” means, collectively, the Lenders, the Swing Line Lender and the L/C Issuer.

“Lenders” means each of the Persons identified as a “Lender” on the signature pages hereto, each other Person that becomes a “Lender” in accordance with this Agreement and their successors and assigns and, unless the context requires otherwise, includes the Swing Line Lender.

“Lending Office” means, as to any Lender, the office or offices, branch or Affiliate of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Letter of Credit” means any letter of credit or bank guarantee that constitutes an “independent undertaking” (as described in 12 C.F.R. § 7.1016) issued hereunder and shall include the Existing Letters of Credit. A Letter of Credit may be a sight commercial letter of credit or a standby letter of credit (either financial or performance). Bank guarantees shall be deemed to be standby Letters of Credit for purposes of this Agreement. Letters of Credit may be denominated in Dollars or in an Alternative Currency. Notwithstanding anything to the contrary contained herein, a letter of credit issued by an L/C Issuer other than Bank of America shall not be a “Letter of Credit” for purposes of the Loan Documents until such time as the Administrative Agent has been notified of the issuance thereof by the applicable L/C Issuer and has confirmed availability under the Aggregate Revolving Commitments and the Letter of Credit Sublimit with the applicable L/C Issuer. Letters of Credit may be issued in Dollars or in an Alternative Currency.

“Letter of Credit Application” means an application and agreement for the issuance or amendment of a letter of credit in the form from time to time in use by the L/C Issuer.

“Letter of Credit Expiration Date” means the day that is seven (7) days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

“Letter of Credit Fee” has the meaning specified in Section 2.03(h).

“Letter of Credit Sublimit” means \$750,000,000; provided that the sublimit shall be (a) \$250,000,000 in the case of commercial Letters of Credit and (b) \$125,000,000 in the case of financial standby Letters of Credit; provided, further, that with respect to each of Bank of America, JPMorgan Chase Bank, N.A., BNP Paribas and Mizuho Bank, Ltd., each in its capacity as an L/C Issuer, such L/C Issuer shall not be obligated to issue Letters of Credit in an amount greater than the amount set forth on part (b) of Schedule 2.01 (unless otherwise agreed in writing between the Borrower and the applicable L/C Issuer(s)). The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Revolving Commitments.

“Leverage Increase Period” has the meaning specified in Section 8.11(a).

“Lien” means with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan” means an extension of credit by a Lender to the Borrower under Article II in the form of a Revolving Loan, a Swing Line Loan or the Term Loan.

“Loan Documents” means this Agreement, each Note, each Issuer Document, each Joinder Agreement, each ESG Amendment, any agreement entered into by a Loan Party creating or perfecting rights in Cash Collateral pursuant to the provisions of Section 2.14 and the Fee Letter.

“Loan Notice” means a notice of (a) a Borrowing of Revolving Loans or the Term Loan, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Term SOFR Loans and Alternative Currency Term Rate Loans, in each case, pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit 2.02 or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent) appropriately completed and signed by a Responsible Officer of the Borrower.

“Loan Parties” means, collectively, the Borrower and each Guarantor.

“Master Agreement” has the meaning specified in the definition of “Swap Contract.”

“Material Acquisition” mean any Permitted Acquisition that the aggregate consideration therefor (including Indebtedness assumed in connection therewith) equals or exceeds \$200,000,000.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent) or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) a material impairment of the ability of the Loan Parties, taken as a whole, to perform their obligations under any Loan Document or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Loan Parties, taken as a whole, of any Loan Document.

“Material Indebtedness” shall mean Indebtedness (other than the Obligations), or obligations in respect of one or more Swap Contracts, of any one or more of the Borrower and the Subsidiaries in an aggregate principal amount exceeding \$100,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Borrower or any Subsidiary in respect of any Swap Contract at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Swap Contract were terminated at such time.

“Maturity Date” means September 13, 2026; provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

“Minimum Collateral Amount” means, at any time, (a) with respect to Cash Collateral consisting of cash or deposit account balances provided to reduce or eliminate Fronting Exposure during the existence of a Defaulting Lender, an amount equal to 105% of the Fronting Exposure of the L/C Issuer with respect to Letters of Credit issued and outstanding at such time, (b) with respect to Cash Collateral consisting of cash or deposit account balances provided in accordance with the provisions of Section 2.14(a)(i), (a)(ii) or (a)(iii), an amount equal to 105% of the Outstanding Amount of all L/C Obligations, and (c) otherwise, an amount determined by the Administrative Agent and the L/C Issuer in their sole discretion.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

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

“Non-Consenting Lender” means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 11.01 and (b) has been approved by the Required Lenders.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Note” has the meaning specified in Section 2.11(a).

“Notice of Loan Prepayment” means a notice of prepayment with respect to a Loan, which shall be substantially in the form of Exhibit 2.05 or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

“Obligations” means (i) all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, (ii) all obligations under any Swap Contract between any Loan Party or any Subsidiary and any Lender or Affiliate of a Lender (but with respect to any Loan Party, excluding Excluded Swap Obligations with respect to such Loan Party) and (iii) all obligations under any Treasury Management Agreement between any Loan Party or any Subsidiary and any Lender or Affiliate of a Lender, in the case of immediately preceding clauses (i), (ii) and (iii), whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

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

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient

having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.06).

“Outstanding Amount” means (a) with respect to any Loans on any date, the Dollar Equivalent amount of the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of any Loans occurring on such date; (b) with respect to Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of such Swing Line Loans occurring on such date and (c) with respect to any L/C Obligations on any date, the Dollar Equivalent amount of the aggregate outstanding amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

“Overnight Rate” means, for any day, (a) with respect to any amount denominated in Dollars, the greater of (i) the Federal Funds Rate and (ii) an overnight rate reasonably determined by the Administrative Agent, the L/C Issuer, or the Swing Line Lender, as the case may be, in accordance with banking industry rules on interbank compensation, and (b) with respect to any amount denominated in an Alternative Currency, an overnight rate determined by the Administrative Agent or the L/C Issuer, as the case may be, in accordance with banking industry rules on interbank compensation.

“Participant” has the meaning specified in Section 11.06(d).

“Participant Register” has the meaning specified in Section 11.06(d).

“Participating Member State” means each member state of the European Union that has the Euro as its lawful currency in accordance with the legislation of the European Union relating to Economic and Monetary Union.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor thereto.

“Permitted Acquisition” means an Acquisition by the Borrower or any Subsidiary, provided that (i) in the case of an Acquisition of the Equity Interests of another Person, such Acquisition was not preceded by an unsolicited tender offer for such Equity Interests by, or proxy contest initiated by, the Borrower or any Subsidiary; (ii) the property acquired (or the property of the Person acquired) in such Acquisition is used or useful in a line of business permitted by Section 8.08; and (iii) at the time of such transaction (A) both before and after giving effect thereto, no Default shall have occurred and be continuing and (B) the Borrower would be in compliance with the covenants set forth in Section 8.11 (tested at the levels applicable to a Leverage Increase Period) on a Pro Forma Basis after giving effect to such Acquisition.

“Permitted Investments” shall mean: (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States), in each case maturing within one (1) year from the date of acquisition thereof; (b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, one of the three highest credit ratings obtainable from S&P or from Moody’s; (c) investments in certificates of deposit, banker’s acceptances and time deposits maturing within one (1) year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000; (d) fully collateralized repurchase agreements with a term of not more than thirty (30) days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria of clause (c) above; (e) investments in “money market funds” within the meaning of Rule 2a-7 of the Investment Company Act of 1940, as amended, substantially all of whose assets are invested in investments of the type described in clauses (a) through (d) above; and (f) other short-term investments utilized by Foreign Subsidiaries in accordance with normal investment practices for cash management in investments of a type analogous to the foregoing.

“Permitted Liens” means, at any time, Liens in respect of property of any Loan Party or any Subsidiary permitted to exist at such time pursuant to the terms of Section 8.02.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA, Section 412 of the Internal Revenue Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Platform” has the meaning specified in Section 7.04.

“Priority Debt” means, as of any date of determination thereof, the sum (without duplication) of (a) Indebtedness of Subsidiaries on such date, other than Indebtedness of any Subsidiary that is a Guarantor, and (b) Indebtedness of the Borrower and its Subsidiaries secured by Liens; provided that Priority Debt shall not include Indebtedness permitted by Sections 8.01(a) through 8.01(j) and any Guarantees of such Indebtedness permitted by Section 8.01(l).

“Pro Forma Basis” means, with respect to any Acquisition, incurrence of Indebtedness, Restricted Payment or Asset Sale (as the context requires), for purposes of calculating the financial covenants set forth in Section 8.11, such transaction (and



all other such Acquisitions, incurrences of Indebtedness, Restricted Payments and Asset Sales consummated during the applicable period) shall be deemed to have occurred as of the first day of the most recently completed period of four consecutive fiscal quarters ending prior to such transaction for which the financial statements and certificates required by Section 7.04(a) or 7.04(b) have been delivered or for which comparable financial statements have been filed with the SEC. All calculations referred to in this definition shall (i) with respect to any Acquisition or Asset Sale, include only those adjustments that would be permitted or required by Regulation S-X under the Securities Act of 1933, are reviewed by the Borrower's independent certified public accountants and are based on reasonably detailed written assumptions reasonably acceptable to the Administrative Agent and (ii) be certified to by a Financial Officer of the Borrower as having been prepared in good faith based upon reasonable assumptions.

"Program Receivables" shall mean all trade receivables and related contract rights originated and owned by the Borrower or any Subsidiary and sold pursuant to the Receivables Program.

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Public Lender" has the meaning specified in Section 7.04.

"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).

"QFC Credit Support" has the meaning specified in Section 11.21.

"Qualified ECP Guarantor" means, at any time, each Loan Party with total assets exceeding \$10,000,000 or that qualifies at such time as an "eligible contract participant" under and as defined in the Commodity Exchange Act and can cause another Person to qualify as an "eligible contract participant" at such time under and as defined in Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Rate Determination Date" means two (2) Business Days prior to the commencement of such Interest Period (or such other day as is generally treated as the rate fixing day by market practice in such interbank market, as determined by the Administrative Agent; provided that, to the extent such market practice is not administratively feasible for the Administrative Agent, such other day as otherwise reasonably determined by the Administrative Agent).

"Receivables Program" shall mean the Program Receivables facility established pursuant to the Receivables Program Documentation.

"Receivables Program Documentation" means any facility or arrangement involving (a) the sale of, or transfer of interests in, Program Receivables to Finsub in a "true sale" transaction and (b) the financing by Finsub of such Program Receivables, either through the sale of, or transfer of interests in, such Program Receivables to Persons that are not Affiliates of the Borrower, the incurrence of Indebtedness by Finsub or otherwise; provided that the terms and conditions of such other facility or arrangement (including those providing for recourse to the Borrower or any of its Subsidiaries other than Finsub) shall be subject to the prior written approval of the Administrative Agent (not to be unreasonably withheld).

"Receivables Program Indebtedness" means all consideration or other amounts received by Finsub from the purchaser or financier of Program Receivables under the Receivables Program less any amounts collected with respect to the Program Receivables sold or transferred to or financed by such purchaser or financier, regardless of whether such amount is required to be reflected as a liability on the consolidated balance sheet of the Borrower and its Subsidiaries in accordance with GAAP (it being the intent of the parties that the amount of Receivables Program Indebtedness at any time outstanding approximates as closely as possible the principal amount of Indebtedness that would be outstanding at such time under the Receivables Program if the same were structured as a secured lending agreement).

"Recipient" means the Administrative Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder.

"Register" has the meaning specified in Section 11.06(c).

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Release" means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment.

"Relevant Rate" means with respect to any Credit Extension denominated in (a) Dollars, Term SOFR, (b) Sterling, SONIA, and (c) Euros, EURIBOR, as applicable.

"Removal Effective Date" has the meaning as defined in Section 10.06(b).

"Request for Credit Extension" means (a) with respect to a Borrowing, conversion or continuation of Loans, a Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"Required Lenders" means, at any time, Lenders holding in the aggregate more than 50% of (a) the unfunded Commitments and the outstanding Loans, L/C Obligations and participations therein or (b) if the Commitments have been terminated, the outstanding Loans, L/C Obligations and participations therein. The unfunded Commitments of, and the outstanding Loans, L/C Obligations and participations therein held or deemed held by, any Defaulting Lender shall be disregarded for purposes of making a determination of Required Lenders; provided that the amount of any participation in any Swing Line Loan and Unreimbursed Amounts that such Defaulting Lender has failed to fund that have not been reallocated to and funded by another Lender shall be deemed to be held by the Lender that is the Swing Line Lender or L/C Issuer, as the case may be, in making such determination.

“Rescindable Amount” has the meaning as defined in Section 2.12(b)(ii).

“Resignation Effective Date” has the meaning as defined in Section 10.06(a).

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

“Responsible Officer” means the chief executive officer, president, any vice president, chief financial officer, treasurer, assistant treasurer, chief legal officer, any associate general counsel or controller of a Loan Party, solely for purposes of the delivery of incumbency certificates pursuant to Section 5.01, the secretary, any corporate secretary, any assistant corporate secretary or any assistant secretary of a Loan Party and, solely for purposes of notices given pursuant to Article II, any other officer of the applicable Loan Party so designated by any of the foregoing officers in a notice to the Administrative Agent or any other officer or employee of the applicable Loan Party designated in or pursuant to an agreement between the applicable Loan Party and the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means, with respect to any Person, (a) any dividend or other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, in respect of the Equity Interests issued by such Person, (b) any redemption, purchase, retirement or other acquisition for value of any Equity Interests issued by such Person or (c) the setting aside of any amount for any such purpose described in clauses (a) and (b).

“Revaluation Date” means (a) with respect to any Loan, each of the following: (i) each date of a Borrowing of an Alternative Currency Loan, (ii) each date of a continuation of an Alternative Currency Term Rate Loan pursuant to Section 2.02, (iii) with respect to an Alternative Currency Daily Rate Loan, each Interest Payment Date and (iv) such additional dates as the Administrative Agent shall determine or the Required Lenders shall require; and (b) with respect to any Letter of Credit, each of the following: (i) each date of issuance, amendment and/or extension of a Letter of Credit denominated in an Alternative Currency, (ii) each date of any payment by the L/C Issuer under any Letter of Credit denominated in an Alternative Currency, (iii) in the case of the Existing Letters of Credit, the Closing Date and (iv) such additional dates as the Administrative Agent or the L/C Issuer shall determine or the Required Lenders shall require.

“Revolving Commitment” means, as to each Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to Section 2.01(a), (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the Dollar amount set forth opposite such Lender’s name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto or in any documentation executed by such Lender pursuant to Section 2.01(b), as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Revolving Loan” has the meaning specified in Section 2.01(a).

“S&P” means Standard & Poor’s Financial Services LLC, a subsidiary of S&P Global Inc. and any successor thereto.

“Same Day Funds” means (a) with respect to disbursements and payments in Dollars, immediately available funds, and (b) with respect to disbursements and payments in an Alternative Currency, same day or other funds as may be determined by the Administrative Agent or the L/C Issuer, as the case may be, to be customary in the place of disbursement or payment for the settlement of international banking transactions in the relevant Alternative Currency.

“Sanction” means any sanction administered or enforced by the United States Government, including OFAC, the United Nations Security Council, the European Union, any European Union member state, His Majesty’s Treasury (“HMT”) or other relevant sanctions authority.

“Scheduled Term SOFR Unavailability Date” has the meaning specified in Section 3.03(b)(ii).

“Scheduled Unavailability Date” has the meaning specified in Section 3.03(c)(ii).

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“SOFR” means the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (or a successor administrator).

“SOFR Adjustment” means 0.10% (10 basis points).

“SONIA” means, with respect to any applicable determination date, the Sterling Overnight Index Average Reference Rate published on the fifth (5th) Business Day preceding such date on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time); provided, however, that if such determination date is not a Business Day, then “SONIA” means such rate that applied on the first (1st) Business Day immediately prior thereto.

“SONIA Adjustment” means, with respect to SONIA, 0.0326% (3.26 basis points) per annum.

“Special Notice Currency” means, at any time, an Alternative Currency, other than the currency of a country that is a member of the Organization for Economic Cooperation and Development at such time located in North America or Europe.

“Specified Loan Party” has the meaning specified in Section 4.08.

“Sterling” means the lawful currency of the United Kingdom.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of Voting Stock is at the time beneficially owned, or the ability to appoint a majority of the members of the board of directors (or other equivalent governing body) is held by, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Successor Rate” means a Successor Term SOFR Rate or Successor Relevant Rate, as the context may require.

“Successor Relevant Rate” has the meaning specified in Section 3.03(c).

“Successor Term SOFR Rate” has the meaning specified in Section 3.03(b).

“Supported QFC” has the meaning specified in Section 11.21.

“Sustainability Coordinator” means BofA Securities, Inc., in its capacity as the sustainability coordinator.

“Sustainability Linked Loan Principles” means the Sustainability Linked Loan Principles (as published in May 2021 by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association).

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Obligation” means, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“Swing Line Lender” means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

“Swing Line Loan” has the meaning specified in Section 2.04(a).

“Swing Line Loan Notice” means a notice of a Borrowing of Swing Line Loans pursuant to Section 2.04(b), which shall be substantially in the form of Exhibit 2.04 or such other form as approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

“Swing Line Sublimit” means an amount equal to the lesser of (a) \$30,000,000 and (b) the Aggregate Revolving Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Revolving Commitments. As of the Closing Date, the Swing Line Sublimit is set forth on part (b) of Schedule 2.01.

“TARGET Day” means 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 the settlement of payments in Euro.

“TARGET2” means 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.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term Loan” has the meaning specified in Section 2.01(d).

“Term Loan Commitment” means, as to any Lender, such Lender’s obligation to make its portion of the Term Loan to the Borrower pursuant to Section 2.01(d), in the principal amount set forth opposite such Lender’s name on Schedule 2.01. The aggregate principal amount of the Term Loan Commitments of all of the Lenders as in effect on the Closing Date is \$300,000,000.

“Term SOFR” means:

(a) for any Interest Period with respect to a Term SOFR Loan, the rate per annum equal to the Term SOFR Screen Rate two U.S. Government Securities Business Days prior to the commencement of such Interest Period with a term equivalent to such Interest Period; provided that if the rate is not published prior to 11:00 a.m. on such determination date then Term SOFR means the Term SOFR Screen Rate on the first U.S. Government Securities Business Day immediately prior thereto, in each case, plus the SOFR Adjustment for such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the Term SOFR Screen Rate with a term of one month commencing that day;

provided that if the Term SOFR determined in accordance with either of the foregoing provisions (a) or (b) of this definition would otherwise be less than zero, the Term SOFR shall be deemed to be zero for purposes of this Agreement.

“Term SOFR Loan” means a Loan that bears interest at a rate based on clause (a) of the definition of Term SOFR. All Term SOFR Loans shall be denominated in Dollars.

“Term SOFR Replacement Date” has the meaning specified in Section 3.03(b).

“Term SOFR Screen Rate” means the forward-looking SOFR term rate administered by CME (or any successor administrator satisfactory to the Administrative Agent) and published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time).

“Total Revolving Outstandings” means the aggregate Outstanding Amount of all Revolving Loans, all Swing Line Loans and all L/C Obligations.

“Treasury Management Agreement” means any agreement governing the provision of treasury or cash management services, including deposit accounts, overnight draft, credit or debit cards, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services and other cash management services.

“Type” means, with respect to any Loan, its character as a Base Rate Loan or a Term SOFR Loan.

“UCP” means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce (“ICC”) Publication No. 600 (or such later version thereof as may be in effect at the time of issuance).

“UK Financial Institution” means 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 subject to 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” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“United States” and “U.S.” mean the United States of America.

“Unreimbursed Amount” has the meaning specified in Section 2.03(c)(i).

“U.S. Government Securities Business Day” means any Business Day, except any Business Day on which any of the Securities Industry and Financial Markets Association, the New York Stock Exchange or the Federal Reserve Bank of New York is not open for business because such day is a legal holiday under the federal laws of the United States or the laws of the State of New York, as applicable.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Internal Revenue Code.

“U.S. Special Resolution Regimes” has the meaning specified in Section 11.21.

“U.S. Tax Compliance Certificate” has the meaning specified in Section 3.01(e)(ii)(B)(3).

“Voting Stock” means, with respect to any Person, Equity Interests issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

“Withdrawal Liability” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Write-Down and Conversion Powers” means (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.

#### **1.02 Other Interpretive Provisions.**

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

- i. 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 definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “hereto,” “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, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) 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, extended, restated, replaced or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

- ii. 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.”
- iii. 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.
- iv. Any reference herein to a merger, transfer, consolidation, amalgamation, assignment, sale, disposition or transfer, or similar term, in Sections 8.05 and 8.07 shall be deemed to apply to a division of or by a limited liability company or limited partnership, or an allocation of assets to a series of a limited liability company or limited partnership (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company or limited partnership shall constitute a separate Person hereunder (and each division of any limited liability company or limited partnership that is a Subsidiary, Joint Venture or any other like term shall also constitute such a Person or entity).

### **1.03 Accounting Terms.**

- v. Generally. Except as otherwise specifically prescribed herein, 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, and applied in a manner consistent with that used in preparing the Audited Financial Statements. Notwithstanding the foregoing, for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Loan Parties and their Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.
- vi. Changes in GAAP. If at any time any change in GAAP (including the adoption of IFRS) 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.
- vii. Operating Lease Treatment. Notwithstanding the forgoing or any provision herein to the contrary, any lease that was, or would have been, characterized as an operating lease in accordance with GAAP prior to the Borrower’s adoption of FASB ASC 842 (regardless of the date on which such lease has been entered into) shall not be a capital or finance lease, and any such lease shall be, for all purposes of this Agreement, treated as though it were reflected on the Borrower’s consolidated financial statements in the same manner as an operating lease would have been reflected prior to the Borrower’s adoption of FASB ASC 842.

### **1.04 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).

**1.05 Times of Day.**

Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

**1.06 Letter of Credit Amounts.**

Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the Dollar Equivalent of 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 Dollar Equivalent of 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.

**1.07 Exchange Rates; Currency Equivalents.**

- viii. The Administrative Agent or the L/C Issuer, as applicable, shall determine the Dollar Equivalent amounts of Credit Extensions and Outstanding Amounts denominated in Alternative Currencies. Such Dollar Equivalent shall become effective as of such Revaluation Date and shall be the Dollar Equivalent of such amounts until the next Revaluation Date to occur. Except for purposes of financial statements delivered by the Borrower hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the Administrative Agent or the L/C Issuer, as applicable.
- ix. Wherever in this Agreement in connection with a Borrowing, conversion, continuation or prepayment of an Alternative Currency Loan or the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Borrowing, Loan or Letter of Credit is denominated in an Alternative Currency, such amount shall be the relevant Alternative Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Alternative Currency, with 0.5 of a unit being rounded upward), as determined by the Administrative Agent or the L/C Issuer, as the case may be.

**1.08 Additional Alternative Currencies.**

- x. The Borrower may from time to time request that Alternative Currency Loans be made and/or Letters of Credit be issued in a currency other than those specifically listed in the definition of "Alternative Currency;" provided that such requested currency is an Eligible Currency. In the case of any such request with respect to the making of Alternative Currency Loans, such request shall be subject to the approval of the Administrative Agent and the Lenders obligated to make Credit Extensions in such currency; and in the case of any such request with respect to the issuance of Letters of Credit, such request shall be subject to the approval of the Administrative Agent and the L/C Issuer.
- xi. Any such request shall be made to the Administrative Agent not later than 11:00 a.m., fifteen (15) Business Days prior to the date of the desired Credit Extension (or such other time or date as may be agreed by the Administrative Agent and, in the case of any such request pertaining to Letters of Credit, the L/C Issuer, in its or their sole discretion). In the case of any such request pertaining to Alternative Currency Loans, the Administrative Agent shall promptly notify each affected Lender thereof; and in the case of any such request pertaining to Letters of Credit, the Administrative Agent shall promptly notify the L/C Issuer thereof. Each Lender (in the case of any such request pertaining to Alternative Currency Loans) or the L/C Issuer (in the case of a request pertaining to Letters of Credit) shall notify the Administrative Agent, not later than 11:00 a.m., seven (7) Business Days after receipt of such request whether it consents, in its sole discretion, to the making of Alternative Currency Loans or the issuance of Letters of Credit, as the case may be, in such requested currency.
- xii. Any failure by a Lender or the L/C Issuer, as the case may be, to respond to such request within the time period specified in the last sentence of Section 1.08(b) shall be deemed to be a refusal by such Lender or the L/C Issuer, as the case may be, to permit Alternative Currency Loans to be made or Letters of Credit to be issued in such requested currency. If the Administrative Agent and all the Lenders consent to making Alternative Currency Loans in such requested currency and the Administrative Agent and such Lenders reasonably determine that an appropriate interest rate is available to be used for such requested currency, the Administrative Agent shall so notify the Borrower and (i) the Administrative Agent and such Lenders may amend the definitions of "Alternative Currency Daily Rate" or "Alternative Currency Term Rate" to the extent necessary to add the applicable rate for such currency and any applicable adjustment for such rate and (ii) to the extent that the definition of "Alternative Currency Daily Rate" or "Alternative Currency Term Rate", as applicable, reflects the appropriate interest rate for such currency or has been amended to reflect

the appropriate rate for such currency, such currency shall thereupon be deemed for all purposes to be an Alternative Currency for purposes of any Borrowings of Alternative Currency Loans. If the Administrative Agent and the L/C Issuer consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Borrower and (x) the Administrative Agent and the L/C Issuer may amend the definition of "Alternative Currency Daily Rate" or "Alternative Currency Term Rate", as applicable, to the extent necessary to add the applicable rate for such currency and any applicable adjustment for such rate and (y) to the extent the definition of "Alternative Currency Daily Rate" or "Alternative Currency Term Rate", as applicable, has been amended to reflect the appropriate rate for such currency, such currency shall thereupon be deemed for all purposes to be an Alternative Currency, for purposes of any Letter of Credit issuances. If the Administrative Agent shall fail to obtain consent to any request for an additional currency under this Section 1.08, the Administrative Agent shall promptly so notify the Borrower.

#### **1.09 Change of Currency.**

- xiii. Each obligation of the Borrower to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such adoption. If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with any convention or practice in the interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency; provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, then such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.
- xiv. Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify in a written notice to the Borrower to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.
- xv. Each provision of this Agreement also shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify in a written notice to the Borrower to be appropriate to reflect a change in currency of any other country and any relevant market conventions or practices relating to the change in currency.

#### **1.10 Interest Rates.**

The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to any reference rate referred to herein or with respect to any rate (including, for the avoidance of doubt, the selection of such rate and any related spread or other adjustment) that is an alternative or replacement for or successor to any such rate (including, without limitation, any Successor Rate) (or any component of any of the foregoing) or the effect of any of the foregoing, or of any Conforming Changes. The Administrative Agent and its affiliates or other related entities may engage in transactions or other activities that affect any reference rate referred to herein, or any alternative, successor or replacement rate therefor (including, without limitation, any Successor Rate) (or any component of any of the foregoing) or any related spread or other 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 any reference rate referred to herein or any alternative, successor or replacement rate therefor (including, without limitation, any Successor Rate) (or any component of any of the foregoing), 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 other action or omission related to or affecting the selection, determination, or calculation of any rate (or component thereof) provided by any such information source or service.

### **1. THE COMMITMENTS AND CREDIT EXTENSIONS**

#### **2.01 Revolving Loans and Term Loan.**

- i. Revolving Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a "Revolving Loan") to the Borrower in Dollars or in one or more Alternative Currencies from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Revolving Commitment; provided, however, that after giving effect to any Borrowing of Revolving Loans, (i) the Total Revolving Outstandings shall not exceed the Aggregate Revolving Commitments, (ii) the aggregate Outstanding Amount of the Revolving Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Revolving Commitment and (iii) the aggregate Outstanding Amount of all Revolving Loans and L/C Obligations denominated in Alternative Currencies shall not exceed the Alternative Currency Sublimit. Within the limits of each Lender's Revolving Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.01, prepay under

- Section 2.05, and reborrow under this Section 2.01. Revolving Loans may be Base Rate Loans, Term SOFR Loans, Alternative Currency Daily Rate Loans or Alternative Currency Term Rate Loans, or a combination thereof, as further provided herein.
- ii. Increases of the Commitments. The Borrower shall have the right no more than five (5) times during the term of this Agreement, upon at least five (5) Business Days' prior written notice to the Administrative Agent, to increase the Aggregate Revolving Commitments at any time prior to the date that is six (6) months prior to the Maturity Date, subject, however, in any such case, to satisfaction of the following conditions precedent:
1. the sum of the aggregate amount of all increases in the Aggregate Revolving Commitments pursuant to this Section 2.01(b) shall not exceed \$400,000,000;
  2. no Default shall have occurred and be continuing on the date on which such increase is to become effective;
  3. the representations and warranties set forth in Article VI shall be true and correct on and as of the date on which such increase is to become effective, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date;
  4. such increase shall be in a minimum amount of \$10,000,000 and in integral multiples of \$5,000,000 in excess thereof;
  5. such requested increase shall only be effective upon receipt by the Administrative Agent of (A) additional Revolving Commitments in a corresponding amount of such requested increase from either existing Lenders and/or one or more other institutions that qualify as Eligible Assignees (it being understood and agreed that no existing Lender shall be required to provide an additional Revolving Commitment) and (B) documentation from each institution providing an additional Revolving Commitment evidencing its additional Revolving Commitment and its obligations under this Agreement in form and substance acceptable to the Administrative Agent;
  6. the Administrative Agent shall have received all documents (including resolutions of the board of directors of the Borrower and the Guarantors) it may reasonably request relating to the corporate or other necessary authority for such increase and the validity of such increase in the Aggregate Revolving Commitments, and any other matters relevant thereto, all in form and substance reasonably satisfactory to the Administrative Agent; and
  7. if the reallocation, if any, of outstanding Loans among the Lenders in connection with such increase results in the prepayment of Term SOFR Loans or Alternative Currency Term Rate Loans on a day which is not the last day of an Interest Period with respect thereto, the Borrower shall have paid to each affected Lender such amounts, if any, as may be required pursuant to Section 3.05.
- iii. Upon the effectiveness of any increase in the Aggregate Revolving Commitments pursuant to Section 2.01(b) above, (i) the Applicable Percentages of the Lenders shall be automatically adjusted to give effect to such increase, provided that the amount of each Lender's Commitments (other than a Lender whose Commitments shall have been increased in connection with such increase) shall remain unchanged and (ii) the Borrower, the Administrative Agent and the Lenders will use all commercially reasonable efforts to assign and assume outstanding Loans of the affected category to conform the respective amounts thereof held by each Lender to the Applicable Percentages as so adjusted, it being understood that the parties hereto shall use commercially reasonable efforts to avoid prepayment or assignment of any affected Loan that is a Term SOFR Loan or an Alternative Currency Term Rate Loan on a day other than the last day of the Interest Period applicable thereto.
- iv. Term Loan. Subject to the terms and conditions set forth herein, each Lender severally agrees to make its portion of a term loan (the "Term Loan") to the Borrower in Dollars on the Closing Date in an amount not to exceed such Lender's Term Loan Commitment. Amounts repaid on the Term Loan may not be reborrowed. The Term Loan may consist of Base Rate Loans or Term SOFR Loans, or a combination thereof, as further provided herein, provided, however, that all Borrowings made on the Closing Date shall be made as Base Rate Loans unless the Borrower delivers a funding indemnity letter not less than three (3) Business Days prior to the date of such Borrowing.

**2.02 Borrowings, Conversions and Continuations of Loans.**

- v. Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Term SOFR Loans or Alternative Currency Term Rate Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which may be given by (A) telephone, or (B) a Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Administrative Agent of a Loan Notice. Each such Loan Notice must be received by the Administrative Agent not later than 12:00p.m. (i) two Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Term SOFR Loans or of any conversion of Term SOFR Loans to Base Rate Loans, (ii) in the case of Alternative Currency Loans, four Business Days



(or five Business Days in the case of a Special Notice Currency) prior to the requested date of any Borrowing or continuation of Alternative Currency Loans, and (iii) on the requested date of any Borrowing of Base Rate Loans. Each Borrowing of, conversion to or continuation of Term SOFR Loans or Alternative Currency Loans, as applicable, shall be in a principal amount of the Dollar Equivalent of \$5,000,000 or a whole multiple of the Dollar Equivalent of \$1,000,000 in excess thereof (or, in connection with any conversion or continuation of the Term Loan, if less, the entire principal thereof then outstanding). Except as provided in Sections 2.03(c) and 2.04(c) or with respect to a Borrowing of the remaining available amount under the Aggregate Revolving Commitments, each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof (or, in connection with any conversion or continuation of the Term Loan, if less, the entire principal thereof then outstanding). Each Loan Notice shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other, or a continuation of Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, (v) if applicable, the duration of the Interest Period with respect thereto, and (vi) if applicable, the currency of the Loans to be borrowed (it being understood that Term SOFR Loans and Base Rate Loans can only be made in Dollars). If the Borrower fails to specify a currency in a Loan Notice requesting a Borrowing, then the Loans so requested shall be made in Dollars. If the Borrower fails to specify a Type of a Loan in a Loan Notice or, in the case of a Term SOFR Loan, if the Borrower fails to give a timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Base Rate Loans; provided, however, that in the case of a failure to timely request a continuation of Alternative Currency Term Rate Loans, such Loans shall be continued as Alternative Currency Term Rate Loans in their original currency with an Interest Period of one month. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Term SOFR Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Term SOFR Loans in any Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. No Loan may be converted into or continued as a Loan denominated in a different currency, but instead must be prepaid in the original currency of such Loan and reborrowed in the other currency.

- vi. Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount (and currency) of its Applicable Percentage of the applicable Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans or continuation of Term SOFR Loans or Alternative Currency Term Rate Loans, in each case as described in Section 2.02(a). In the case of a Borrowing, each Lender shall make the amount of its Loan available to the Administrative Agent in Same Day Funds at the Administrative Agent's Office for the applicable currency not later than 2:00 p.m., in the case of any Loan denominated in Dollars, and not later than the Applicable Local Time specified by the Administrative Agent in the case of any Alternative Currency Loan, in each case on the Business Day specified in the applicable Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 5.02 (and, if such Borrowing is the initial Credit Extension, Section 5.01), the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of Bank of America with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower; provided, however, that if, on the date the Loan Notice with respect to a Borrowing of Revolving Loans denominated in Dollars is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings and second, shall be made available to the Borrower as provided above.
- vii. Except as otherwise provided herein, a Term SOFR Loan or an Alternative Currency Term Rate Loan may be continued or converted only on the last day of the Interest Period for such Loan. During the existence of a Default, no Loans may be converted to or continued as Term SOFR Loans or Alternative Currency Term Rate Loans, as applicable, without the consent of the Required Lenders, and the Required Lenders may demand that any or all of the then outstanding Term SOFR Loans be converted immediately to Base Rate Loans or then outstanding Alternative Currency Loans be prepaid, or redenominated into Dollars in the amount of the Dollar Equivalent thereof, on the last day of the then current Interest Period with respect thereto.
- viii. Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrowers and the Lenders in the absence of manifest error.

- ix. After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than ten Interest Periods in effect with respect to the Loans.
- x. With respect to any Alternative Currency Daily Rate, SOFR or Term SOFR, the Administrative Agent will have the right, in consultation with the Borrower, 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; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.
- xi. This Section 2.02 shall not apply to Swing Line Loans.

### **2.03 Letters of Credit.**

#### **xii. The Letter of Credit Commitment.**

1. Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit denominated in Dollars or (subject to the limitation set forth below) in one or more Alternative Currencies for the account of the Borrower or any of its Subsidiaries, and to amend or extend Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor drawings under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Borrower or its Subsidiaries and any drawings thereunder; provided that, after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (w) the Total Revolving Outstandings shall not exceed the Aggregate Revolving Commitments, (x) the aggregate Outstanding Amount of the Revolving Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Revolving Commitment, (y) the Outstanding Amount of all L/C Obligations and all Loans denominated in Alternative Currencies shall not exceed the Alternative Currency Sublimit and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit. Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower's ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof. Notwithstanding anything to the contrary contained herein, Letters of Credit denominated in Alternative Currencies may only be issued by Bank of America and up to two other Lenders, in their capacities as L/C Issuer.
2. The L/C Issuer shall not issue any Letter of Credit if the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Lenders that have Revolving Commitments have approved such expiry date.
3. The L/C Issuer shall not be under any obligation to issue any Letter of Credit if:
  - a. any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;
  - b. the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer applicable to borrowers generally, consistently applied;

- c. such Letter of Credit is to be denominated in a currency other than Dollars or any Alternative Currency;
  - d. the L/C Issuer does not as of the issuance date of such requested Letter of Credit issue Letters of Credit in the requested currency;
  - e. such Letter of Credit contains any provisions for automatic reinstatement of the stated amount after any drawing thereunder; or
  - f. any Lender is at that time a Defaulting Lender, unless the L/C Issuer has entered into arrangements, including the delivery of Cash Collateral, satisfactory to the L/C Issuer (in its sole discretion) with the Borrower or such Defaulting Lender to eliminate the L/C Issuer's actual or potential Fronting Exposure (after giving effect to Section 2.15(b)) with respect to the Defaulting Lender arising from either the Letter of Credit then proposed to be issued or that Letter of Credit and all other L/C Obligations as to which the L/C Issuer has actual or potential Fronting Exposure, as it may elect in its sole discretion.
- 4. [Reserved].
  - 5. The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue the Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of the Letter of Credit does not accept the proposed amendment to the Letter of Credit.
  - 6. The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Administrative Agent in Article X with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in Article X included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.
- xiii. Procedures for Issuance and Amendment of Letters of Credit; Auto-Extension Letters of Credit.
- 1. Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Borrower. Such Letter of Credit Application may be sent by facsimile, by United States mail, by overnight courier, by electronic transmission using the system provided by the L/C Issuer, by personal delivery or by any other means acceptable to the L/C Issuer. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 11:00 a.m. at least three (3) Business Days (or such later date and time as the Administrative Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount and currency thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; (G) the purpose and nature of the requested Letter of Credit; (H) the type of the requested Letter of Credit (financial standby, performance standby or commercial) and (I) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the L/C Issuer may require. Additionally, the Borrower shall furnish to the L/C Issuer and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the L/C Issuer or the Administrative Agent may require.
  - 2. Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Borrower and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Lender, the Administrative Agent or any Loan Party, at least one (1) Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article V

shall not be satisfied, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Borrower or the applicable Subsidiary or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Letter of Credit.

3. If the Borrower so requests in any applicable Letter of Credit Application, the L/C Issuer may, in its sole discretion, agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit the L/C Issuer to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Borrower shall not be required to make a specific request to the L/C Issuer for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the extension of such Letter of Credit at any time to an expiry date not later than the Letter of Credit Expiration Date; provided, however, that the L/C Issuer shall not permit any such extension if (A) the L/C Issuer has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its revised form (as extended) under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is five (5) Business Days before the Non-Extension Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such extension or (2) from the Administrative Agent, any Lender or the Borrower that one or more of the applicable conditions specified in Section 5.02 is not then satisfied, and in each case directing the L/C Issuer not to permit such extension.
4. Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

xiv. Drawings and Reimbursements; Funding of Participations.

1. Upon receipt from the beneficiary of any Letter of Credit of any notice of drawing under such Letter of Credit, the L/C Issuer shall notify the Borrower and the Administrative Agent thereof. In the case of a Letter of Credit denominated in an Alternative Currency, the Borrower shall reimburse the L/C Issuer in such Alternative Currency, unless (A) the L/C Issuer (at its option) shall have specified in such notice that it will require reimbursement in Dollars, or (B) in the absence of any such requirement for reimbursement in Dollars, the Borrower shall have notified the L/C Issuer promptly following receipt of the notice of drawing that the Borrower will reimburse the L/C Issuer in Dollars. In the case of any such reimbursement in Dollars of a drawing under a Letter of Credit denominated in an Alternative Currency, the L/C Issuer shall notify the Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. Not later than 12:00p.m. on the date of any payment by the L/C Issuer under a Letter of Credit to be reimbursed in Dollars, or the Applicable Local Time on the date of any payment by the L/C Issuer under a Letter of Credit to be reimbursed in an Alternative Currency (each such date, an "Honor Date"), the Borrower shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing and in the applicable currency. If the Borrower fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (expressed in Dollars in the amount of the Dollar Equivalent thereof in the case of a Letter of Credit denominated in an Alternative Currency) (the "Unreimbursed Amount"), and the amount of such Lender's Applicable Percentage thereof. In such event, the Borrower shall be deemed to have requested a Borrowing of Revolving Loans that are Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the conditions set forth in Section 5.02 (other than the delivery of a Loan Notice) and provided that, after giving effect to such Borrowing, the Total Revolving Outstandings shall not exceed the Aggregate Revolving

Commitments. Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2. Each Lender shall upon any notice pursuant to Section 2.03(c)(i) make funds available (and the Administrative Agent may apply Cash Collateral provided for this purpose) for the account of the L/C Issuer, in Dollars, at the Administrative Agent's Office for Dollar-denominated payments in an amount equal to its Applicable Percentage of the Dollar Equivalent of the Unreimbursed Amount not later than 1:00 p.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.03(c)(iii), each Lender that so makes funds available shall be deemed to have made a Revolving Loan that is a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer in Dollars.
3. With respect to any Unreimbursed Amount that is not fully refinanced by a Borrowing of Revolving Loans that are Base Rate Loans because the conditions set forth in Section 5.02 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.
4. Until each Lender funds its Revolving Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Applicable Percentage of such amount shall be solely for the account of the L/C Issuer.
5. Each Lender's obligation to make Revolving Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Revolving Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 5.02 (other than delivery by the Borrower of a Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.
6. If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.03(c) by the time specified in Section 2.03(c)(ii), then, without limiting the other provisions of this Agreement, the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the applicable Overnight Rate from time to time in effect, plus any administrative, processing or similar fees customarily charged by the L/C Issuer in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Revolving Loan included in the relevant Borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this Section 2.03(c)(vi) shall be conclusive absent manifest error.

xv. Repayment of Participations.

1. At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.03(c), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Applicable Percentage thereof in Dollars and in the same funds as those received by the Administrative Agent.

2. If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(i) is required to be returned under any of the circumstances described in Section 11.05 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the applicable Overnight Rate from time to time in effect. The obligations of the Lenders under this Section 2.03(d)(ii) shall survive the payment in full of the Obligations and the termination of this Agreement.
- xvi. **Obligations Absolute.** The obligation of the Borrower to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:
1. any lack of validity or enforceability of such Letter of Credit, this Agreement or any other Loan Document;
  2. the existence of any claim, counterclaim, setoff, defense or other right that any Loan Party or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;
  3. any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;
  4. any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;
  5. waiver by the L/C Issuer of any requirement that exists for the L/C Issuer's protection and not the protection of the Borrower or any waiver by the L/C Issuer which does not in fact materially prejudice the Borrower;
  6. honor of a demand for payment presented electronically even if such Letter of Credit requires that demand be in the form of a draft;
  7. any payment made by the L/C Issuer in respect of an otherwise complying item presented after the date specified as the expiration date of such Letter of Credit, or the date by which documents must be received under such Letter of Credit if presentation after such date is authorized by the UCC, the ISP or the UCP, as applicable;
  8. any adverse change in the relevant exchange rates or in the availability of the relevant Alternative Currency to the Borrower or any Subsidiary or in the relevant currency markets generally; or
  9. any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Loan Party or any Subsidiary.

The Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Borrower's instructions or other irregularity, the Borrower will immediately notify the L/C Issuer. The Borrower shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

- i. **Role of L/C Issuer.** Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by such Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Issuer Document. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or

transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower from pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Administrative Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (ix) of Section 2.03(e); provided, however, that anything in such clauses to the contrary notwithstanding, the Borrower may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit unless the L/C Issuer is prevented or prohibited from so paying as a result of any order or directive of any court or other Governmental Authority. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason. The L/C Issuer shall provide to the Administrative Agent a list of outstanding Letters of Credit (together with type, amounts and denominated currency) issued by it on a monthly basis. The L/C Issuer may send a Letter of Credit or conduct any communication to or from the beneficiary via the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") message or overnight courier, or any other commercially reasonable means of communicating with a beneficiary.

- ii. Applicability of ISP and UCP; Limitation of Liability. Unless otherwise expressly agreed by the L/C Issuer and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the UCP shall apply to each commercial Letter of Credit. Notwithstanding the foregoing, the L/C Issuer shall not be responsible to the Borrower for, and the L/C Issuer's rights and remedies against the Borrower shall not be impaired by, any action or inaction of the L/C Issuer required or permitted under any Law, order, or practice that is required or permitted to be applied to any Letter of Credit or this Agreement, including the Law or any order of a jurisdiction where the L/C Issuer or the beneficiary is located, the practice stated in the ISP or UCP, as applicable, or in the decisions, opinions, practice statements, or official commentary of the ICC Banking Commission, the Bankers Association for Finance and Trade - International Financial Services Association (BAFT-IFSA), or the Institute of International Banking Law & Practice, whether or not any Letter of Credit chooses such Law or practice.
- iii. Letter of Credit Fees. The Borrower shall pay to the Administrative Agent for the account of each Lender in accordance, subject to Section 2.15, with its Applicable Percentage a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit equal to the Applicable Rate times the Dollar Equivalent of the actual daily amount available to be drawn under such Letter of Credit. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. Letter of Credit Fees shall be (i) due and payable on the fifth (5th) Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand and (ii) computed on a quarterly basis in arrears. If there is any change in the Applicable Rate during any quarter, the daily amount available to be drawn under each Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. Notwithstanding anything to the contrary contained herein, upon the request of the Required Lenders, while any Event of Default exists, all Letter of Credit Fees shall accrue at the Default Rate. With respect to Letter of Credit Fees attributable to Letters of Credit issued by institutions other than Bank of America, the Administrative Agent shall compute such Letter of Credit Fees using the information provided in Section 2.03(l)(iv) and any related Letter of Credit activity that posts subsequent to the date of such information but prior to the end of the calendar quarter shall be moved to the subsequent billing cycle.
- iv. Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrower shall pay directly to the L/C Issuer for its own account, in Dollars, a fronting fee (i) with respect to each commercial Letter of Credit, at the rate separately agreed between the Borrower and the L/C Issuer, computed on the Dollar Equivalent of the amount of such Letter of Credit, and payable upon the issuance thereof, (ii) with respect to any amendment of a commercial Letter of Credit increasing the amount of such Letter of Credit, at a rate separately agreed between the Borrower and the L/C Issuer,

computed on the Dollar Equivalent of the amount of such increase, and payable upon the effectiveness of such amendment, and (iii) with respect to each standby Letter of Credit, at a rate separately agreed between the Borrower and the L/C Issuer, computed on the Dollar Equivalent of the daily amount available to be drawn under such Letter of Credit and on a quarterly basis in arrears. Such fronting fee shall be due and payable on the fifth (5th) Business Day after the end of each March, June, September and December in respect of the most recently-ended quarterly period (or portion thereof, in the case of the first payment), commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. In addition, the Borrower shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect, in Dollars or such Alternative Currency as shall be separately agreed. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

- v. Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.
- vi. Letters of Credit Issued for Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, a Subsidiary, the Borrower shall be obligated to reimburse the L/C Issuer hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of Subsidiaries inures to the benefit of the Borrower, and that the Borrower's business derives substantial benefits from the businesses of such Subsidiaries.
- vii. L/C Issuer Reports to the Administrative Agent. Unless otherwise agreed by the Administrative Agent and the L/C Issuer, the L/C Issuer shall, in addition to its notification obligations set forth elsewhere in this Section 2.03, provide the Administrative Agent the following information:
  - a. not later than one (1) Business Day following the date that the L/C Issuer issues, amends, renews, increases or extends a Letter of Credit: (A) the date of such issuance, amendment, renewal, increase or extension, (B) the currency of such Letter of Credit and (C) the Dollar Equivalent of the stated amount of such Letter of Credit after giving effect to such issuance, amendment, renewal or extension (and whether the amounts thereof shall have changed);
  - b. not later than one (1) Business Day following the expiration or termination of a Letter of Credit, the date of such expiration or termination;
  - c. not later than the third (3rd) Business Day of each month, a report containing (A) a list of all outstanding Letters of Credit as of the last day of the immediately preceding month and (B) the face amount of such Letter of Credit (which, in the case of Letters of Credit denominated in Alternate Currencies, shall include the Dollar Equivalent amount thereof);
  - d. not later than 9:00 a.m. on the third (3rd) Business Day after the end of each March, June, September and December, a report containing (A) a list of all outstanding Letters of Credit during the immediately preceding quarter with a description of all activity with respect to such Letters of Credit during such quarter and (B) the face amount of such Letter of Credit (which, in the case of Letters of Credit denominated in Alternate Currencies, shall include the Dollar Equivalent amount thereof);
  - e. not later than one (1) Business Day following the date on which the L/C Issuer makes a payment pursuant to a Letter of Credit, the date and amount of such payment;
  - f. not later than one (1) Business Day following the date on which the Borrower fails to reimburse a payment made pursuant to a Letter of Credit required to be reimbursed on such day, the date of such failure and the amount of such payment; and
  - g. on any other Business Day, such other information as the Administrative Agent shall reasonably request as to the Letters of Credit issued by the L/C Issuer.

## **2.04 Swing Line Loans.**

- viii. Swing Line Facility. Subject to the terms and conditions set forth herein, the Swing Line Lender, in reliance upon the agreements of the other Lenders set forth in this Section 2.04, shall make loans (each such loan, a "Swing Line Loan") to the Borrower in Dollars from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Revolving Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Revolving Commitment; provided, however, that (i) after giving effect to any Swing Line Loan, (A) the Total Revolving Outstandings shall not exceed the Aggregate Revolving Commitments, (B) the aggregate Outstanding Amount of the Revolving Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's



Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Revolving Commitment, (ii) the Borrower shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan and (iii) the Swing Line Lender shall not be under any obligation to make any Swing Line Loan if it shall determine (which determination shall be conclusive and binding absent manifest error) that it has, or by such Credit Extension may have, Fronting Exposure. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.04, prepay under Section 2.05, and reborrow under this Section 2.04. Each Swing Line Loan shall bear interest only at a rate based on the Base Rate. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swing Line Loan.

- ix. Borrowing Procedures. Each Borrowing of Swing Line Loans shall be made upon the Borrower's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by (A) telephone or (B) a Swing Line Loan Notice; provided that any telephonic notice must be confirmed immediately by delivery to the Swing Line Lender and the Administrative Agent of a Swing Line Loan Notice. Each such Swing Line Loan Notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum principal amount of \$500,000 and integral multiples of \$100,000 in excess thereof, and (ii) the requested borrowing date, which shall be a Business Day. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 2:00 p.m. on the date of the proposed Borrowing of Swing Line Loans (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the first proviso to the first sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Article V is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender will, not later than 3:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrower.
- x. Refinancing of Swing Line Loans.
1. The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Revolving Loan that is a Base Rate Loan in an amount equal to such Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the conditions set forth in Section 5.02 (other than the delivery of a Loan Notice) and provided that, after giving effect to such Borrowing, the Total Revolving Outstandings shall not exceed the Aggregate Revolving Commitments. The Swing Line Lender shall furnish the Borrower with a copy of the applicable Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Loan Notice available to the Administrative Agent in Same Day Funds (and the Administrative Agent may apply Cash Collateral available with respect to the applicable Swing Line Loan) for the account of the Swing Line Lender at the Administrative Agent's Office for Dollar-denominated payments not later than 1:00 p.m. on the day specified in such Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Lender that so makes funds available shall be deemed to have made a Revolving Loan that is a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.
  2. If for any reason any Swing Line Loan cannot be refinanced by such a Borrowing of Revolving Loans in accordance with Section 2.04(c)(i), the request for Revolving Loans that are Base Rate Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

3. If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the applicable Overnight Rate from time to time in effect. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Revolving Loan included in the relevant Borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.
  4. Each Lender's obligation to make Revolving Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right that such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Revolving Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 5.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.
- xi. Repayment of Participations.
1. At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Applicable Percentage (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) thereof in the same funds as those received by the Swing Line Lender.
  2. If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 11.05 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the applicable Overnight Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.
- xii. Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Revolving Loans that are Base Rate Loans or risk participation pursuant to this Section 2.04 to refinance such Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.
- xiii. Payments Directly to Swing Line Lender. The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

## 2.05 Prepayments.

- xiv. Voluntary Prepayments.
1. Revolving Loans and Term Loan. The Borrower may, upon delivery of a Notice of Loan Prepayment from the Borrower to the Administrative Agent, at any time or from time to time voluntarily prepay Revolving Loans or the Term Loan in whole or in part without premium or penalty; provided that (A) such notice must be received by the Administrative Agent not later than 11:00 a.m. (1) two Business Days prior to any date of prepayment of Term SOFR Loans, (2) four Business Days (or five Business Days in the case of a Special Notice Currency) prior to any date of prepayment of Alternative Currency Loans and (3) on the date of prepayment of Base Rate Loans; (B) any such prepayment of Term SOFR Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof (or, if less, the entire principal amount thereof then outstanding); (C) any prepayment of Alternative Currency Loans shall be in a minimum principal amount of the Dollar Equivalent of \$5,000,000 or a whole multiple of the Dollar Equivalent of \$1,000,000

in excess thereof (or, if less, the entire principal amount thereof then outstanding); (D) any prepayment of Base Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof (or, if less, the entire principal amount thereof then outstanding); and (E) any prepayment of the Term Loan shall be applied as directed by the Borrower. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Term SOFR Loan or an Alternative Currency Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Subject to Section 2.15, each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Applicable Percentages.

2. Swing Line Loans. The Borrower may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or, if less, the entire principal thereof then outstanding). Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Swing Line Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05.

xv. Mandatory Prepayments.

1. Total Revolving Outstandings. If for any reason the Total Revolving Outstandings at any time exceed the Aggregate Revolving Commitments then in effect, the Borrower shall immediately prepay Revolving Loans and/or Swing Line Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.05(b)(i) unless, after the prepayment in full of the Revolving Loans and Swing Line Loans, the Total Revolving Outstandings exceed the Aggregate Revolving Commitments then in effect.
2. Alternative Currency Sublimit. If for any reason the Outstanding Amount of all Loans and L/C Obligations denominated in Alternative Currencies at such time exceeds 105% of the Alternative Currency Sublimit then in effect, then the Borrower shall immediately prepay Loans and/or the Borrower shall Cash Collateralize the L/C Obligations in an aggregate amount sufficient to reduce such Outstanding Amount as of such date of payment to an amount not to exceed 100% of the Alternative Currency Sublimit then in effect; provided, however, that, the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.05(b)(ii) unless, after the prepayment in full of the Loans, the Total Revolving Outstandings denominated in Alternative Currencies exceed the Alternative Currency Sublimit then in effect. The Administrative Agent may, at any time and from time to time after the initial deposit of such Cash Collateral, request that additional Cash Collateral be provided in order to protect against the results of further exchange rate fluctuations.
3. Application of Mandatory Prepayments. All amounts required to be paid pursuant to this Section 2.05(b) shall be applied as follows:
  - a. with respect to all amounts prepaid pursuant to Section 2.05(b)(i), to Revolving Loans and Swing Line Loans and (after all Revolving Loans and all Swing Line Loans have been repaid) to Cash Collateralize L/C Obligations; and
  - b. with respect to all amounts prepaid pursuant to Section 2.05(b)(ii), to Revolving Loans and (after all Revolving Loans have been repaid) to Cash Collateralize L/C Obligations.

Within the parameters of the applications set forth above, prepayments shall be applied first to Base Rate Loans, then to Alternative Currency Daily Rate Loans, then to Term SOFR Loans and lastly to Alternative Currency Term Rate Loans in direct order of Interest Period maturities. All prepayments under this Section 2.05(b) shall be subject to Section 3.05, but are otherwise without premium or penalty, and shall be accompanied by interest on the principal amount prepaid through the date of prepayment.

## **2.06 Termination or Reduction of Aggregate Revolving Commitments.**

The Borrower may, upon notice to the Administrative Agent, terminate the Aggregate Revolving Commitments, or from time to time permanently reduce the Aggregate Revolving Commitments to an amount not less than the Total Revolving Outstandings; provided that (i) any such notice shall be received by the Administrative Agent not later than 12:00p.m. five (5) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof and (iii) if, after giving effect to any reduction of the Aggregate Revolving Commitments, the Letter of Credit Sublimit, the Swing Line Sublimit or the Alternative Currency Sublimit exceeds the amount of the Aggregate Revolving Commitments, such sublimit shall be automatically reduced by the amount of such excess. The Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Revolving Commitments. The amount of any such Aggregate Revolving Commitment reduction shall not be applied to the Alternative Currency Sublimit or the Letter of Credit Sublimit unless otherwise specified by the Borrower. Any reduction of the Aggregate Revolving Commitments shall be applied to the Revolving Commitment of each Lender according to its Applicable Percentage. All fees accrued with respect thereto until the effective date of any termination of the Aggregate Revolving Commitments shall be paid on the effective date of such termination.

## **2.07 Repayment of Loans.**

- xvi. Revolving Loans. The Borrower shall repay to the Lenders on the Maturity Date the aggregate principal amount of all Revolving Loans outstanding on such date.
- xvii. Swing Line Loans. The Borrower shall repay each Swing Line Loan on the earlier to occur of (i) the date ten (10) Business Days after such Swing Line Loan is made and (ii) the Maturity Date.
- xviii. Term Loan. The Borrower shall repay the outstanding principal amount of the Term Loan in installments on the dates and in the amounts set forth in the table below (as such installments may hereafter be adjusted as a result of prepayments made pursuant to Section 2.05), unless accelerated sooner pursuant to Section 9.02:

Payment Dates	Principal Amortization Payment
December 31, 2021	\$7,500,000
March 31, 2022	\$7,500,000
June 30, 2022	\$7,500,000
September 30, 2022	\$7,500,000
December 31, 2022	\$10,000,000
March 31, 2023	\$10,000,000
June 30, 2023	\$10,000,000
September 30, 2023	\$10,000,000
December 31, 2023	\$10,000,000
March 31, 2024	\$15,000,000
June 30, 2024	\$15,000,000
September 30, 2024	\$15,000,000
December 31, 2024	\$15,000,000
March 31, 2025	\$15,000,000
June 30, 2025	\$15,000,000
September 30, 2025	\$15,000,000
December 31, 2025	\$15,000,000
March 31, 2026	\$15,000,000
June 30, 2026	\$15,000,000
Maturity Date	Remaining balance

provided, however, that (i) if any principal repayment installment to be made by the Borrower (other than principal repayment installments on Term SOFR Loans) shall come due on a day other than a Business Day, such principal repayment installment shall be due on the next succeeding Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be and (ii) if any principal repayment installment to be made by the Borrower on a Term SOFR Loan shall come due on a day other than a Business Day, such principal repayment installment shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such principal repayment installment into another calendar month, in which event such principal repayment installment shall be due on the immediately preceding Business Day.

## **2.08 Interest.**

- xix. Subject to the provisions of subsection (b) below, (i) each Term SOFR Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the sum of (A) Term SOFR for such Interest Period plus (B) the Applicable Rate; (ii) each Alternative Currency Daily Rate Loan shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the sum of (A) the Alternative Currency Daily Rate plus (B) the Applicable Rate; (iii) each Alternative Currency Term Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the sum of (A) the Alternative Currency Term Rate for such Interest Period plus (B) the Applicable Rate; (iv) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the sum of (A) the Base Rate plus (B) the Applicable Rate; and (v) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the sum of (A) the Base Rate plus (B) the Applicable Rate. To the extent that any calculation of interest or any fee required to be paid under this Agreement shall be based on (or result in) a calculation that is less than zero, such calculation shall be deemed zero for purposes of this Agreement.
- xx. (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.
- a. If any amount (other than principal of any Loan) payable by the Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.
  - a. Upon the request of the Required Lenders, while any Event of Default exists (other than as set forth in clauses (b)(i) and (b)(ii) above), the Borrower shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.
  - b. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.
1. Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

## **2.09 Fees.**

In addition to certain fees described in subsections (h) and (i) of Section 2.03:

1. Commitment Fee. The Borrower shall pay to the Administrative Agent, for the account of each Lender in accordance with its Applicable Percentage, a commitment fee (the "Commitment Fee") in Dollars equal to the product of (i) the Applicable Rate times (ii) the actual daily amount by which the Aggregate Revolving Commitments exceed the sum of (y) the Outstanding Amount of Revolving Loans and (z) the Outstanding Amount of L/C Obligations, subject to adjustment as provided in Section 2.15. The Commitment Fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article V is not met, and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period. The Commitment Fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect. For purposes of clarification, Swing Line Loans shall not be considered outstanding for purposes of determining the unused portion of the Aggregate Revolving Commitments. When determining the Outstanding Amount of Letters of Credit for Letters of Credit issued by Lenders other than Bank of America for purposes of calculating the commitment fee, the Administrative Agent shall make such determinations using the information provided in Section 2.03(1)(iv) and any related Letter of Credit activity that posts subsequent to the date of such information but prior to the end of the calendar quarter shall be reflected in adjustments to the commitment fee for the next billing cycle.
2. Fee Letter. The Borrower shall pay to BAS and the Administrative Agent for their own respective accounts, in Dollars, fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

## **2.10 Computation of Interest and Fees.**

All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to Term SOFR) and for Alternative Currency Loans shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days

elapsed or, in the case of interest in respect of Alternative Currency Loans as to which market practice differs from the foregoing, in accordance with such market practice. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

#### **2.11 Evidence of Debt.**

3. The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a promissory note, which shall evidence such Lender's Loans in addition to such accounts or records. Each such promissory note shall be in the form of Exhibit 2.11(a) (a "Note"). Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount, currency and maturity of its Loans and payments with respect thereto.
4. In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

#### **2.12 Payments Generally; Administrative Agent's Clawback.**

5. General. All payments to be made by the Borrower shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein and except with respect to principal of and interest on Loans denominated in an Alternative Currency, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in Same Day Funds not later than 2:00 p.m. on the date specified herein. Except as otherwise expressly provided herein, all payments by the Borrower hereunder with respect to principal and interest on Loans denominated in an Alternative Currency shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the applicable Administrative Agent's Office in such Alternative Currency and in Same Day Funds not later than the Applicable Local Time specified by the Administrative Agent on the dates specified herein. Without limiting the generality of the foregoing, the Administrative Agent may require that any payments due under this Agreement be made in the United States. If, for any reason, the Borrower is prohibited by any Law from making any required payment hereunder in an Alternative Currency, the Borrower shall make such payment in Dollars in the Dollar Equivalent of the Alternative Currency payment amount. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent (i) after 2:00 p.m., in the case of payments in Dollars, or (ii) after the Applicable Local Time specified by the Administrative Agent in the case of payments in an Alternative Currency, shall in each case shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.
6. (i) Funding by Lenders; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or, in the case of any Borrowing of Base Rate Loans, prior to 1:00 p.m. on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or, in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by

Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in Same Day Funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the Overnight Rate, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

- a. Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders or the L/C Issuer hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuer, as the case may be, the amount due. With respect to any payment that the Administrative Agent makes for the account of the Lenders or the L/C Issuer hereunder as to which the Administrative Agent determines (which determination shall be conclusive absent manifest error) that any of the following applies (such payment referred to as the "Rescindable Amount"): (1) the Borrower has not in fact made such payment; (2) the Administrative Agent has made a payment in excess of the amount so paid by the Borrower (whether or not then owed); or (3) the Administrative agent has for any reason otherwise erroneously made such payment; then each of the Lenders or the L/C Issuer, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the Rescindable Amount so distributed to such Lender or the L/C Issuer, in Same Day Funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Overnight Rate.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

1. Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article V are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.
2. Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments pursuant to Section 11.04(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation or to make any payment under Section 11.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 11.04(c).
3. Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

### **2.13 Sharing of Payments by Lenders.**

If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it resulting in such Lender receiving payment of a proportion of the aggregate amount of such Loans or participations and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and subparticipations in L/C Obligations and Swing Line Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

- a. if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and
- b. the provisions of this Section 2.13 shall not be construed to apply to (A) any payment made by or on behalf of the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender), (B) the application of Cash Collateral provided for in Section 2.14, or (C) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than an assignment to any Loan Party or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

#### **2.14 Cash Collateral.**

1. Certain Credit Support Events. If (i) as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, (ii) the Borrower shall be required to provide Cash Collateral pursuant to Section 9.02(c) or (iii) there shall exist a Defaulting Lender, the Borrower shall immediately (in the case of clause (ii) above) or within one (1) Business Day (in all other cases) following any request by the Administrative Agent or the L/C Issuer provide Cash Collateral in an amount not less than the applicable Minimum Collateral Amount (determined in the case of Cash Collateral provided pursuant to clause (iii) above, after giving effect to Section 2.15(b)) and any Cash Collateral provided by the Defaulting Lender).
2. Grant of Security Interest. All Cash Collateral (other than credit support not constituting funds subject to deposit) shall be maintained in blocked, non-interest bearing deposit accounts at Bank of America. The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to (and subjects to the control of) the Administrative Agent, for the benefit of the Administrative Agent, the L/C Issuer and the Lenders, and agrees to maintain, a first priority security interest in all such cash, deposit accounts and all balances therein, and all other property so provided as collateral pursuant hereto, and in all proceeds of the foregoing, all as security for the obligations to which such Cash Collateral may be applied pursuant to Section 2.14(c). If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent or the L/C Issuer as herein provided (other than normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions) or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, then the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency. The Borrower shall pay on demand therefor from time to time all customary account opening, activity and other administrative fees and charges in connection with the maintenance and disbursement of Cash Collateral.
3. Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under any of this Section 2.14 or Sections 2.03, 2.04, 2.05, 2.15 or 9.02 in respect of Letters of Credit shall be held and applied to the satisfaction of the specific L/C Obligations, obligations to fund participations therein (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) and other obligations for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.
4. Release. Cash Collateral (or the appropriate portion thereof) provided to reduce Fronting Exposure or to secure other obligations shall be released promptly following (i) the elimination of the applicable Fronting Exposure or other obligations giving rise thereto (including by the termination of Defaulting Lender status of the applicable Lender (or, as appropriate, its assignee following compliance with Section 11.06(b)(vi))) or (ii) the good faith determination by the Administrative Agent and the L/C Issuer that there exists excess Cash Collateral; provided, however, that (x) any such release shall be without prejudice to, and any disbursement or other transfer of Cash Collateral shall be and remain subject to, any other Lien conferred under the Loan Documents and the other applicable provisions of the Loan Documents, and (y) the Person providing Cash Collateral and the L/C Issuer may agree that Cash Collateral shall not be released but instead held to support future anticipated Fronting Exposure or other obligations.

#### **2.15 Defaulting Lenders.**



1. Adjustments. 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. Waivers and Amendments. Such 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" and Section 11.01.
  - b. Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article IX or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 11.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the L/C Issuer or Swing Line Lender hereunder; third, to Cash Collateralize the L/C Issuer's Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.14; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting 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 deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the L/C Issuer's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.14; sixth, to the payment of any amounts then owing to the Lenders, the L/C Issuer or Swing Line Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the L/C Issuer or the Swing Line Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default exists, to the payment of any amounts then owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such 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 L/C Borrowings in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 5.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Obligations owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Obligations owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Obligations and Swing Line Loans are held by the Lenders pro rata in accordance with the Commitments hereunder without giving effect to Section 2.15(b). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.15(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.
  - c. Certain Fees.
    - i. No Defaulting Lender shall be entitled to receive any fee payable under Section 2.09(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).
    - ii. Each Defaulting Lender shall be entitled to receive Letter of Credit Fees for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.14.
    - iii. With respect to any Letter of Credit Fee not required to be paid to any Defaulting Lender pursuant to Section 2.15(a)(iii)(B), the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in L/C Obligations that has been reallocated to such Non-Defaulting Lender pursuant to Section 2.15(b), (y) pay to the L/C Issuer the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such L/C Issuer's

Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

2. Reallocation of Applicable Percentages to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in L/C Obligations and Swing Line Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that such reallocation does not cause any Non-Defaulting Lender's share of the Total Revolving Outstandings to exceed such Non-Defaulting Lender's Revolving Commitment. Subject to Section 11.20, no reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.
3. Cash Collateral, Repayment of Swing Line Loans. If the reallocation described in Section 2.15(b) cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under applicable Law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lenders' Fronting Exposure and (y) second, Cash Collateralize the L/C Issuers' Fronting Exposure in accordance with the procedures set forth in Section 2.14.
4. Defaulting Lender Cure. If the Borrower, the Administrative Agent, the Swing Line Lender and the L/C Issuer agree in writing that a Lender is no longer 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 at par 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 Swing Line Loans to be held on a pro rata basis by the Lenders in accordance with their Applicable Percentages (without giving effect to Section 2.15(b)), whereupon such 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.

## 2.16 ESG Adjustments.

1. After the Closing Date, the Borrower, in consultation with the Sustainability Coordinator, shall be entitled, in its sole discretion, to establish specified key performance indicators ("KPIs") with respect to certain environmental, social and governance ("ESG") targets of the Borrower and its Subsidiaries. The Sustainability Coordinator and the Borrower may amend this Agreement (such amendment, an "ESG Amendment") solely for the purpose of incorporating the KPIs and other related provisions (the "ESG Pricing Provisions") into this Agreement, and any such amendment shall become effective at 5:00 p.m. on the tenth (10<sup>th</sup>) Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent (who shall promptly notify the Borrower) written notice that such Required Lenders object to such ESG Amendment. In the event that Required Lenders deliver a written notice objecting to any such ESG Amendment, an alternative ESG Amendment may be effectuated with the consent of the Required Lenders, the Borrower and the Sustainability Coordinator. Upon the effectiveness of any such ESG Amendment, based on the Borrower's performance against the KPIs, certain adjustments (increase, decrease or no adjustment) (such adjustments, the "ESG Applicable Rate Adjustments") to the otherwise applicable Applicable Rate for Revolving Loans, Swing Line Loans, Letter of Credit Fees and the Commitment Fee will be made; provided that (1) the amount of such adjustments shall not exceed (i) in the case of the Applicable Rate for the Commitment Fee, an increase and/or decrease of 0.01% and (ii) in the case of the Applicable Rate for Revolving Loans, Swing Line Loans and Letter of Credit Fees, an increase and/or decrease of 0.05% and (2) in no event shall the Applicable Rate for Revolving Loans, Swing Line Loans, Letter of Credit Fees, or the Commitment Fee be less than zero. The KPIs, the Borrower's performance against the KPIs, and any related ESG Applicable Rate Adjustments resulting therefrom, will be determined based on certain certificates, reports and other documents, in each case, setting forth the calculation and measurement of the KPIs in a manner that is aligned with the Sustainability Linked Loan Principles and to be mutually agreed between the Borrower and the Sustainability Coordinator (each acting reasonably). Following the effectiveness of an ESG Amendment, any modification to the ESG Pricing Provisions shall be subject only to the consent of the Required Lenders so long as such modification does not have the effect of reducing the Applicable Rate for Revolving Loans, Swing Line Loans, Letter of Credit Fees or the Commitment Fee to a level not otherwise permitted by this Section 2.16(a).

1. The Sustainability Coordinator will (i) assist the Borrower in determining the ESG Pricing Provisions in connection with the ESG Amendment and (ii) assist the Borrower in preparing informational materials focused on ESG to be used in connection with the ESG Amendment.
1. This Section 2.16 shall supersede any provisions in Section 11.01 to the contrary.

### ARTICLE III

#### TAXES, YIELD PROTECTION AND ILLEGALITY

##### 3.01 Taxes.

- A. Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.
  - a. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Loan Party, then the Administrative Agent or such Loan Party shall be entitled to make such deduction or withholding, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.
  - b. If any Loan Party or the Administrative Agent shall be required by the Internal Revenue Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Administrative Agent shall withhold or make such deductions as are determined by the Administrative Agent to be required based upon the information and documentation it has received pursuant to Section 3.01(e), (B) the Administrative Agent shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Internal Revenue Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.
  - c. If any Loan Party or the Administrative Agent shall be required by any applicable Laws other than the Internal Revenue Code to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required based upon the information and documentation it has received pursuant to Section 3.01(e), (B) such Loan Party or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.
1. Payment of Other Taxes by the Loan Parties. Without limiting the provisions of Section 3.01(a), the Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable Laws, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.
2. Tax Indemnifications. (i) Each of the Loan Parties shall, and does hereby, jointly and severally indemnify each Recipient, and shall make payment in respect thereof within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error.

(ii) Each Lender and the L/C Issuer shall, and does hereby, severally indemnify, and shall make payment in respect thereof within ten (10) days after demand therefor, the Administrative Agent against (x) any Indemnified Taxes attributable to such Lender or the L/C Issuer (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (y) any Taxes attributable to such Lender's failure to comply with the provisions of Section 11.06(d) relating to the maintenance of a Participant Register and (z) any Excluded Taxes attributable to such Lender or the L/C Issuer, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender and the L/C Issuer hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender or the L/C Issuer, as the case may be, under this Agreement or any other Loan Document against any amount due to the Administrative Agent under this clause (ii).

1. Evidence of Payments. Upon request by any Loan Party or the Administrative Agent, as the case may be, after any payment of Taxes by such Loan Party or by the Administrative Agent to a Governmental Authority as provided in this Section 3.01, such Loan Party shall deliver to the Administrative Agent or the Administrative Agent shall deliver to such Loan Party, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to such Loan Party or the Administrative Agent, as the case may be.
2. Status of Lenders; Tax Documentation.
  - a. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent, respectively, to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(e)(ii)(A), Section 3.01(e)(ii)(B) and Section 3.01(e)(ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.
  - b. Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,
    - a. any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;
    - b. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent, respectively), whichever of the following is applicable:

in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

executed copies of IRS Form W-8ECI;

in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate substantially in the form of Exhibit 3.01-A to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Internal Revenue Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN (or W-8BEN-E, as applicable); or Exhibit 3.01-A U.S. Tax Compliance Certificate

to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN (or IRS Form W-8BEN-E, as applicable), a U.S. Tax Compliance Certificate substantially in the form of Exhibit 3.01-B or Exhibit 3.01-C, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, then such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit 3.01-D on behalf of each such direct and indirect partner; Exhibit 3.01-B Exhibit 3.01-C Exhibit 3.01-D

- a. any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies (or originals, as required) of any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower or the Administrative Agent, respectively, to determine the withholding or deduction required to be made; and
  - b. if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue 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, respectively, such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent, respectively, as may be necessary for the Borrower and the Administrative Agent, respectively, 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), “FATCA” shall include any amendments made to FATCA after the Closing Date.
- a. Each Lender agrees that if any form or certification it previously delivered pursuant to this Section 3.01 expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.
3. Treatment of Certain Refunds. Unless required by applicable Laws, at no time shall the Administrative Agent have any obligation to file for or otherwise pursue on behalf of a Lender or the L/C Issuer, or have any obligation to pay to any Lender or the L/C Issuer, any refund of Taxes withheld or deducted from funds paid for the account of such Lender or the L/C Issuer, as the case may be. If any Recipient determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified by any Loan Party or with respect to which any Loan Party has paid additional amounts pursuant to this Section 3.01, it shall pay to the Loan Party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by a Loan Party under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Loan Party,

upon the request of the Recipient, agrees to repay the amount paid over to the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to the Loan Party pursuant to this subsection the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This Section 3.01(f) shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Loan Party or any other Person.

4. Defined Terms. For purposes of this Section 3.01, references to “applicable Law” includes FATCA.
5. Survival. Each party’s obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender or the L/C Issuer, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

### **3.02 Illegality.**

If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to a Relevant Rate or SOFR or to determine or charge interest rates based upon a Relevant Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars or any Alternative Currency in the applicable interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, (a) any obligation of such Lender to make, maintain, fund or charge interest with respect to any such Credit Extension or continue Term SOFR Loans or Alternative Currency Term Rate Loans in the affected currency or currencies or to convert Base Rate Loans to Term SOFR Loans shall be suspended and (b) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Term SOFR component of the Base Rate, the interest rate on which Base Rate Loans of such Lender, shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Term SOFR component of the Base Rate, in each case, until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice by the Borrower, (i) the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay all Term SOFR Loans or Alternative Currency Loans, as applicable in the affected currency or currencies or, if applicable in the case of Term SOFR Loans, convert all such Term SOFR Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Term SOFR component of the Base Rate), either on the last day of the Interest Period therefor if such Lender may lawfully continue to maintain such Loans to such day, or immediately if such Lender may not lawfully continue to maintain such Loans and (ii) if such notice asserts the illegality of such Lender determining or charging interest rates based upon Term SOFR, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the Term SOFR component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon Term SOFR. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

Each Lender at its option may make any Credit Extension to the Borrower by causing any domestic or foreign branch or Affiliate of such Lender to make such Credit Extension; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Credit Extension in accordance with the terms of this Agreement.

### **3.03 Inability to Determine Rates.**

6. If, in connection with any request for a Term SOFR Loan or an Alternative Currency Loan or a conversion of Base Rate Loans to Term SOFR Loans or a continuation of any of such Loans, as applicable, (i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (A) no Successor Rate for the Relevant Rate for the applicable currency has been determined in accordance with (x) in the case of Term SOFR Loans, Section 3.03(b) and the circumstances under clause (i) of Section 3.03(b) or the Scheduled Term SOFR Unavailability Date has occurred (as applicable) or (y) in the case of Alternative Currency Loans, Section 3.03(c), and the circumstances under Section 3.03(c)(i) or the Scheduled Unavailability Date has occurred with respect to such Relevant Rate (as applicable) or (B) adequate and reasonable means do not otherwise exist for determining the Relevant Rate for the applicable currency for any determination date(s) or requested Interest Period, as applicable, with respect to a proposed Term SOFR Loan or an Alternative Currency Loan or in connection with an existing or proposed Base Rate Loan, or (ii) the Administrative Agent or the Required Lenders determine that for any reason that the Relevant Rate with respect to a proposed Loan denominated in an currency for any requested Interest Period or

determination date(s) does not adequately and fairly reflect the cost to such Lenders of funding such Loan, then the Administrative Agent will promptly notify the Borrower and all Lenders.

Thereafter, (x) the obligation of the Lenders to make or maintain Loans in the affected currency or currencies, as applicable, or to convert Base Rate Loans to Term SOFR Loans, shall be suspended in each case to the extent of the affected Loans or Interest Periods or determination date(s), as applicable, and (y) in the event of a determination described in the preceding sentence with respect to the Term SOFR component of the Base Rate, the utilization of the Term SOFR component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (or, in the case of a determination by the Required Lenders described in Section 3.03(a)(ii), until the Administrative Agent upon instruction of the Required Lenders) revokes such notice.

Upon receipt of such notice, (1) the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Term SOFR Loans, or Borrowing of, or a continuation of Alternative Currency Loans to the extent of the affected Alternative Currency Loans or Interest Period or determination date(s), as applicable or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the Dollar Equivalent of the amount specified therein and (2) (A) any outstanding Term SOFR Loans shall be deemed to have been converted to Base Rate Loans at the end of their respective applicable Interest Period and (B) any outstanding affected Alternative Currency Loans, at the Borrower's election, shall either (x) be converted into a Borrowing of Base Rate Loans in the Dollar Equivalent of the amount of such outstanding Alternative Currency Loan immediately, in the case of an Alternative Currency Daily Rate Loan, or at the end of the applicable Interest Period, in the case of an Alternative Currency Term Rate Loan, or (y) be prepaid in full immediately, in the case of an Alternative Currency Daily Rate Loan, or at the end of the applicable Interest Period, in the case of an Alternative Currency Term Rate Loan; provided that if no election is made by the Borrower (x) in the case of an Alternative Currency Daily Rate Loan, by the date that is three (3) Business Days after receipt by the Borrower of such notice or (y) in the case of an Alternative Currency Term Rate Loan, by the last day of the current Interest Period for the applicable Alternative Currency Term Rate Loan, then the Borrower shall be deemed to have elected clause (x) above.

1. Replacement or Successor of Term SOFR. Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive and binding upon all parties hereto absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) have determined, that:

- a. adequate and reasonable means do not exist for ascertaining one month, three month and six month interest periods of Term SOFR, including, without limitation, because the Term SOFR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or
- b. CME or any successor administrator of the Term SOFR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent or such administrator with respect to its publication of Term SOFR, in each case acting in such capacity, has made a public statement identifying a specific date after which one month, three month and six month interest periods of Term SOFR or the Term SOFR Screen Rate shall or will no longer be made available, or permitted to be used for determining the interest rate of Dollar denominated syndicated loans, or shall or will otherwise cease, provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent that will continue to provide such interest periods of Term SOFR after such specific date (the latest date on which one month, three month and six month interest periods of Term SOFR or the Term SOFR Screen Rate are no longer available permanently or indefinitely, the "Scheduled Term SOFR Unavailability Date");

then, on a date and time determined by the Administrative Agent (any such date, the "Term SOFR Replacement Date"), which date shall be at the end of an Interest Period or on the relevant interest payment date, as applicable, for interest calculated and, solely with respect to clause (ii) above, no later than the Scheduled Term SOFR Unavailability Date, Term SOFR will be replaced hereunder and under any Loan Document with Daily Simple SOFR plus the SOFR Adjustment for any payment period for interest calculated that can be determined by the Administrative Agent, in each case, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document (the "Successor Term SOFR Rate").

If the Successor Term SOFR Rate is Daily Simple SOFR plus the SOFR Adjustment, all interest payments will be payable on a quarterly basis.

Notwithstanding anything to the contrary herein, (i) if the Administrative Agent determines that Daily Simple SOFR is not available on or prior to the Term SOFR Replacement Date, or (ii) if the events or circumstances of the type described in Section 3.03(b)(i) or (ii) have occurred with respect to the Successor Term SOFR Rate then in effect, then in each case, the Administrative Agent and the Borrower may amend this Agreement solely for the purpose of replacing Term SOFR or any then current Successor Term SOFR Rate in accordance with this Section 3.03 at the end of any Interest Period, relevant interest payment date or payment period for interest calculated, as applicable, with an alternative benchmark rate giving due

consideration to any evolving or then existing convention for similar Dollar denominated credit facilities syndicated and agented in the U.S. for such alternative benchmark. and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar Dollar denominated credit facilities syndicated and agented in the U.S. for such benchmark. For the avoidance of doubt, any such proposed rate and adjustments shall constitute a “Successor Term SOFR Rate”. Any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders object to such amendment.

For purposes of this Section 3.03(b), those Lenders that either have not made, or do not have an obligation under this Agreement to make, the relevant Loans in Dollars shall be excluded from any determination of Required Lenders.

1. Alternative Currencies. Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) have determined, that:
  - a. adequate and reasonable means do not exist for ascertaining the Relevant Rate for an Alternative Currency because none of the tenors of such Relevant Rate (including any forward-looking term rate thereof) is available or published on a current basis and such circumstances are unlikely to be temporary; or
  - b. the Applicable Authority has made a public statement identifying a specific date after which all tenors of the Relevant Rate for an Alternative Currency (including any forward-looking term rate thereof) shall or will no longer be representative or made available, or used for determining the interest rate of loans denominated in such Alternative Currency, or shall or will otherwise cease, provided that, in each case, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent that will continue to provide such representative tenor(s) of the Relevant Rate for such Alternative Currency (the latest date on which all tenors of the Relevant Rate for such Alternative Currency (including any forward-looking term rate thereof) are no longer representative or available permanently or indefinitely, the “Scheduled Unavailability Date”); or
  - c. syndicated loans currently being executed and agented in the U.S. are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace the Relevant Rate for an Alternative Currency;

or if the events or circumstances of the type described in Section 3.03(c)(i), (ii) or (iii) have occurred with respect to the Successor Relevant Rate then in effect, then, the Administrative Agent and the Borrower may amend this Agreement solely for the purpose of replacing the Relevant Rate for an Alternative Currency or any then current Successor Relevant Rate for an Alternative Currency in accordance with this Section 3.03 with an alternative benchmark rate giving due consideration to any evolving or then existing convention for similar credit facilities syndicated and agented in the U.S. and denominated in such Alternative Currency for such alternative benchmarks, and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar credit facilities syndicated and agented in the U.S. and denominated in such Alternative Currency for such benchmarks, and may be periodically updated (and any such proposed rate, including for the avoidance of doubt, any adjustment thereto, a “Successor Relevant Rate”), and any such amendment shall become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders object to such amendment.

1. Successor Rates Generally.

The Administrative Agent will promptly (in one or more notices) notify the Borrower and each Lender of the implementation of any Successor Rate. Any Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Administrative Agent, such Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent. Notwithstanding anything else herein, if at any time any Successor Rate as so determined would otherwise be less than zero percent (0%), the Successor Rate will be deemed to be zero percent (0%) for the purposes of this Agreement and the other Loan Documents. In connection with the implementation of a Successor Rate, 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; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

### 3.04 Increased Costs.



2. Increased Costs Generally. If any Change in Law shall:

- a. impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender or the L/C Issuer;
- b. subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of "Excluded Taxes" and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or
- c. impose on any Lender or the L/C Issuer or any applicable interbank market any other condition, cost or expense affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting to, continuing or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer hereunder (whether of principal, interest or any other amount), then, upon request of such Lender or the L/C Issuer, the Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

1. Capital Requirements. If any Lender or the L/C Issuer determines that any Change in Law affecting such Lender or the L/C Issuer or any Lending Office of such Lender or such Lender's or the L/C Issuer's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or the L/C Issuer's capital or on the capital of such Lender's or the L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit or Swing Line Loans held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the L/C Issuer's policies and the policies of such Lender's or the L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company for any such reduction suffered.
2. Certificates for Reimbursement. A certificate of a Lender or the L/C Issuer setting forth, with supporting calculations in reasonable detail, the amount or amounts necessary to compensate such Lender or the L/C Issuer or its holding company, as the case may be, as specified in Section 3.04(a) or (b) and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.
3. Delay in Requests. Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or the L/C Issuer's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender or the L/C Issuer pursuant to the foregoing provisions of this Section 3.04 for any increased costs incurred or reductions suffered more than six (6) months prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

**3.05 Compensation for Losses.**

Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

1. any continuation, conversion, payment or prepayment of any Loan (other than a Base Rate Loan) on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);
2. any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan on the date or in the amount notified by the Borrower;
3. any failure by the Borrower to make a payment of any Loan or any drawing under a Letter of Credit (or interest due thereon) denominated in an Alternative Currency on its scheduled due date or any payment thereof in a different currency; or
4. any assignment of a Term SOFR Loan or Alternative Currency Term Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 11.13; or

including any loss of anticipated profits, foreign exchange losses and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained or from the performance of any foreign exchange contract. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05 each Lender shall be deemed to have funded each Alternative Currency Term Rate Loan made by it by a matching deposit or other borrowing in the offshore interbank market for such currency for a comparable amount and for a comparable period, whether or not such Alternative Currency Term Rate Loan was in fact so funded.

### **3.06 Mitigation Obligations; Replacement of Lenders.**

5. Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender, the L/C Issuer, or any Governmental Authority for the account of any Lender or the L/C Issuer pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then, at the request of the Borrower, such Lender or the L/C Issuer, as applicable, shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender or the L/C Issuer, as applicable, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender or the L/C Issuer, as the case may be, to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender or the L/C Issuer, as the case may be. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or the L/C Issuer in connection with any such designation or assignment.
6. Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 11.13.

### **3.07 Survival.**

All of the Loan Parties' obligations under this Article III shall survive termination of the Aggregate Revolving Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

## **ARTICLE IV** **GUARANTY**

### **4.01 The Guaranty.**

Each of the Guarantors, if any, hereby jointly and severally guarantees to each Lender, the L/C Issuer, each Affiliate of a Lender that enters into a Swap Contract or a Treasury Management Agreement with any Loan Party or any Subsidiary, the Administrative Agent and each other holder of the Obligations as hereinafter provided, as primary obligor and not as surety, the prompt payment of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) strictly in accordance with the terms thereof. The Guarantors, if any, hereby further agree that if any of the Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise), the Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other of the Loan Documents, Swap Contracts or Treasury Management Agreements, the obligations of each Guarantor (in its capacity as such), if any, under this Agreement and the other Loan Documents shall not exceed an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under applicable Debtor Relief Laws.

### **4.02 Obligations Unconditional.**

The obligations of the Guarantors under Section 4.01 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Loan Documents or other documents relating to the Obligations, or any substitution, release, impairment or exchange of any other guarantee of or security for any of the Obligations, and, to the fullest extent permitted by applicable Law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.02 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Guarantor agrees that such Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Guarantor for amounts paid under this Article IV until such time as the Obligations have been paid in full and the Commitments have expired or terminated. Without limiting the generality of the foregoing, it is agreed that, to the

fullest extent permitted by Law, the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder, which shall remain absolute and unconditional as described above:

1. at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Obligations shall be extended, or such performance or compliance shall be waived;
2. any of the acts mentioned in any of the provisions of any of the Loan Documents or other documents relating to the Obligations shall be done or omitted;
3. the maturity of any of the Obligations shall be accelerated, or any of the Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents or other documents relating to the Obligations shall be waived or any other guarantee of any of the Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;
4. any Lien granted to, or in favor of, the Administrative Agent or any other holder of the Obligations as security for any of the Obligations shall fail to attach or be perfected; or
5. any of the Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor).

With respect to its obligations hereunder, each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any other holder of the Obligations exhaust any right, power or remedy or proceed against any Person under any of the Loan Documents or any other document relating to the Obligations, or against any other Person under any other guarantee of, or security for, any of the Obligations.

#### **4.03 Reinstatement.**

The obligations of the Guarantors under this Article IV shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Obligations is rescinded or must be otherwise restored by any holder of any of the Obligations, whether as a result of any Debtor Relief Law or otherwise, and each Guarantor agrees that it will indemnify the Administrative Agent and each other holder of the Obligations on demand for all reasonable costs and expenses (including, without limitation, the fees, charges and disbursements of counsel) incurred by the Administrative Agent or such holder of the Obligations in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any Debtor Relief Law.

#### **4.04 Certain Additional Waivers.**

Each Guarantor agrees that such Guarantor shall have no right of recourse to security for the Obligations, except through the exercise of rights of subrogation pursuant to Section 4.02 and through the exercise of rights of contribution pursuant to Section 4.06.

#### **4.05 Remedies.**

The Guarantors agree that, to the fullest extent permitted by Law, as between the Guarantors, on the one hand, and the Administrative Agent and the other holders of the Obligations, on the other hand, the Obligations may be declared to be forthwith due and payable as specified in Section 9.02 (and shall be deemed to have become automatically due and payable in the circumstances specified in said Section 9.02) for purposes of Section 4.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Obligations being deemed to have become automatically due and payable), the Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 4.01.

#### **4.06 Rights of Contribution.**

The Guarantors agree among themselves that, in connection with payments made hereunder, each Guarantor shall have contribution rights against the other Guarantors as permitted under applicable Law. Such contribution rights shall be subordinate and subject in right of payment to the obligations of such Guarantors under the Loan Documents and no Guarantor shall exercise such rights of contribution until all Obligations have been paid in full and the Commitments have terminated.

#### **4.07 Guarantee of Payment; Continuing Guarantee.**

The guarantee in this Article IV is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Obligations whenever arising.

#### **4.08 Keepwell.**

Each Loan Party that is a Qualified ECP Guarantor at the time the Guaranty in this Article IV by any Loan Party that is not then an “eligible contract participant” under the Commodity Exchange Act (a “Specified Loan Party”) or the grant of a security interest under the Loan Documents by any such Specified Loan Party, in either case, becomes effective with respect to any Swap Obligation, hereby jointly and severally, absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Loan Party with respect to such Swap Obligation as may be needed by such Specified Loan Party from time to time to honor all of its obligations under the Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering such Qualified ECP Guarantor’s obligations and undertakings under this Article IV voidable under applicable Debtor Relief Laws, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section 4.08 shall remain

in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each Loan Party intends this Section 4.08 to constitute, and this Section 4.08 shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each Specified Loan Party for all purposes of the Commodity Exchange Act.

## ARTICLE V

### CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

#### 5.01 Conditions of Effectiveness.

This Agreement shall be effective upon satisfaction of the following conditions precedent:

1. Loan Documents. Receipt by the Administrative Agent of executed counterparts of this Agreement and the other Loan Documents, each properly executed by a Responsible Officer of the signing Loan Party and, in the case of this Agreement, by each Lender.
2. Opinions of Counsel. Receipt by the Administrative Agent of favorable opinions of legal counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, dated as of the Closing Date, and in form and substance satisfactory to the Administrative Agent.
3. No Material Adverse Change. There shall not have occurred a material adverse change since December 31, 2020 in the business, assets, liabilities (actual or contingent), operations or financial condition of the Borrower and its Subsidiaries, taken as a whole.
4. Organization Documents, Resolutions, Etc. Receipt by the Administrative Agent of the following, in form and substance satisfactory to the Administrative Agent:
  - a. copies of the Organization Documents of each Loan Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization, where applicable, and certified by a Responsible Officer of such Loan Party to be true and correct as of the Closing Date;
  - b. such certificates of 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; and
  - c. such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, in good standing and qualified to engage in business in its state of organization or formation.
5. Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of the Borrower certifying that (i) the condition specified in Section 5.01(c) has been satisfied, (ii) the representations and warranties of each Loan Party contained in Article VI or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, are true and correct in all material respects (or, if any such representation or warranty is qualified by materiality or Material Adverse Effect, it is true and correct in all respects as drafted) on and as of the Closing Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (or, if any such representation or warranty is qualified by materiality or Material Adverse Effect, it is true and correct in all respects as drafted) as of such earlier date and (iii) no Default exists.
6. KYC Information.
  - a. Upon the reasonable request by any Lender to the Borrower at least ten (10) days prior to the Closing Date, receipt by such Lender of the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including the PATRIOT Act, in each case, at least five (5) days prior to the Closing Date.
  - b. At least five (5) days prior to the Closing Date, if a Loan Party qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, receipt by the Administrative Agent of a Beneficial Ownership Certification in relation to such Loan Party.
7. Fees. Receipt by the Administrative Agent, BAS and the Lenders of any fees required to be paid on or before the Closing Date to the extent invoiced prior to the Closing Date.
8. Attorney Costs. Receipt by the Administrative Agent of the payment by the Borrower of all fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced two (2) Business Days prior to the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute the Administrative Agent’s reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings to the extent provided by the Administrative Agent to the Borrower two (2) Business Days prior to the Closing Date (provided

that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

Without limiting the generality of the provisions of the last paragraph of Section 10.04, for purposes of determining compliance with the conditions specified in this Section 5.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

#### **5.02 Conditions to all Credit Extensions.**

The obligation of each Lender to honor any Request for Credit Extension (other than a conversion of the Loans to the other Type or a continuation of Term SOFR Loans) is subject to the following conditions precedent:

1. The representations and warranties of each Loan Party contained in Article VI or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects (or, if any such representation or warranty is qualified by materiality or Material Adverse Effect, it shall be true and correct in all respects as drafted) on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (or, if any such representation or warranty is qualified by materiality or Material Adverse Effect, it shall be true and correct in all respects as drafted) as of such earlier date, except that (i) if the proceeds of such Loan are to be used to support the Borrower's commercial paper program, the representations set forth in Sections 6.06 and 6.09(a) need not be made and (ii) for purposes of this Section 5.02(a), the representations contained in Section 6.05 shall be deemed to refer to the most recent statements furnished pursuant to Section 7.04(a) and Section 7.04(b).
2. No Default shall exist, or would result from such proposed Credit Extension or from the application of the proceeds thereof.
3. The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.
4. In the case of a Credit Extension to be denominated in an Alternative Currency, such currency remains an Eligible Currency.

Each Request for Credit Extension submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 5.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

## **ARTICLE VI**

### **REPRESENTATIONS AND WARRANTIES**

The Loan Parties represent and warrant to the Administrative Agent and the Lenders that:

#### **6.01 Organization; Powers.**

The Borrower and each of the Subsidiaries (a) (i) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, (ii) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted and (iii) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where any such failure, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and (b) has the power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated hereby to which it is or will be a party and, in the case of the Borrower, to borrow and receive other Credit Extensions hereunder.

#### **6.02 Authorization.**

The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party (a) have been duly authorized by all requisite corporate or other organizational action and, if required, equity holder action and (b) will not (i) violate (A) any provision of Law or of the Organization Documents of such Loan Party, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which such Loan Party is a party or by which any of them or any of their property is or may be bound, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such indenture, agreement or other instrument, or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Subsidiary (other than any Lien created hereunder).

#### **6.03 Enforceability.**

This Agreement has been duly executed and delivered by each Loan Party and constitutes, and each other Loan Document when executed and delivered by each Loan Party thereto will constitute, a legal, valid and binding obligation of such Loan Party enforceable against such Loan Party in accordance with its terms, except as may be limited by applicable Debtor Relief Laws or by equitable principles relating to enforceability.

#### **6.04 Governmental Approvals.**

No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, except for such as have been made or obtained and are in full force and effect.

**6.05 Financial Statements.**

The Borrower has heretofore furnished to the Lenders its Audited Financial Statements and its unaudited consolidated balance sheets and statements of income, stockholders' equity (in the case of the Borrower) and cash flows as of and for the fiscal quarter ended June 30, 2021. Subject to normal year-end audit adjustments (in the case of unaudited statements), (i) such financial statements present fairly the financial condition and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods, (ii) such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the dates thereof to the extent required in accordance with GAAP and (iii) such financial statements were prepared in accordance with GAAP.

**6.06 No Material Adverse Change.**

Since December 31, 2020, no event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect.

**6.07 Title to Properties; Possession Under Leases.**

Each of the Borrower and the Subsidiaries has valid title to, or valid leasehold interests in, all of its material properties and assets, except for defects in title that do not materially interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes. All such material properties and assets are free and clear of Liens, other than Permitted Liens.

**6.08 Subsidiaries.**

Schedule 6.08 sets forth as of the Closing Date a list of all Subsidiaries and the percentage ownership interest of the Borrower therein.

**6.09 Litigation; Compliance with Laws.**

5. There are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Loan Parties, threatened against or affecting the Borrower or any Subsidiary or any business, property or rights of any such Person (i) that involve any Loan Document or the transactions contemplated thereby or (ii) which could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.
6. None of the Borrower, any of the Subsidiaries or any of their respective material properties or assets is in violation of any Law, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default could reasonably be expected to result in a Material Adverse Effect.
7. As of the Closing Date, the information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects, to the knowledge of the Borrower.

**6.10 Agreements.**

8. Neither the Borrower nor any of the Subsidiaries is subject to any Contractual Obligation or subject to any corporate or similar restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect.
9. Neither the Borrower nor any of the Subsidiaries is in default in any manner under any provision of any indenture or other agreement or instrument evidencing Indebtedness, or any other material Contractual Obligation to which it is subject or by which it or any of its properties or assets are or may be bound, where such default could reasonably be expected to result in a Material Adverse Effect.

**6.11 Federal Reserve Regulations.**

10. Neither the Borrower nor any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U issued by the FRB).
11. No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations issued by the FRB, including Regulation T, U or X.

**6.12 Investment Company Act.**

Neither the Borrower nor any Subsidiary is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

**6.13 Use of Proceeds.**

The Borrower will use the proceeds of the Credit Extensions (a) to finance working capital, capital expenditures and other lawful corporate purposes, and (b) to refinance certain existing Indebtedness.

**6.14 Tax Returns.**

Each of the Borrower and the Subsidiaries (a) has filed or caused to be filed all Federal, state, local and foreign tax returns or materials required to have been filed by it except for filings the delinquency of which could not reasonably be

expected to have a Material Adverse Effect and (b) has paid or caused to be paid all taxes due and payable by it and all material written assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, shall have set aside on its books adequate reserves or where the failure to so pay could not reasonably be expected to have a Material Adverse Effect.

**6.15 No Material Misstatements.**

None of the information, reports, financial statements, exhibits or schedules furnished by or on behalf of the Borrower to the Administrative Agent, BAS or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, the Loan Parties represent only that they acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

**6.16 Employee Benefit Plans.**

- xxi. Each of the Borrower and its ERISA Affiliates is in compliance in all respects with the applicable provisions of ERISA and the Internal Revenue Code and the regulations and published interpretations thereunder, except where such non-compliance, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.
- xxii. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect.
- xxiii. The Borrower is not and will not be using "plan assets" (within the meaning of 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments.

**6.17 Environmental Matters.**

Except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of the Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has received written notice of any claim with respect to any Environmental Liability or (iii) knows of any Release of any Hazardous Materials at any property owned or operated by the Borrower or any Subsidiary requiring any reporting, investigative, cleanup, removal or response action pursuant to any applicable Environmental Law, which action has not been completed, except for Releases occurring pursuant to permits, licenses or approvals issued pursuant to Environmental Laws.

**6.18 Insurance.**

The Borrower and its Subsidiaries have insurance in such amounts and covering such risks and liabilities as are in accordance with normal industry practice.

**6.19 Labor Matters.**

As of the Closing Date, there are no material strikes, lockouts or slowdowns against the Borrower or any Subsidiary pending or, to the knowledge of the Loan Parties, threatened. Except with respect to any violations that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, the hours worked by and payments made to employees of the Borrower and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign Law dealing with such matters. All payments due from the Borrower or any Subsidiary, or for which any claim may be made against the Borrower or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Borrower or such Subsidiary except where the failure to make or accrue any such payments, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The consummation of the transactions contemplated by the Loan Documents will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Borrower or any Subsidiary is bound.

**6.20 Solvency.**

Immediately following the making of each Credit Extension and after giving effect to the application of the proceeds of thereof, (a) the fair value of the assets of the Loan Parties, taken as a whole, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Loan Parties, taken as a whole; (b) the present fair saleable value of the property of the Loan Parties, taken as a whole, will be greater than the amount that will be required to pay the probable liability of the debts and other liabilities, subordinated, contingent or otherwise, of the Loan Parties, taken as a whole, as such debts and other liabilities become absolute and matured; (c) the Loan Parties, taken as a whole, will be able to pay the debts and liabilities, subordinated, contingent or otherwise, of the Loan Parties, taken as a whole, as such debts and liabilities become absolute and matured; and (d) the Loan Parties, taken as a whole, will not have unreasonably small capital with which to conduct the business in which the Loan Parties, taken as a whole, are engaged as such business is now conducted and is proposed to be conducted following the Closing Date.

**6.21 Existing Liens.**

- (a) [Reserved].

(b) Set forth on Schedule 8.02 is a list of all Liens (other than Permitted Liens under Sections 8.02(a) through Section 8.02(o)) existing as of the Closing Date with respect to any property or assets owned by a Loan Party or any Subsidiary or any income, revenues or rights in respect of any thereof.

#### **6.22 OFAC.**

None of the Loan Parties, nor any of their Subsidiaries, nor, to the knowledge of the Loan Parties and their Subsidiaries, any director, officer or employee thereof, is 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) located, operating, organized or resident in a Designated Jurisdiction. The Loan Parties and their Subsidiaries have conducted their businesses in compliance in all material respects with all applicable Sanctions and have instituted and maintained policies and procedures designed to promote and achieve compliance by the Loan Parties and their Subsidiaries with such Sanctions.

#### **6.23 Anti-Corruption Laws.**

The Loan Parties and their Subsidiaries have conducted their businesses in all material respects in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

#### **6.24 No Affected Financial Institutions.**

No Loan Party is an Affected Financial Institution.

### **ARTICLE VII**

#### **AFFIRMATIVE COVENANTS**

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, each Loan Party shall and shall cause each Subsidiary to:

##### **7.01 Existence; Businesses and Properties.**

- xxiv. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 8.05 and except, with respect to any Subsidiary, where the failure to do so could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.
- xxv. (1) Do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names material to the conduct of the business of the Borrower and its Subsidiaries, taken as a whole; (2) maintain and operate such business in substantially the manner in which it is presently conducted and operated; (3) comply in all material respects with all applicable Laws, whether now in effect or hereafter enacted, except where the failure to do so could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect; and (4) at all times, maintain and preserve all property material to the conduct of such business and keep such property in good repair, working order and condition, and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times, except where the failure to do so could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

##### **7.02 Insurance.**

(1) Keep its insurable properties adequately insured at all times by financially sound and reputable insurers (after giving effect to any self-insurance in amounts customary in the Borrower's industry); (2) maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating in the same or similar locations, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it; and (3) maintain such other insurance as may be required by Law.

##### **7.03 Obligations and Taxes.**

Pay its Indebtedness promptly and in accordance with its terms and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof; provided, however, that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy or claim so long as (a) (i) the validity or amount thereof shall be contested in good faith by appropriate proceedings, (ii) the Borrower or such Subsidiary shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP, and (iii) such contest operates to suspend



collection of the contested obligation, tax, assessment or charge and enforcement of a Lien or (b) the failure to so pay or discharge could not reasonably be expected to have a Material Adverse Effect.

#### **7.04 Financial Statements, Reports, etc.**

In the case of the Borrower, furnish to the Administrative Agent:

- i. within 100 days after the end of each fiscal year commencing with Borrower's fiscal year ending December 31, 2021, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of the Borrower and its consolidated Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such Subsidiaries during such year, all audited by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP;
- ii. within 50 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of the Borrower and its consolidated Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of such Subsidiaries during such fiscal quarter and the then elapsed portion of the fiscal year, compared with the results of its operations and the operations of its Subsidiaries in the corresponding quarter from the prior fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP, subject to normal year-end audit adjustments;
- iii. concurrently with any delivery of financial statements under Section 7.04(a) or 7.04(b) above, a duly completed Compliance Certificate, signed by a Financial Officer of the Borrower;
- iv. [reserved];
- v. promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be;
- vi. promptly after the receipt thereof by the Borrower or any of its Subsidiaries, a copy of any final "management letter" received by any such Person from its certified public accountants and management's response thereto;
- vii. promptly following any request therefor, information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" requirements under the PATRIOT Act, the Beneficial Ownership Regulation or other applicable anti-money laundering laws; and
- viii. promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

Documents required to be delivered pursuant to Section 7.04(a), 7.04(b) or 7.04(e) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and, if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto, on the Borrower's website on the Internet at the website address listed on Schedule 11.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent (which shall notify each Lender) of the posting of any such document and, promptly upon request by the Administrative Agent, provide to the Administrative Agent by electronic mail an electronic version (i.e., a soft copy) of any such document specifically requested by the Administrative Agent. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or BAS may, but shall not be obligated to, make available to the Lenders and the L/C Issuer materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on ClearPar, IntraLinks, Syndtrak or another similar electronic transmission system (as applicable, the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the

Borrower shall be deemed to have authorized the Administrative Agent, BAS, the L/C Issuer and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 11.07); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated “Public Side Information;” and (z) the Administrative Agent and BAS shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not designated as “Public Side Information.” Notwithstanding the foregoing, the Borrower shall be under no obligation to mark any Borrower Materials “PUBLIC.”

#### **7.05 Litigation and Other Notices.**

Furnish to the Administrative Agent, for distribution to the Lenders, prompt written notice of the following:

- i. any Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;
- ii. the filing or commencement of, or any threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect;
- iii. the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and the Subsidiaries in an aggregate amount exceeding \$10,000,000;
- iv. any notice from S&P or Moody’s indicating the possibility of an adverse change in the credit ratings applicable to the Borrower or any of its Indebtedness assigned by S&P or Moody’s and promptly after the Borrower obtains knowledge of any change in the rating established by S&P or Moody’s, as applicable, with respect to the Debt Rating, a notice of such change, which notice shall specify the new rating, the date on which such change was publicly announced, and such other information with respect to such change as the Administrative Agent may reasonably request; and
- v. any development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

#### **7.06 Information Regarding Subsidiaries.**

Each year, at the time of delivery of the annual financial statements with respect to the preceding fiscal year pursuant to Section 7.04(a), deliver to the Administrative Agent a certificate of a Financial Officer setting forth supplements to Schedule 6.08 as are necessary such that, as supplemented, such Schedule would be accurate and complete as of the date of the most recent certificate delivered pursuant to this Section 7.06.

#### **7.07 Maintaining Records; Access to Properties and Inspections.**

- vi. Keep proper books of record and account in which full, true and correct entries, in all material respects, in conformity with GAAP and all requirements of Law are made of all dealings and transactions in relation to its business and activities.
- vii. Permit any representatives designated by the Administrative Agent or any Lender to visit and inspect the financial records and the properties of the Borrower or any Subsidiary at reasonable times and as often as reasonably requested and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent or any Lender to discuss the affairs, finances and condition of the Borrower or any Subsidiary with the officers thereof and independent accountants therefor; provided that any such visit or inspection does not interfere with the normal operation of such business conducted at such properties; provided further that reasonable prior notice of any discussions with the Borrower’s independent accountants shall be given to Borrower and Borrower shall have the opportunity to be present and participate in any such discussions.

#### **7.08 Use of Proceeds.**

Use the proceeds of the Credit Extensions (a) to finance working capital, capital expenditures and other lawful corporate purposes, and (b) to refinance certain existing Indebtedness, provided that in no event shall the proceeds of the Credit Extensions be used in contravention of any Law or of any Loan Document.

#### **7.09 Debt Ratings.**

Use commercially reasonable efforts to maintain Debt Ratings (it being understood and agreed that “commercially reasonable efforts” shall in any event include the payment by the Borrower of customary rating agency fees and cooperation with information and data requests by Moody’s and S&P in connection with their ratings process), it being agreed that there is no obligation to maintain any particular ratings at any time.

#### **7.10 Anti-Corruption Laws.**

Conduct its businesses in compliance in all material respects with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions and with all applicable Sanctions and maintain policies and procedures designed to promote and achieve compliance with such laws and Sanctions.

## ARTICLE VIII

### NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, no Loan Party shall, nor shall it permit any Subsidiary to, directly or indirectly:

#### **8.01 Indebtedness.**

Incur, create, assume or permit to exist any Indebtedness, except:

- i. Indebtedness under the Loan Documents;
- ii. intercompany Indebtedness to the extent that the loan or advance to the applicable debtor was permitted under Section 8.04;
- iii. Capital Lease Obligations and other Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (except by an amount equal to unpaid accrued interest and premium thereon at such time plus reasonable fees and expenses incurred in connection with such extensions, renewals or replacements); provided that the aggregate principal amount of Indebtedness shall not exceed \$200,000,000 at any time outstanding;
- iv. Indebtedness under industrial revenue bonds in an aggregate principal amount not to exceed \$20,000,000 at any time outstanding;
- v. Receivables Program Indebtedness in an amount not exceeding \$100,000,000 in the aggregate at any time outstanding;
- vi. Indebtedness solely in respect of surety, performance, statutory, bid, appeal, customs and return-of-money bonds, payment (other than payment of Indebtedness) or completion performance guarantees, bankers' acceptance, bank guarantees, letters of credit, warehouse receipts and similar obligations in respect of contractual obligations of the Borrower or its Subsidiaries, provided that such obligations are (i) incurred in the ordinary course of business of the Borrower and its Subsidiaries and (ii) except as expressly permitted under Section 8.02(d) or 8.02(e), unsecured;
- vii. to the extent constituting Indebtedness, obligations owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such Person or in respect of such statutory obligation; provided that such obligations are incurred in the ordinary course of business of the Borrower and its Subsidiaries;
- viii. to the extent constituting Indebtedness, obligations representing deferred compensation to employees or directors of the Borrower or any Subsidiary incurred in the ordinary course of business of the Borrower and its Subsidiaries;
- ix. Indebtedness consisting of (i) the financing of insurance premiums or self-insurance obligations and (ii) take-or-pay obligations contained in supply or similar agreements, in each case in the ordinary course of business of the Borrower and its Subsidiaries; provided that such obligations are incurred in connection with open accounts extended by suppliers on customary trade terms in the ordinary course of business;
- x. Indebtedness of any Person that becomes a Subsidiary after the date hereof in an aggregate principal amount not to exceed \$75,000,000 at any one time outstanding; provided that such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary (and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (except by an amount equal to unpaid accrued interest and premium thereon at such time plus reasonable fees and expenses incurred in connection with such extensions, renewals or replacements));
- xi. other Indebtedness, so long as the aggregate principal amount of Priority Debt does not exceed 7.5% of Consolidated Tangible Assets (determined as of the most recently ended fiscal quarter for which financial statements are available); and
- xii. Guarantees with respect to Indebtedness permitted under this Section 8.01; provided that in the case of any Guarantee provided by the Borrower or any wholly-owned Subsidiary in respect of Indebtedness of a non-wholly-owned Subsidiary, such Guarantee is also permitted under Section 8.04(o) or Section 8.04(p).

#### **8.02 Liens.**

Create, incur, assume or permit to exist any Lien on any property or assets now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

- i. any Lien created under the Loan Documents;
- ii. Liens for taxes not yet due or which are being contested in compliance with Section 7.03;

- iii. carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable for a period of more than thirty (30) days or which are being contested in compliance with Section 7.03;
- iv. pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;
- v. deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety, appeal, performance, bid, customs and return-of-money bonds and other obligations of a like nature incurred in the ordinary course of business;
- vi. zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;
- vii. Liens on fixed or capital assets hereafter acquired (or, in the case of improvements, constructed) by the Borrower or any Subsidiary that secure Indebtedness permitted by Section 8.01(c), provided that (i) such Liens are incurred, and the Indebtedness secured thereby is created, within ninety (90) days after such acquisition (or construction) and (ii) such Liens do not apply to any other property or assets of the Borrower or any Subsidiary;
- viii. Liens on the property of Finsub incurred pursuant to the Receivables Program Documentation and precautionary filings in respect of non-recourse factoring of accounts receivable by Foreign Subsidiaries that is permitted under Section 8.05(b);
- ix. Liens arising out of judgments or awards that do not constitute an Event of Default under Section 9.01(h) or in respect of which the Borrower or any of the Subsidiaries shall in good faith be prosecuting an appeal or proceedings for review in respect of which there shall be secured a subsisting stay of execution pending such appeal or proceedings;
- x. Liens solely on any cash earnest money or escrow deposits made by the Borrower or any Subsidiary in connection with any letter of intent or purchase agreement relating to any transaction permitted under Section 8.05;
- xi. Liens on property (including Equity Interests) existing at the time of the Acquisition of such property (pursuant to an Acquisition permitted hereunder) by the Borrower or any Subsidiary to the extent the Liens on such assets secure Indebtedness permitted by Section 8.01(j) or other obligations permitted by this Agreement; provided that such Liens attach at all times only to the same assets that such Liens (other than after acquired property that is affixed or incorporated into the property covered by such Lien) attached to, and secure only the same Indebtedness or obligations (including any extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (except by an amount equal to unpaid accrued interest and premium thereon at such time plus reasonable fees and expenses incurred in connection with such extensions, renewals or replacements)); provided, further, that the aggregate principal amount of Indebtedness secured by such Liens shall not exceed \$75,000,000 at any one time outstanding;
- xii. Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Borrower or any other Subsidiary in the ordinary course of business and permitted by this Agreement;
- xiii. Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;
- xiv. Liens on premium refunds granted in favor of insurance companies (or their financing affiliates) in connection with the financing of insurance premiums;
- xv. Liens (i) on cash advances in favor of the seller of any property to be acquired pursuant to an Investment permitted under Section 8.04 to be applied against the purchase price for such Investment, (ii) on or with respect to Equity Interests in Joint Ventures that secure the obligations of such Joint Venture and (iii) consisting of an agreement to dispose of any property in a disposition permitted under Section 8.05, in each case, solely to the extent such Investment (including such Joint Venture) or disposition, as the case may be, would have been permitted on the date of the creation of such Lien;
- xvi. Liens existing on the Closing Date and set forth on Schedule 8.02; provided that (i) no such Lien is spread to cover any additional property after the Closing Date and (ii) such Lien shall secure only those obligations which it secures on the Closing Date (and extensions, renewals and replacements of any such obligations that do not increase the outstanding principal amount thereof (except by an amount equal to any unpaid accrued interest and premium thereon at such time plus reasonable fees and expenses incurred in connection with such extensions, renewals or replacements)); and
- xvii. other Liens securing Indebtedness permitted by Section 8.01(k).

#### **8.03 [Reserved].**

#### **8.04 Investments.**

Make any Investment except:

- i. Investments existing on the Closing Date and set forth on Schedule 8.04 and any modification, refinancing, renewal, refunding, replacement or extension thereof; provided that the amount of any Investment permitted pursuant to this Section 8.04(a) is not increased from the amount of such Investment on the Closing Date;
- ii. Investments in the Borrower and its wholly-owned Subsidiaries;
- iii. Investments by any non-wholly-owned Subsidiary in any other non-wholly-owned Subsidiary;
- iv. Permitted Investments;
- v. Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;
- vi. Investments consisting of loans and advances in the ordinary course of business to employees so long as the aggregate principal amount thereof at any time outstanding shall not exceed \$5,000,000;
- vii. Swap Contracts that are not speculative in nature, are entered into in the ordinary course of business and are related to interest rate hedging for floating interest rate exposure or hedging (including currency and commodity hedging) of bookings, sales, income and dividends derived from the foreign operations of the Borrower or any Subsidiary or otherwise related to purchases from suppliers;
- viii. Permitted Acquisitions or transactions constituting Investments permitted pursuant to Section 8.05;
- ix. Investments in the form of promissory notes and other non-cash consideration received in connection with any asset disposition or transfer permitted by this Agreement;
- x. Investments consisting of Guarantees of loans, in an aggregate amount outstanding at any time not to exceed \$30,000,000, made by third parties to employees who are participants in the Borrower's stock purchase program, if implemented, to enable such employees to purchase common stock of the Borrower;
- xi. Investments consisting of Guarantees permitted by Section 8.01;
- xii. Investments in connection with a Receivables Program and non-recourse factoring of accounts receivable by Foreign Subsidiaries that is permitted under Section 8.05(b);
- xiii. Investments acquired as a result of any Person becoming a Subsidiary or in connection with an Acquisition permitted hereunder (provided that such Investments were not made in contemplation of such Person becoming a Subsidiary or such Acquisition and were in existence at the time of such of such Person becoming a Subsidiary or such Acquisition) and any modification, refinancing, renewal, refunding, replacement or extension of such Investments (provided that the amount of any Investment permitted pursuant to this Section 8.04(m) is not increased from the amount of such Investment on the date of such Person becoming a Subsidiary or of such Acquisition);
- xiv. Investments by the Borrower and its Subsidiaries in Equity Interests in Joint Ventures; provided that the aggregate amount of such Investments shall not exceed \$50,000,000 at any time outstanding (in each case determined at the time of such Investment without regard to any write-downs or write-offs);
- xv. Investments in non-wholly-owned Subsidiaries in an aggregate amount not to exceed \$100,000,000 at any time outstanding; and
- xvi. other Investments so long as at the time each such Investment is made and immediately after giving effect thereto, the aggregate amount of such Investments does not exceed 5% of Consolidated Tangible Assets (determined as of the most recently ended fiscal quarter for which financial statements are available) in the aggregate at any time outstanding.

**8.05 Mergers, Consolidations and Sales of Assets.**

- xvii. **Mergers; Consolidations.** Merge, dissolve, liquidate or consolidate with or into another Person or consummate any division, except that so long as no Default exists or would result therefrom, (a) the Borrower may merge or consolidate with any of its Subsidiaries, provided that the Borrower is the continuing or surviving corporation, (b) any Subsidiary may merge or consolidate with any other Subsidiary, provided that (i) if a Loan Party is a party to such transaction, the continuing or surviving Person is a Loan Party and (ii) if a wholly-owned Subsidiary is a party to such transaction, the continuing or surviving Person is a wholly-owned Subsidiary, (c) the Borrower or any Subsidiary may merge or consolidate with any other Person in connection with a Permitted Acquisition, provided that (i) if the Borrower is a party to such transaction, the Borrower is the continuing or surviving corporation, (ii) if a Guarantor is a party to such transaction, the surviving Person shall be a Guarantor and (iii) if a wholly-owned Subsidiary is a party to such transaction, the continuing or surviving Person is a wholly-owned Subsidiary and (d) any Subsidiary that is not a Guarantor may dissolve, liquidate or wind up its affairs at any time, provided that such dissolution, liquidation or winding up, as applicable, could not reasonably be expected to have a Material Adverse Effect.
- xviii. **Asset Sales.** Engage in any Asset Sale unless (i) the consideration therefor is at least equal to the fair market value (in the case of an asset with a fair market value in excess of \$50,000,000, as

determined in good faith by the board of directors of the Borrower) of the assets being sold, transferred, leased or disposed of and (ii) the fair market value of all assets sold, transferred, leased or disposed of pursuant to this Section 8.05(b) shall not exceed 20% of Consolidated Tangible Assets (determined as of the most recently ended fiscal quarter for which financial statements have been delivered) in the aggregate from and after the Closing Date, provided that the limitations set forth in this clause (ii) shall not apply to the non-recourse factoring of accounts receivable by Foreign Subsidiaries so long as the aggregate outstanding amount of accounts receivable (assuming each such account receivable remains outstanding for the number of days provided in the applicable invoice for non-delinquent payment) at any time which have been so factored shall not exceed \$75,000,000.

#### **8.06 Restricted Payments; Restrictive Agreements.**

- xix. Declare or pay, directly or indirectly, any Restricted Payment, except that the Borrower and its Subsidiaries may make Restricted Payments so long as (i) no Default exists or would result therefrom and (ii) the Borrower is and would be in compliance with the maximum ratio set forth in Section 8.11(a) on a Pro Forma Basis.
- xx. Except as provided on Schedule 8.06, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (i) the ability of the Borrower or any Loan Party to create, incur or permit to exist any Lien upon any of its property or assets to secure the Obligations or any Indebtedness refinancing the Obligations, (ii) the ability of any Subsidiary to make Restricted Payments or to make or repay loans or advances to any Loan Party or (iii) the ability of any Loan Party to Guarantee Indebtedness of any Loan Party; provided that (A) the foregoing shall not apply to restrictions and conditions imposed by Law or by any Loan Document, (B) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of assets or a Subsidiary pending such sale, provided that such restrictions and conditions apply only to the assets or Subsidiary that is to be sold and such sale is permitted hereunder, (C) the foregoing shall not apply to the restrictions and conditions imposed on Finsub under the Receivables Program Documentation, (D) the foregoing shall not apply to restrictions and conditions imposed on any Foreign Subsidiary by the terms of any Indebtedness of such Foreign Subsidiary permitted to be incurred hereunder, and (E) subclause (i) of the foregoing shall not apply to (1) restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness or (2) customary provisions in leases and other contracts restricting the assignment thereof and (F) the foregoing shall not apply to any agreement in effect at the time any Subsidiary becomes a Subsidiary of the Borrower, so long as such prohibition or limitation applies only to such Subsidiary (and, if applicable, its Subsidiaries) and such agreement was not entered into in contemplation of such Person becoming a Subsidiary of the Borrower, as such agreement may be amended, restated, supplemented, modified extended renewed or replaced, so long as such amendment, restatement, supplement, modification, extension, renewal or replacement does not expand in any material respect the scope of any restriction contemplated by this Section 8.06(b) contained therein.

#### **8.07 Transactions with Affiliates.**

Sell or transfer any property or assets to, or purchase or acquire any property, assets or services from, or otherwise engage in any other transactions with, any of its Affiliates, except that (a) the Borrower or any Subsidiary may engage in any of the foregoing transactions at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) reasonable and customary fees may be paid to members of the board of directors, officers, employees and consultants for services rendered in the ordinary course of business, together with customary indemnities in connection therewith and in accordance with applicable Law, (c) Restricted Payments may be made pursuant to Section 8.06 and (d) intercompany transactions not prohibited by this Agreement may be consummated.

#### **8.08 Business of Borrower and Subsidiaries.**

Engage at any time in any business or business activity other than the business currently conducted by the Borrower and the Subsidiaries and business activities reasonably incidental thereto, including any activities permitted hereunder, which, in the case of Finsub, shall be limited solely to performing its obligations under the Receivables Program Documentation.

#### **8.09 Other Indebtedness and Agreements.**

- xxi. If any Event of Default exists, (i) amend or modify any of the terms of any Material Indebtedness if such amendment or modification would add or change any terms in a manner materially adverse to the Borrower or any Subsidiary, (ii) shorten the final maturity or average life to maturity, (iii) require any payment to be made sooner than originally scheduled or (iv) increase the interest rate applicable thereto.
- xxii. Other than in accordance with the express terms of the subordination provisions or subordination agreement relating thereto, amend or modify any of the terms of any subordinated Indebtedness or make any payments in respect of any subordinated Indebtedness.

- xxiii. Except as set forth on Schedule 8.09, pay in cash any amount in respect of any Indebtedness or preferred Equity Interests that may at the obligor's option be paid in kind or in other securities.

#### **8.10 Fiscal Year.**

With respect to the Borrower, change its fiscal year-end to a date other than December 31; provided that the Borrower may use a 52/53 week fiscal year ending around December 31.

#### **8.11 Financial Covenants.**

- xxiv. Consolidated Net Leverage Ratio. (i) Permit the Consolidated Net Leverage Ratio as of the end of any fiscal quarter of the Borrower (A) ending on or prior to September 30, 2024 to be greater than 4.00 to 1.0 and (B) ending on or after December 31, 2024, 3.75 to 1.0; provided that, in each case, in connection with any Material Acquisition, upon written notice from the Borrower to the Administrative Agent, the maximum permitted Consolidated Net Leverage Ratio for each of the four consecutive fiscal quarters, beginning with the fiscal quarter in which such Material Acquisition occurs (such period, the "Leverage Increase Period"), shall be increased by 0.50 to 1.0. Following the expiration of any Leverage Increase Period, the maximum Consolidated Net Leverage Ratio cannot be subsequently increased again as provided in the immediately preceding proviso (and a subsequent Leverage Increase Period cannot commence) until the Borrower has delivered quarterly Compliance Certificates evidencing that it was in compliance with the maximum Consolidated Net Leverage Ratio as set forth in this Section 8.11(a) (after the decrease in such maximum Consolidated Net Leverage Ratio following the termination of such Leverage Increase Period) for two (2) consecutive fiscal quarters; provided, that the maximum Consolidated Net Leverage Ratio may be increased no more than two (2) times during the term of this Agreement.
- xxv. Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 3.25 to 1.0.

#### **8.12 Use of Proceeds.**

Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to (i) purchase or carry margin stock (within the meaning of Regulation U of the FRB), (ii) extend credit to others for the purpose of purchasing or carrying margin stock or (iii) refund indebtedness originally incurred for such purpose.

#### **8.13 Sanctions.**

Directly or indirectly use any Credit Extension or the proceeds of any Credit Extension, or lend, contribute or otherwise make available such Credit Extension or the proceeds of any Credit Extension to any Person, to fund any activities of or business with any Person, 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 Person (including any Person participating in the transaction, whether as Lender, arranger, Administrative Agent, L/C Issuer, Swing Line Lender, Sustainability Coordinator, or otherwise) of Sanctions.

#### **8.14 Anti-Corruption Laws.**

Directly or indirectly use the proceeds of any Credit Extension for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 or other similar anti-corruption legislation in other jurisdictions.

### **ARTICLE IX**

#### **EVENTS OF DEFAULT AND REMEDIES**

##### **9.01 Events of Default.**

Any of the following shall constitute an "Event of Default":

- i. Non-Payment. Any Loan Party fails to pay (i) when and as required to be paid herein, and in the currency required hereunder, any amount of principal of any Loan or any L/C Obligation (after giving effect to the reimbursement of the L/C Issuer out of the proceeds of a Revolving Loan pursuant to Section 2.03(c)(i)), (ii) within three (3) Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any fee due hereunder, or (iii) within five (5) days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or
- ii. Specific Covenants. Any Loan Party fails to perform or observe any term, covenant or agreement contained in any of Section 7.01(a), Section 7.05, Section 7.08 or Article VIII; or
- iii. Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for thirty (30) days after the earlier of (i) a Responsible Office of the Borrower becoming aware thereof or (ii) notice thereof from the Administrative Agent to the Borrower; or

- iv. Representations and Warranties. Any representation or warranty made or deemed made in or in connection with any Loan Document or the Credit Extensions hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished; or
- v. Cross-Default. Any Loan Party or any Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness when and as the same shall become due and payable (after giving effect to any applicable grace period), or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness, in each case, unless such failure has been waived pursuant to a written waiver from the holder of such Material Indebtedness, if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or a trustee on its or their behalf to cause, such Indebtedness to become due or repurchased, prepaid, defeased or redeemed prior to its stated maturity; or
- vi. Involuntary Proceedings, Etc. (1) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of any Loan Party or any Subsidiary (other than any Immaterial Subsidiary), or of a substantial part of the property or assets of any Loan Party or a Subsidiary (other than any Immaterial Subsidiary), under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar Law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or any Subsidiary (other than any Immaterial Subsidiary) or for a substantial part of the property or assets of any Loan Party or a Subsidiary (other than any Immaterial Subsidiary) or (iii) the winding-up or liquidation of any Loan Party or any Subsidiary (other than any Immaterial Subsidiary) and (2) such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered; or
- vii. Voluntary Proceedings, Etc. Any Loan Party or any Subsidiary (other than any Immaterial Subsidiary) shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in Section 9.01(f), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or any Subsidiary (other than any Immaterial Subsidiary) or for a substantial part of the property or assets of any Loan Party or any Subsidiary (other than any Immaterial Subsidiary), (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing; or
- viii. Judgments. There is entered against any Loan Party or any Subsidiary (i) one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments or orders) exceeding \$100,000,000 (to the extent not covered by independent third-party insurance as to which the insurer has been notified of the claim and does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of thirty (30) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or
- ix. ERISA. An ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect; or
- x. Invalidity of Loan Documents. (1) Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect, (2) any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document or (3) any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or
- xi. Change of Control. There occurs any Change of Control.

## **9.02 Remedies Upon Event of Default.**

If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:



- i. declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;
- ii. declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower;
- iii. require that the Borrower Cash Collateralize the L/C Obligations (in an amount equal to the Minimum Collateral Amount with respect thereto); and
- iv. exercise on behalf of itself, the Lenders and the L/C Issuer all rights and remedies available to it, the Lenders and the L/C Issuer under the Loan Documents or applicable Law or at equity;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case, without further act of the Administrative Agent or any Lender.

### **9.03 Application of Funds.**

After the exercise of remedies provided for in Section 9.02 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 9.02), any amounts received on account of the Obligations shall, subject to the provisions of Sections 2.14 and 2.15, be applied by the Administrative Agent in the following order:

First, to 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 amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Lenders and the L/C Issuer (including fees, charges and disbursements of counsel to the respective Lenders and the L/C Issuer and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Loans and L/C Borrowings and fees, premiums and scheduled periodic payments, and any interest accrued thereon, due under any Swap Contract between any Loan Party or any Subsidiary and any Lender, or any Affiliate of a Lender, ratably among the Lenders (and, in the case of such Swap Contracts, Affiliates of Lenders) and the L/C Issuer in proportion to the respective amounts described in this clause Third held by them;

Fourth, to (a) payment of that portion of the Obligations constituting unpaid principal of the Loans and L/C Borrowings, (b) payment of breakage, termination or other payments, and any interest accrued thereon, due under any Swap Contract between any Loan Party or any Subsidiary and any Lender, or any Affiliate of a Lender, (c) payments of amounts due under any Treasury Management Agreement between any Loan Party or any Subsidiary and any Lender, or any Affiliate of a Lender and (d) Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit, in each case, ratably among the Lenders (and, in the case of such Swap Contracts and Treasury Management Agreements, Affiliates of Lenders) and the L/C Issuer in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

Subject to Section 2.03(c) and Section 2.14, amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Fourth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above. Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor or such Guarantor's assets, but appropriate adjustments shall be made with respect to payments from other Loan Parties to preserve the allocation to Obligations otherwise set forth above in this Section 9.03.

Notwithstanding the foregoing, Obligations arising under Treasury Management Agreements and Swap Contracts shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the applicable Lender (or Affiliate thereof). Each Affiliate of a Lender not a party to this Agreement that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Article X hereof as if a "Lender" party hereto.

## ARTICLE X

### **ADMINISTRATIVE AGENT**

#### **10.01 Appointment and Authority.**

Each of the Lenders and the L/C Issuer hereby irrevocably appoints Bank of America to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article X are solely for the benefit of the Administrative Agent, the Lenders and the L/C Issuer, and no Loan Party shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law; instead, such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

#### **10.02 Rights as a Lender.**

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Loan Party or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders or to provide notice to or consent of the Lenders with respect thereto.

#### **10.03 Exculpatory Provisions.**

None of the Administrative Agent, BAS, or the Sustainability Coordinator, as applicable, shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and each of their duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent, BAS, or the Sustainability Coordinator, as applicable, and its Related Parties:

- i. shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;
- ii. shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and
- iii. shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent, the Sustainability Coordinator or any of their Affiliates in any capacity.

Neither the Administrative Agent nor any of its Related Parties shall be liable to any Lender for any action taken or not taken by the Administrative Agent under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby or thereby (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.01 and 9.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. Any such action taken or failure to act pursuant to the foregoing shall be binding on all Lenders. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given in writing to the Administrative Agent by the Borrower, a Lender or the L/C Issuer.

Neither the Administrative Agent nor any of its Related Parties have any duty or obligation to any Lender or participant or any other Person to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

#### **10.04 Reliance by Administrative Agent.**

The Administrative Agent shall be entitled to rely upon, and shall be fully protected in relying and shall not incur any liability for relying upon, any notice, request, certificate, communication, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall be fully protected in relying and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Administrative Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless the Administrative Agent shall have received notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance, extension, renewal or increase of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

For purposes of determining compliance with the conditions specified in Section 5.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objections.

#### **10.05 Delegation of Duties.**

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article X shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

#### **10.06 Resignation of Administrative Agent.**

- iv. The Administrative Agent may at any time give notice of its resignation to the Lenders, the L/C Issuer and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the “Resignation Effective Date”), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders and the L/C Issuer, appoint a successor Administrative Agent meeting the qualifications set forth above, provided that in no event shall any such successor Administrative Agent be a Defaulting Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.
- v. If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable Law, by notice in writing to the Borrower and such Person, remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days (or such earlier day as shall be agreed by the Required Lenders) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.
- vi. With effect from the Resignation Effective Date or the Removal Effective Date (as applicable), (i) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that, in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the L/C Issuer directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(h)) and other than any rights to indemnity payments or other amounts owed to the retiring or removed

Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this [Section 10.06](#)). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this [Article X](#) and [Section 11.04](#) shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them (i) while the retiring or removed Administrative Agent was acting as Administrative Agent and (ii) after such resignation or removal for as long as any of them continues to act in any capacity hereunder or under the other Loan Documents, including in respect of any actions taken in connection with transferring the agency to any successor Administrative Agent.

- vii. Any resignation by or removal of Bank of America as Administrative Agent pursuant to this [Section 10.06](#) shall also constitute its resignation as L/C Issuer and Swing Line Lender. If Bank of America resigns as an L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto, including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to [Section 2.03\(c\)](#). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to [Section 2.04\(c\)](#). Upon the appointment by the Borrower of a successor L/C Issuer or Swing Line Lender hereunder (which successor shall in all cases be a Lender other than a Defaulting Lender), (i) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swing Line Lender, as applicable, (ii) the retiring L/C Issuer and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents and (iii) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America to effectively assume the obligations of Bank of America with respect to such Letters of Credit.

#### **10.07 Non-Reliance on Administrative Agent and Other Lenders.**

Each of the Lenders and the L/C Issuer expressly acknowledges that none of the Administrative Agent, BAS or the Sustainability Coordinator has made any representation or warranty to it, and that no act by the Administrative Agent, BAS or the Sustainability Coordinator hereafter taken, including any consent to, and acceptance of any assignment or review of the affairs of any Loan Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by the Administrative Agent, BAS, or the Sustainability Coordinator to any Lender or the L/C Issuer as to any matter, including whether the Administrative Agent, BAS, or the Sustainability Coordinator has disclosed material information in such Person's (or its Related Parties') possession. Each of the Lenders and the L/C Issuer represents to the Administrative Agent, BAS, and the Sustainability Coordinator that it has, independently and without reliance upon the Administrative Agent, BAS, the Sustainability Coordinator, any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis of, appraisal of, and investigation into, the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties and their Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each of the Lenders and the L/C Issuer also acknowledges that it will, independently and without reliance upon the Administrative Agent, BAS, the Sustainability Coordinator, any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties. Each of the Lenders and the L/C Issuer represents and warrants that (a) the Loan Documents set forth the terms of a commercial lending facility and (b) it is engaged in making, acquiring or holding commercial loans in the ordinary course and is entering into this Agreement as a Lender or the L/C Issuer, as applicable, for the purpose of making, acquiring or holding commercial loans and providing other facilities set forth herein as may be applicable to such Lender or the L/C Issuer, as applicable, and not for the purpose of purchasing, acquiring or holding any other type of financial instrument, and each of the Lenders and the L/C Issuer agrees not to assert a claim in contravention of the foregoing. Each of the Lenders and the L/C Issuer represents and warrants that it is sophisticated with respect to decisions to make, acquire and/or hold commercial loans and to provide other facilities set forth herein, as may be applicable to such Lender or the L/C Issuer, as applicable, and either it, or the Person exercising discretion in making its decision to make,

acquire and/or hold such commercial loans or to provide such other facilities, is experienced in making, acquiring or holding such commercial loans or providing such other facilities.

**10.08 No Other Duties; Etc.**

Anything herein to the contrary notwithstanding, none of the bookrunners, arrangers, syndication agents, documentation agents or co-agents shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the L/C Issuer hereunder.

**10.09 Administrative Agent May File Proofs of Claim.**

In case of the pendency of any proceeding under any Debtor Relief Law 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:

- i. 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 L/C Issuer and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuer and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuer and the Administrative Agent under Sections 2.03(h) and (i), 2.09 and 11.04) allowed in such judicial proceeding; and
- ii. 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 L/C Issuer to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, 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 Sections 2.09 and 11.04.

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 L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or the L/C Issuer to authorize the Administrative Agent to vote in respect of the claim of any Lender or the L/C Issuer in any such proceeding.

**10.10 Guaranty Matters.**

The Lenders and the L/C Issuer irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Guarantor from its obligations under the Guaranty (a) if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder or (b) so long as no Event of Default has occurred and is continuing, to the extent that such Person is an Immaterial Subsidiary (in which case such release shall be made at the Borrower's request by the Administrative Agent acting alone). Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty, pursuant to this Section 10.10.

**10.11 ERISA Matters.**

1. Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, BAS and each other arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that at least one of the following is and will be true:
  - a. such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement,
  - b. the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,
  - c. (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments

and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

- d. such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.
2. In addition, unless either (1) subclause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with subclause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, BAS, and each other arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that none of the Administrative Agent, BAS, or any other arranger or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto).

#### **10.12 Recovery of Erroneous Payments.**

Without limitation of any other provision in this Agreement, if at any time the Administrative Agent makes a payment hereunder in error to any Lender Party, whether or not in respect of an Obligation due and owing by the Borrower at such time, where such payment is a Rescindable Amount, then in any such event, each Lender Party receiving a Rescindable Amount severally agrees to repay to the Administrative Agent forthwith on demand the Rescindable Amount received by such Lender Party in Same Day Funds in the currency so received, with interest thereon, for each day from and including the date such Rescindable Amount is received by it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. Each Lender Party irrevocably waives any and all defenses, including any "discharge for value" (under which a creditor might otherwise claim a right to retain funds mistakenly paid by a third party in respect of a debt owed by another) or similar defense to its obligation to return any Rescindable Amount. The Administrative Agent shall inform each Lender Party promptly upon determining that any payment made to such Lender Party comprised, in whole or in part, a Rescindable Amount.

### **ARTICLE XI**

#### **MISCELLANEOUS**

##### **11.01 Amendments, Etc.**

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by any Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, further, that

- i. no such amendment, waiver or consent shall:
  1. extend or increase the Commitment of a Lender (or reinstate any Commitment terminated pursuant to Section 9.02) without the written consent of such Lender whose Commitment is being extended or increased (it being understood and agreed that a waiver of any condition precedent set forth in Section 5.02 or of any Default or a mandatory reduction in Commitments is not considered an extension or increase in Commitments of any Lender);
  2. postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) or any scheduled reduction of the Commitments hereunder or under any other Loan Document without the written consent of each Lender entitled to receive such payment or whose Commitments are to be reduced;
  3. reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (i) of the final proviso to this Section 11.01) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender entitled to receive such amount; provided, however, that only the consent of the Required Lenders shall be necessary to (A) amend the definition of "Default Rate" or waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate or (B) amend any financial covenant hereunder (or any defined term used

therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Borrowing or to reduce any fee payable hereunder;

4. (A) change Section 2.13 or 9.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly and adversely affected thereby or (B) subordinate, or have the effect of subordinating, in right of payment the Obligations hereunder to any other Indebtedness without the written consent of each Lender directly and adversely affected thereby;
  5. amend Section 1.08 or the definitions of “Alternative Currency”, without the written consent of each Lender and L/C Issuer directly and adversely affected thereby;
  6. change any provision of this Section 11.01(a) or the definition of “Required Lenders” without the written consent of each Lender directly and adversely affected thereby;
  7. release the Borrower without the consent of each Lender, or, except in connection with a transaction permitted under Section 8.05, all or substantially all of the value of the Guaranty without the written consent of each Lender whose Obligations are guaranteed thereby, except to the extent such release is permitted pursuant to Section 10.10 (in which case such release may be made by the Administrative Agent acting alone);
- ii. unless also signed by the L/C Issuer, no amendment, waiver or consent shall affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it;
  - iii. unless also signed by the Swing Line Lender, no amendment, waiver or consent shall affect the rights or duties of the Swing Line Lender under this Agreement; and
  - iv. unless also signed by the Administrative Agent, no amendment, waiver or consent shall affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document;

provided, however, that notwithstanding anything to the contrary herein, (i) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto, (ii) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein, (iii) the Required Lenders shall determine whether or not to allow a Loan Party to use cash collateral in the context of a bankruptcy or insolvency proceeding and such determination shall be binding on all of the Lenders, (iv) the Administrative Agent and the Borrower may make amendments in accordance with Section 3.03 and (v) in order to implement any ESG Amendment, this Agreement and the other Loan Documents may be amended in accordance with Section 2.16 with only the consent of the Borrower and the Sustainability Coordinator.

No Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender disproportionately adversely relative to other affected Lenders shall require the consent of such Defaulting Lender.

Notwithstanding anything to the contrary herein, the Administrative Agent and the Borrower may amend, modify or supplement this Agreement or any other Loan Document to cure or correct administrative errors or omissions, or any ambiguity, omission, defect or inconsistency or to effect administrative changes, so long as such amendment, modification or supplement does not adversely affect the rights of any Lender and, in each case, the Lenders shall have received at least five (5) Business Days’ prior written notice thereof (which notice may be given through the Platform) and the Administrative Agent shall not have received, within five (5) Business Days of the date such notice is given to the Lenders, a written notice from the Required Lenders stating that the Required Lenders object to such amendment, modification or supplement. If no objection is received from the Required Lenders within the time period set forth above, such amendment shall become effective without any further consent of any other party to such Loan Document.

#### **11.02 Notices; Effectiveness; Electronic Communications.**

- v. Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile or e-mail transmission as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:
  1. if to any Loan Party, the Administrative Agent, the L/C Issuer or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and
  2. if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire (including, as appropriate, notices delivered solely to the Person designated by a Lender on its Administrative

Questionnaire then in effect for the delivery of notices that may contain material non-public information relating to the Borrower).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received. Notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, such notices shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in Section 11.02(b), shall be effective as provided in Section 11.02(b).

- i. Electronic Communications. Notices and other communications to the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e-mail, FpML messaging, and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or the L/C Issuer pursuant to Article II if such Lender or the L/C Issuer, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, the Swing Line Lender, the L/C Issuer or the Borrower may each, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement) and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

- i. 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 any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower, any Lender, the L/C Issuer 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 or notices through the Platform, any other electronic platform or electronic messaging service, or 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 L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).
- ii. Change of Address, Etc. Each of the Loan Parties, the Administrative Agent, the L/C Issuer and the Swing Line Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the L/C Issuer and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side



Information” portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

- iii. Reliance by Administrative Agent, L/C Issuer and Lenders. The Administrative Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic Loan Notices, Letter of Credit Applications and Swing Line Loan Notices) purportedly given by or on behalf of any Loan Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties shall indemnify the Administrative Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of a Loan Party. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

**11.03 No Waiver; Cumulative Remedies; Enforcement.**

No failure by any Lender, the L/C Issuer or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any other Loan Document (including the imposition of the Default Rate) 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, and provided under each other Loan Document are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at Law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 9.02 for the benefit of all the Lenders and the L/C Issuer; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) the L/C Issuer or the Swing Line Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as L/C Issuer or Swing Line Lender, as the case may be) hereunder and under the other Loan Documents, (c) any Lender from exercising setoff rights in accordance with Section 11.08 (subject to the terms of Section 2.13), or (d) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 9.02 and (ii) in addition to the matters set forth in clauses (b), (c) and (d) of the preceding proviso and subject to Section 2.13, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

**11.04 Expenses; Indemnity; and Damage Waiver.**

iv. Costs and Expenses.

1. The Loan Parties shall pay (A) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable and documented fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (B) all reasonable and documented out-of-pocket expenses incurred by the L/C Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (C) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent or the L/C Issuer (including the fees, charges and disbursements of any counsel for the Administrative Agent or the L/C Issuer), and all fees and time charges for attorneys who may be employees of the Administrative Agent or the L/C Issuer, in connection with the enforcement or protection of its rights (1) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (2) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.
2. The Loan Parties shall pay all out-of-pocket expenses incurred by any Lender (limited in the case of fees, charges and disbursements of counsel, to one counsel for the Lenders, as a whole, except in the case of an actual conflict of interest, in which case the Loan Parties shall be required to reimburse the fees, charges and disbursements of one additional counsel to similarly situated Lenders that have such conflict) in connection with the enforcement or protection of its rights (i) in connection with this Agreement and the other Loan

Documents, including its rights under this Section 11.04(a)(ii), or (ii) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

- v. Indemnification by the Loan Parties. The Loan Parties shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender, the L/C Issuer, each lead arranger and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnatee**”) against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnatee, but limited, in the case of legal fees and expenses, to the reasonable and documented out-of-pocket fees, disbursements and other charges of one outside counsel to all Indemnitees (taken as a whole) and, if reasonably necessary, a single local counsel for all Indemnitees (taken as a whole) in each relevant jurisdiction and with respect to each relevant specialty, and in the case of an actual or perceived conflict of interest, one additional counsel in each relevant jurisdiction to the affect Indemnitees similarly situated and take as a whole) incurred by any Indemnatee or asserted against any Indemnatee by any Person (including any Loan Party and other than such Indemnatee and its Related Parties) arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents (including in respect of any matters addressed in Section 3.01), (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by a Loan Party or any of its Subsidiaries, or any Environmental Liability related in any way to a Loan Party or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Loan Party, and regardless of whether any Indemnatee is a party thereto, **IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE**; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or (y) result from a claim brought by any Loan Party against an Indemnatee for breach in bad faith of such Indemnatee’s obligations hereunder or under any other Loan Document, if such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Without limiting the provisions of Section 3.01(c) and notwithstanding the foregoing, this Section 11.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.
- vi. Reimbursement by Lenders. To the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under Section 11.04(a) or (b) to be paid by them to the Administrative Agent (or any sub-agent thereof), the L/C Issuer, the Swing Line Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the L/C Issuer, the Swing Line Lender or such Related Party, as the case may be, such Lender’s pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender’s share of the outstanding Loans, unfunded Commitments and participation interests in Swing Line Loans and L/C Obligations of all Lenders at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lenders’ Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), the L/C Issuer or the Swing Line Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), the L/C Issuer or the Swing Line Lender in connection with such capacity. The obligations of the Lenders under this Section 11.04(c) are subject to the provisions of Section 2.12(d).
- vii. Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, no party hereto shall assert, and each party hereto hereby waives on behalf of itself and its Affiliates, and

acknowledges that no other Person shall have, any claim against any other party hereto (or any Indemnitee or any Loan Party), 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 (other than in respect of any such damages incurred or paid by an Indemnitee to a third party and to which such Indemnitee is otherwise entitled to indemnification as provided above). No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

- viii. Payments. All amounts due under this Section 11.04 shall be payable within thirty (30) days after demand therefore, which demand shall be accompanied by a statement from the applicable Indemnitee setting forth such amount in reasonable detail.
- ix. Survival. The agreements in this Section and the indemnity provisions of Section 11.02(e) shall survive the resignation of the Administrative Agent, the L/C Issuer and the Swing Line Lender, the replacement of any Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all the other Obligations.

#### **11.05 Payments Set Aside.**

To the extent that any payment by or on behalf of any Loan Party is made to the Administrative Agent, the L/C Issuer or any Lender, or the Administrative Agent, the L/C Issuer or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent, the L/C Issuer or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender and the L/C Issuer severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect, in the applicable currency of such recovery or payment. The obligations of the Lenders and the L/C Issuer under clause (b) of the immediately preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

#### **11.06 Successors and Assigns.**

- x. Successors and Assigns Generally. The provisions of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder or thereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 11.06(b), (ii) by way of participation in accordance with the provisions of Section 11.06(d) or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 11.06(e) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 11.06(d) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the L/C Issuer and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.
- xi. Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:
  - 1. Minimum Amounts.
    - a. in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the related Loans at the time owing to it or contemporaneous assignments to related Approved Funds that equal at least the amount specified in Section 11.06(b)(i)(B) in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

- b. in any case not described in Section 11.06(b)(i)(A), the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the 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 or, if "Trade Date" is specified in the Assignment and Assumption, as of such "Trade Date", shall not be less than \$5,000,000 and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).
2. Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's Loans and Commitments, and rights and obligations with respect thereto, assigned, except that this clause (ii) shall not (A) apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans or (B) prohibit any Lender from assigning all or a portion of its rights and obligations in respect of its Revolving Commitment (and the related Revolving Loans thereunder) and its outstanding Term Loan on a non-pro rata basis;
3. Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:
  - a. the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof;
  - b. the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (1) any Revolving Commitment if such assignment is to a Person that is not a Lender with a Revolving Commitment, an Affiliate of such Lender or an Approved Fund with respect to such Lender and (2) any Term Loan to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund with respect to a Lender; and
  - c. the consent of the L/C Issuer and the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of Revolving Loans and Revolving Commitments.
4. Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.
5. No Assignment to Certain Persons. No such assignment shall be made to (A) the Borrower or any of the Borrower's Affiliates or Subsidiaries, (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B), or (C) a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural Person).
6. Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the L/C Issuer or any Lender hereunder (and interest accrued thereon) and (y) acquire (and fund as appropriate) its full pro rata share of all Loans and participations in Letters of Credit and Swing Line Loans in accordance with its Applicable Percentage. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become

effective under applicable Law without compliance with the provisions of this Section 11.06(b)(vi), then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

7. No Assignment Resulting in Additional Indemnified Taxes. No such assignment shall be made to any Person that, through its Lending Offices, is not capable of lending the applicable Alternative Currencies to the Borrower without the imposition of any additional Taxes for which the Loan Parties are required to indemnify the Administrative Agent and the Lenders pursuant to Section 3.01.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 11.06(c), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a 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 3.01, 3.04, 3.05 and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment); provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender. Upon request, the Borrower (at its expense) shall execute and deliver Notes to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 11.06(b) 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 Section 11.06(d).

- i. Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower (and such agency being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it (or the equivalent thereof in electronic form) and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall 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. The Register shall be available for inspection by the Borrower and any Lender at any reasonable time and from time to time upon reasonable prior notice.
- ii. Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of a natural Person), a Defaulting Lender or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 11.04(c) without regard to the existence of any participation.

Any agreement or instrument 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 that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in Section 11.01(a) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.06(b) (it being understood that the documentation required under Section 3.01(e) shall be delivered to the Lender who sells the participation) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.06(b); provided that such Participant (A) agrees to be subject to the provisions of Sections 3.06 and 11.14 as if it were an assignee under Section 11.06(b) and (B) shall not be entitled to receive any greater payment under Sections 3.01 or 3.04, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 3.06 with respect to any Participant. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name

and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

- i. Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central banking authority; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.
- ii. Resignation as L/C Issuer or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time a Lender acting as the L/C Issuer or the Swing Line Lender assigns all of its Revolving Commitment and Revolving Loans pursuant to Section 11.06(b), such Lender may, (i) upon thirty (30) days' notice to the Borrower and the Lenders, resign as L/C Issuer and/or (ii) upon thirty (30) days' notice to the Borrower, resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor L/C Issuer or Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of such Lender as L/C Issuer or Swing Line Lender, as the case may be. If a Lender resigns as L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.03(c)). If a Lender resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c). Upon the appointment of a successor L/C Issuer and/or Swing Line Lender, (1) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swing Line Lender, as the case may be, and (2) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the resigning L/C Issuer to effectively assume the obligations of the resigning L/C Issuer with respect to such Letters of Credit.

#### **11.07 Treatment of Certain Information; Confidentiality.**

Each of the Administrative Agent, the Lenders and the L/C Issuer agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates, its auditors and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 11.07, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or any Eligible Assignee invited to become a Lender pursuant to Section 2.01(b) or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating any Loan Party or its Subsidiaries or the credit facilities provided hereunder, (ii) the provider of any Platform or other electronic delivery service used by the Administrative Agent, the L/C Issuer and/or the Swing Line Lender to deliver Borrower Materials or notices to the Lenders or (iii) the CUSIP Service Bureau or any similar agency in connection with the application, issuance, publishing and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Borrower or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 11.07, (y) becomes available to the Administrative Agent, any Lender, the L/C Issuer or any of their respective Affiliates on a nonconfidential basis from a source other than the Loan Parties or (z) is independently discovered or developed by a party hereto without utilizing any Information received from the Borrower or violating the terms of this Section 11.07. In addition, the Administrative Agent and the Lenders may disclose

the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Agents and the Lenders in connection with the administration of this Agreement, the other Loan Documents, and the Commitments.

For purposes of this Section 11.07, “Information” means all information received from a Loan Party or any Subsidiary relating to the Loan Parties or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the L/C Issuer on a nonconfidential basis prior to disclosure by such Loan Party or any Subsidiary, provided that, in the case of information received from a Loan Party or any Subsidiary after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 11.07 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the L/C Issuer acknowledges that (a) the Information may include material non-public information concerning a Loan Party or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

#### **11.08 Set-off.**

If an Event of Default shall have occurred and be continuing, each Lender, the L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the L/C Issuer or any such Affiliate to or for the credit or the account of any Loan Party against any and all of the obligations of such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or the L/C Issuer or their respective Affiliates, irrespective of whether or not such Lender, the L/C Issuer or such Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Loan Party may be contingent or unmatured or are owed to a branch or office or Affiliate of such Lender or the L/C Issuer different from the branch or office or Affiliate holding such deposit or obligated on such indebtedness; provided that in the event that any Defaulting Lender shall exercise any such right of set-off, (x) all amounts so set-off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.15 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the L/C Issuer and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of set-off. The rights of each Lender, the L/C Issuer and their respective Affiliates under this Section 11.08 are in addition to other rights and remedies (including other rights of set-off) that such Lender, the L/C Issuer or their respective Affiliates may have. Each Lender and the L/C Issuer agrees to notify the Borrower and the Administrative Agent promptly after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application.

#### **11.09 Interest Rate Limitation.**

Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

#### **11.10 Integration; Effectiveness.**

This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent or the L/C Issuer 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. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

#### **11.11 Survival of Representations and Warranties.**

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

#### **11.12 Severability.**

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 11.12, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, the L/C Issuer or the Swing Line Lender, as applicable, then such provisions shall be deemed to be in effect only to the extent not so limited.

#### **11.13 Replacement of Lenders.**

If the Borrower is entitled to replace a Lender pursuant to the provisions of Section 3.06, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.06), all of its interests, rights (other than its existing rights to payments pursuant to Sections 3.01 and 3.04) and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- i. the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 11.06(b);
- ii. such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and L/C Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- iii. in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter;
- iv. such assignment does not conflict with applicable Laws; and
- v. in the case of any such assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent;

provided, further, that the failure by such Lender to execute and deliver an Assignment and Assumption shall not impair the validity of the removal of such Lender and the mandatory assignment of such Lender's Commitments and outstanding Loans and participations in L/C Obligations and Swing Line Loans pursuant to this Section 11.13 shall nevertheless be effective without the execution by such Lender of an Assignment and Assumption.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Notwithstanding anything in this Section 11.13 to the contrary, (i) a Lender that acts as L/C Issuer may not be replaced hereunder at any time it has any Letter of Credit outstanding hereunder unless arrangements satisfactory to such Lender (including the furnishing of a backstop standby letter of credit in form and substance, and issued by an issuer, reasonably satisfactory to such L/C Issuer or the depositing of cash collateral into a cash collateral account in amounts and pursuant to arrangements reasonably satisfactory to such L/C Issuer) have been made with respect to such outstanding Letter of Credit and (ii) the Lender that acts as the Administrative Agent may not be replaced hereunder except in accordance with the terms of Section 10.06.

#### **11.14 Governing Law; Jurisdiction; Etc.**

- vi. **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**
- vii. **SUBMISSION TO JURISDICTION. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER, THE L/C ISSUER, OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY**



APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

- viii. WAIVER OF VENUE. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN SECTION 11.14(B). EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.
- ix. SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 11.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

**11.15 Waiver of Right to Trial by Jury.**

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.15.

**11.16 No Advisory or Fiduciary Responsibility.**

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), each of the Loan Parties acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Sustainability Coordinator, BAS and the Lenders are arm's-length commercial transactions between the Loan Parties and their respective Affiliates, on the one hand, and the Administrative Agent, the Sustainability Coordinator, BAS and the Lenders, on the other hand, (B) each of the Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) each of the Loan Parties is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent, BAS, the Sustainability Coordinator and the Lenders each is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Loan Parties, any of their respective Affiliates or any other Person and (B) none of the Administrative Agent, BAS, the Sustainability Coordinator or any Lender has any obligation to the Loan Parties or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, BAS, the Sustainability Coordinator, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Loan Parties and their respective Affiliates, and none of the Administrative Agent, BAS, the Sustainability Coordinator or any Lender has any obligation to disclose any of such interests to the Loan Parties and their respective Affiliates. To the fullest extent permitted by Law, each of the Loan Parties hereby waives and releases any claims that it may have against the Administrative Agent, BAS, the Sustainability Coordinator or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

**11.17 Electronic Execution.**

This Agreement, any Loan Document and any other Communication, including Communications required to be in writing, may be in the form of an Electronic Record and may be executed using Electronic Signatures. Each of the Loan Parties and each of the Administrative Agent and each Lender Party agrees that any Electronic Signature on or associated with any Communication shall be valid and binding on such Person to the same extent as a manual, original signature, and that any

Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this Section 11.17 may include, without limitation, use or acceptance of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Administrative Agent and each of the Lender Parties may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record (“Electronic Copy”), which shall be deemed created in the ordinary course of such Person’s business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, none of the Administrative Agent, L/C Issuer or Swing Line Lender is under any obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by such Person pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Administrative Agent, L/C Issuer and/or Swing Line Lender has agreed to accept such Electronic Signature, the Administrative Agent and each of the Lender Parties shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of any Loan Party and/or any Lender Party without further verification and (b) upon the request of the Administrative Agent or any Lender Party, any Electronic Signature shall be promptly followed by such manually executed counterpart.

Neither the Administrative Agent, L/C Issuer nor Swing Line Lender shall be responsible for or have any duty to ascertain or inquire into the sufficiency, validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document (including, for the avoidance of doubt, in connection with the Administrative Agent’s, L/C Issuer’s or Swing Line Lender’s reliance on any Electronic Signature transmitted by telecopy, emailed .pdf or any other electronic means). The Administrative Agent, L/C Issuer and Swing Line Lender shall be entitled to rely on, and shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon, any Communication (which writing may be a fax, any electronic message, Internet or intranet website posting or other distribution or writing signed using an Electronic Signature) or any statement made to it orally or by telephone and believed by it to be genuine and signed or sent or otherwise authenticated (whether or not such Person in fact meets the requirements set forth in the Loan Documents for being the maker thereof).

Each of the Loan Parties and each Lender Party hereby waives (i) any argument, defense or right to contest the legal effect, validity or enforceability of this Agreement or any other Loan Document based solely on the lack of paper original copies of this Agreement or such other Loan Document, and (ii) waives any claim against the Administrative Agent, each Lender Party and each Related Party for any liabilities arising solely from the Administrative Agent’s and/or any Lender Party’s reliance on or use of Electronic Signatures, including any liabilities arising as a result of the failure of the Loan Parties to use any available security measures in connection with the execution, delivery or transmission of any Electronic Signature.

#### **11.18 USA PATRIOT Act Notice.**

Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

#### **11.19 Judgment Currency.**

If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or under any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which, in accordance with normal banking procedures, the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Borrower in respect of any such sum due from it to the Administrative Agent or the Lenders hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the “Judgment Currency”) other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the “Agreement Currency”), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent may, in accordance with normal banking procedures, purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent from the Borrower in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or the Person to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent in such currency, the Administrative Agent agrees to return the amount of any excess to the Borrower (or to any other Person who may be entitled thereto under applicable Law).

#### **11.20 Acknowledgement and Consent to Bail-In of Affected Financial Institutions.**

Solely to the extent any Lender or L/C Issuer that is an Affected Financial Institution is a party to this Agreement and 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 Lender or L/C Issuer that is an 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 Lender or L/C Issuer that is an Affected Financial Institution; and
- a. the effects of any Bail-In Action on any such liability, including, if applicable:
  - a. a reduction in full or in part or cancellation of any such liability;
  - a. a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent entity, 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 the applicable Resolution Authority.

#### **11.21 Acknowledgement Regarding any Supported QFCs.**

To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract 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 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) that 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.

#### **11.22 Amendment and Restatement.**

The parties hereto agree that, on the Closing Date, the following transactions shall be deemed to occur automatically, without further action by any party hereto: (i) the Existing Credit Agreement shall be deemed to be amended and restated in its entirety pursuant to this Agreement; and (ii) all Loans (as defined in the Existing Credit Agreement) and other Obligations (as defined in the Existing Credit Agreement) arising under the Existing Credit Agreement that are outstanding on the Closing Date immediately prior to the effectiveness of this Agreement shall in all respects, to the extent not repaid on the Closing Date, be continuing and shall be deemed to be Loans and Obligations outstanding hereunder on the terms set forth herein. The parties hereto further acknowledge and agree that this Agreement constitutes an amendment to the Existing Credit Agreement made under and in accordance with the terms of Section 11.01 of the Existing Credit Agreement. The execution and delivery of this Agreement shall not constitute a novation of any indebtedness or other obligations owing to the lenders under the Existing Credit Agreement based on facts or events occurring or existing prior to the execution and delivery of this Agreement. To the extent applicable, each Lender party hereto hereby waives (on a one-time basis) any breakage costs incurred otherwise payable to it pursuant to Section 3.05 of the Existing Credit Agreement in connection with the transactions occurring on the Closing Date.

#### **11.23 Entire Agreement.**

**THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR,**

CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[SIGNATURE PAGES OMITTED]

**Exhibit 2.02**

**FORM OF LOAN NOTICE**

Date: \_\_\_\_\_, \_\_\_\_\_

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of September 13, 2021 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “Credit Agreement”), among FLOWSERVE CORPORATION, a New York corporation (the “Borrower”), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and the other L/C Issuers party thereto. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

The undersigned hereby requests (select one):

A Borrowing of Revolving Loans

A Borrowing of Term Loans

A conversion or continuation of Revolving Loans

A conversion or continuation of Term Loans

1. On (a Business Day).

2. In the amount of \$\_.

3. Comprised of . [Type of Loan requested]

4. For Term SOFR Loans: with an Interest Period of \_\_\_\_<sup>[1]</sup> months.

5. For Alternative Currency Term Rate Loans: with an Interest Period of \_\_\_\_<sup>[2]</sup> months.

6. In the following currency: \_\_\_\_\_.

[With respect to such Borrowing, the Borrower hereby represents and warrants that (i) such request complies with the requirements of Section 2.01 of the Credit Agreement and (ii) each of the conditions set forth in Section 5.02 of the Credit Agreement [has been][will be] satisfied on and as of the date of such Borrowing.]

[1] Per the definition of “Interest Period” in Section 1.01 of the Credit Agreement, one, three or six months (in each case, subject to availability).

[1]

Per the definition of “Interest Period” in Section 1.01 of the Credit Agreement, one, three or six months (in each case, subject to availability).

*[signature page follows]*

FLOWERVE CORPORATION,  
a New York corporation

By:  
Name:  
Title:

**Exhibit 2.05**

**FORM OF NOTICE OF LOAN PREPAYMENT**

TO: Bank of America, N.A., as Administrative Agent

RE: Amended and Restated Credit Agreement, dated as of September 13, 2021 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time the “Credit Agreement”), among FLOWSERVE CORPORATION, a New York corporation (the “Borrower”), the Guarantors from time to time party thereto, the Lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and the other L/C Issuers party thereto. Capitalized terms used but not otherwise defined herein have the meanings provided in the Credit Agreement.

DATE: [Date]

The Borrower hereby notifies the Administrative Agent that on \_\_\_\_\_<sup>[3]</sup>, pursuant to the terms of Section 2.05(a) of the Credit Agreement, the Borrower intends to prepay the following Loans as more specifically set forth below:

Voluntary prepayment of [Revolving][Term] Loans in the following amount(s):

Term SOFR Loans: \$<sup>[4]</sup>

Applicable Interest Period:

Alternative Currency Term Rate Loans: \$<sup>[5]</sup>

Applicable Interest Period: \_\_\_\_\_

Alternative Currency Daily Rate Loans: \$<sup>[6]</sup>

Base Rate Loans: \$<sup>[7]</sup>

Voluntary prepayment of Swing Line Loans in the following amount(s): \$<sup>[8]</sup>

Delivery of an executed counterpart of a signature page of this notice by electronic mail transmission (e.g. “pdf”) shall be effective as delivery of a manually executed counterpart of this notice.

*[signature page follows]*

<sup>[3]</sup>Specify date of such prepayment.

<sup>[4]</sup>Any prepayment of Term SOFR Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof (or, if less, the entire principal amount thereof outstanding).

<sup>[5]</sup>Any prepayment of Alternative Currency Loans shall be in a minimum principal amount of the Dollar Equivalent of \$5,000,000 or a whole multiple of the Dollar Equivalent of \$1,000,000 in excess thereof (or, if less, the entire principal amount thereof then outstanding).

<sup>[6]</sup>Any prepayment of Alternative Currency Loans shall be in a minimum principal amount of the Dollar Equivalent of \$5,000,000 or a whole multiple of the Dollar Equivalent of \$1,000,000 in excess thereof (or, if less, the entire principal amount thereof then outstanding).

<sup>[7]</sup>Any prepayment of Base Rate Loans shall be in a principal amount of \$1,000,000 or a whole multiple of \$500,000 in excess thereof (or, if less, the entire principal amount thereof outstanding).

<sup>[8]</sup>Any prepayment of Swing Line Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof (or, if less, the entire principal amount thereof outstanding).

FLOWSERVE CORPORATION,  
a New York corporation

By:  
Name:  
Title:



**AMENDMENT  
TO THE  
FLOWSERVE CORPORATION  
2020 LONG-TERM INCENTIVE PLAN**

**WHEREAS**, Flowserve Corporation, a New York corporation (the “Company”) maintains the Flowserve Corporation 2020 Long-Term Incentive Plan (the “Plan”);

**WHEREAS**, pursuant to Article 10 of the Plan, the Board of Directors of the Company (the “Board”) may amend the Plan without the consent of the shareholders of the Company or Plan participants so long as shareholder approval is not required by any securities exchange or inter-dealer quotation system on which the Company’s Common Stock is listed or traded or in order for the Plan and Incentives awarded under the Plan to continue to comply with any applicable law, rule or restriction; and

**WHEREAS**, the Board has determined that the Plan should be amended to remove the annual limitations on grants to Plan participants other than those set forth with respect to Outside Directors.

**NOW, THEREFORE**, pursuant to its authority under Article 10 of the Plan, the Board hereby amends the Plan, effective as of December 8, 2022 as follows:

1. Section 5.1 of the Plan is hereby amended and restated in its entirety to read as follows:

**“5.1 Number Available for Awards.** Subject to adjustment as provided in Section 5.2, Articles 12 and 13, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan is the sum of (i) 12,500,000, plus (ii) any shares which, as of the Effective Date, are available for grant under the Prior Plan, plus (iii) any shares which, as of the Effective Date, are subject to outstanding awards under the Prior Plan that again become available for grant under this Plan pursuant to Section 5.2 below, of which one hundred percent (100%) of such aggregate total number of shares may be delivered pursuant to Incentive Stock Options. Any shares that are subject to Options or Stock Appreciation Rights shall be counted against this limit as one (1) share for every one (1) share granted, and any shares that are subject to Awards other than Options or Stock Appreciation Rights shall be counted against this limit as 3.06 shares for every one (1) share granted. During the term of this Plan, the Company will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan. After the Effective Date of the Plan, no awards may be granted under the Prior Plan.”

2. Article 12 of the Plan, captioned “**Capital Adjustments**,” is hereby amended by deleting “(iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-participant limitations under Section 5.1 of the Plan”, and by renumbering subsections (iv) through (vi) accordingly.

3. Article 15 of the Plan, captioned “**Incentives In Substitution For Incentives Granted By Other Entities**,” is hereby amended by deleting “or the applicable limitations on grants to a Participant under Section 5.1”.

4. All capitalized terms used but not otherwise defined herein shall have the meaning assigned to them in the Plan. Except as expressly amended hereby, the Plan shall remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF**, the undersigned has executed this Amendment to the Flowserve Corporation 2020 Long-Term Incentive Plan as of December 8, 2022.

**FLOWSERVE CORPORATION**

/s/ Susan C. Hudson

Susan C. Hudson

Senior Vice President and Chief Legal Officer

## RESTRICTED STOCK UNIT AGREEMENT

FLOWSERVE CORPORATION  
2020 LONG-TERM INCENTIVE PLAN

This Restricted Stock Unit Agreement (this “**Agreement**”) is made and entered into by and between Flowserve Corporation, a New York corporation (the “**Company**”) and /\$ParticipantName\$/ (the “**Participant**”) as of /\$GrantDate\$/ (the “**Date of Grant**”). All capitalized terms used in this Agreement and not otherwise defined herein have the meanings given to such terms in the Plan (as defined below).

WHEREAS, the Company has adopted the Flowserve Corporation 2020 Long-Term Incentive Plan (the “**Plan**”) to strengthen the ability of the Company to retain the services of key Employees and Outside Directors and to increase the interest of such persons in the Company’s welfare.

WHEREAS, the Committee believes that the grant of Restricted Stock Units to the Participant as described herein is consistent with the stated purposes for which the Plan was adopted.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereafter set forth and for other good and valuable consideration, the Company and the Participant agree as follows:

1. *Restricted Stock Units*

(a) In order to encourage the Participant’s contribution to the successful performance of the Company, and in consideration of the covenants and promises of the Participant herein contained, the Company hereby grants to the Participant as of the Date of Grant, an Award of /\$AwardsGranted\$/ Restricted Stock Units (the “**RSUs**”), which will be converted into the number of shares of Common Stock of the Company equal to the number of vested RSUs, subject to the conditions and restrictions set forth below and in the Plan. The RSUs granted pursuant to this Agreement will be subject to the Company’s “Recoupment of Incentive Compensation Policy,” as the same may be modified from time to time.

(b) *No Shareholder Rights*

The RSUs granted pursuant to this Agreement do not and shall not entitle the Participant to any rights of a stockholder of the Company prior to the date shares of Common Stock are issued to the Participant in settlement of the Award. The Participant’s rights with respect to RSUs shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Restricted Stock Units lapse in accordance with this Agreement.

2. *Vesting and Conversion of RSUs into Common Stock*

(a) Subject to the provisions of Paragraph 3 below, the RSUs shall vest ratably over a three-year period following the Date of Grant, with 1/3 of the RSUs vesting on the first anniversary of the Date of Grant (rounded up to the nearest whole RSU), 1/3 of the RSUs vesting on the second anniversary of the Date of Grant (rounded down to the nearest whole RSU), and the remaining 1/3 of the RSUs vesting on the third anniversary of the Date of Grant (each such date, a “**Vesting Date**”). In any event, subject to the provisions of Paragraph 3 below, the RSUs shall cease to vest following the Participant’s Termination of Service.

(b) Subject to the provisions of Paragraph 3 below, as soon as practicable, but in no event later than the date that is two and a half (2½) months following the date on which the RSUs vest in accordance with the schedule set forth in Paragraph 2(a) above, the Company shall convert the vested RSUs into the number of whole shares, rounded up to the nearest whole share, of Common Stock equal to the number of vested RSUs, subject to the provisions of the Plan and this Agreement. The value of such shares of Common Stock shall not bear any interest owing to the passage of time.

(c) Following conversion of the vested RSUs into shares of Common Stock, such shares of Common Stock will be registered and transferred of record to the Participant. The delivery of any shares of Common Stock pursuant to this Agreement is subject to the provisions of Paragraphs 8 and 10 below.

(d) Each year that this Agreement is in effect, the Participant will receive credits (“**Dividend Equivalents**”) based upon the cash dividends that would have been paid on the number of shares of Common Stock equal to 100% of the RSUs as if such shares of Common Stock were actually held by the Participant. Dividend Equivalents shall be deemed to be reinvested in additional RSUs (which may thereafter accrue additional Dividend Equivalents). Any such reinvestment shall be

at the Fair Market Value of the Common Stock at the time thereof. Dividend Equivalents may be settled in cash or shares of Common Stock, or any combination thereof, as determined by the Committee, in its sole and absolute discretion. The settlement of Dividend Equivalents in the form of shares of Common Stock will constitute a Bonus Stock Award for purposes of the Plan. Following conversion of the vested RSUs into shares of Common Stock, the Participant also shall receive a distribution of the Dividend Equivalents accrued with respect to such RSUs prior to the date of such conversion. In the event any RSUs do not vest, the Participant shall forfeit his or her right to any Dividend Equivalents accrued with respect to such unvested RSUs.

### 3. *Effect of Termination of Service*

(a) The RSUs granted pursuant to this Agreement shall vest in accordance with the vesting schedule reflected in Paragraph 2(a) above, on condition that the Participant remains employed by or continues to provide services to the Company or a Subsidiary through the applicable vesting date(s) set forth in Paragraph 2(a). If, however, the Participant experiences a Termination of Service, the RSUs will be treated in accordance with paragraphs 3(b) to 3(f) below (as applicable).

(b) *Termination due to Death or Total and Permanent Disability.* In the event the Participant experiences a Termination of Service due to his or her Total and Permanent Disability or death, then on the date of such Termination of Service (the “**Death/ Disability Vesting Date**”), 100% of the RSUs shall vest. Notwithstanding Paragraph 2(b) above and subject to Paragraph 24, as soon as practicable, but in no event later than March 15 of the year following the year in which the Death/Disability Vesting Date occurs, the Company shall convert the vested RSUs into the number of whole shares of Common Stock equal to the number of vested RSUs, subject to the provisions of the Plan and this Agreement, and shall deliver such shares (in accordance with Paragraph 2(c) above) to the Participant (or the Participant’s estate).

(c) *Termination due to Special End of Service.* In the event the Participant experiences a Termination of Service due to his or her Special End of Service, then the RSUs shall remain outstanding and on each remaining Vesting Date the Participant shall be entitled to receive the number of shares of Common Stock that would have been payable to such Participant if he or she had continued to provide services through such Vesting Date in accordance with Paragraph 2. For purposes of this Agreement, the term “**Special End of Service**” shall mean the voluntary termination of a Participant’s employment and other service with the Company for any reason other than due to the Participant’s death, Total and Permanent Disability, or termination for “cause” (as determined by the Committee in its sole discretion) on or after attaining both (i) age 55 and (ii) 10 years of service with the Company or its subsidiaries.

(d) *Involuntary Termination.* Unless the Participant is entitled to cash payment under Section 3.4(b) of the Flowserve Corporation Executive Officer Severance Plan or any comparable provision of the Company’s Policy on Severance Benefits for U.S. Employees who Separate from Flowserve Due to a Reduction-in-Force or a similar local policy applicable in a jurisdiction outside the United States (in which case this Paragraph 3(d) will not apply), in the event a Participant experiences a Termination of Service (i) due to a reduction-in-force (as determined in the sole discretion of the Committee) or (ii) involuntarily without “cause” (as determined by the Committee in its sole discretion) (in either case, such termination, an “**Involuntary Termination**”), the Participant’s RSUs shall continue to vest in accordance with Paragraph 2 for the 90-day period following such Involuntary Termination, as though the Participant had continued to provide services through such 90-day period (the “**Involuntary Termination Vesting Period**”). Notwithstanding Paragraph 2(b) above and subject to Paragraph 24, as soon as practicable, but in no event later than the date that is two and a half (2½) months following the Involuntary Termination Vesting Period, the Company shall convert the vested RSUs into the number of whole shares of Common Stock equal to the number of vested RSUs, subject to the provisions of the Plan and this Agreement, and shall deliver such shares (in accordance with Paragraph 2(c) above) to the Participant.

(e) Notwithstanding Paragraphs 2(a) and 3(a) above, upon a Participant’s Termination of Service (whether voluntary or involuntary), the Committee may, in its sole and absolute discretion, elect to accelerate the vesting of some or all of the unvested RSUs.

(f) *Any other Termination.* In the event a Participant experiences a termination other than as a result of Total and Permanent Disability, death, [a Special End of Service] or an Involuntary Termination covered by Paragraph 3(d) above, then the RSUs that have not vested in accordance with the vesting schedule reflected in Paragraph 2(a) above shall be forfeited by the Participant to the Company as of the date of such Termination of Service.

### 4. *Restrictive Covenants*

(a) Participant acknowledges that that he or she has become and will continue to become familiar with new and on-going Confidential Information (as defined below). Participant recognizes and agrees that: (i) the Company has devoted a considerable amount of time, effort and expense to develop its Confidential Information and business goodwill; (ii) the Confidential Information and the Company’s business goodwill are valuable assets to the Company; and (iii) any unauthorized use or disclosure of the Company’s Confidential Information would cause irreparable harm to the Company, including damage

to the Company's business goodwill, for which there is no adequate remedy at law. For these reasons, Participant agrees that, to protect the Company's Confidential Information (as defined below) and business goodwill, it is necessary to enter into the following restrictive covenants. As used in this Paragraph 4, references to the "**Company**" refer to the Company and its Subsidiaries.

Participant, whether individually or as a principal, partner, stockholder, manager, agent, consultant, contractor, employee, lender, investor, volunteer, director or officer of any corporation or association or in any other manner or capacity whatsoever, agrees that during Participant's employment by the Company and for a period of one (1) year following the date on which Participant's employment ceases (for whatever reason) (the "**Restricted Period**"), Participant shall not, whether directly or indirectly, without the express prior written consent of the Company:

(I) *Non-Solicitation*. Other than for the benefit of the Company during Participant's period of employment with or engagement by the Company, curtail the business of, interfere with the Company's relationship with, solicit business from, attempt to transact business with or transact business with any customer or prospective customer of the Company with whom the Company transacted business or solicited within the preceding twenty-four (24) months, and which either: (A) Participant contacted, called on, serviced, did business with or had contact with during Participant's employment or that Participant attempted to contact, call on, service, or do business with during Participant's employment or engagement; (B) Participant became acquainted with or dealt with, for any reason, as a result of Participant's employment or engagement by the Company; or (C) Participant received Confidential Information regarding during Participant's employment with or engagement by the Company. This restriction applies only to business that is in the scope of services or products provided by the Company.

(II) *Non-Recruitment*. Hire, recruit, solicit for employment, induce or encourage to leave the employment of or engagement by the Company, or otherwise cease their employment or engagement with the Company, on behalf of Participant or any other person or entity, any current employee or independent contractor of the Company or its subsidiaries (including those employees on vacation and approved leaves of absence, disability or other approved absence with the legal right to return to employment) or any former employee or independent contractor of the Company or its subsidiaries whose employment or engagement ceased no more than three (3) months earlier.

(III) *Non-Competition*. Become employed by, advise, perform services for, establish, have any ownership interest in, invest in or otherwise engage in any capacity, whether directly or indirectly, with a Competing Business in the Restricted Area. For purposes of this Agreement, "**Competing Business**" means any entity or business that is in the business of providing flow management products and related repair and/or replacement services. Because the scope and nature of the Company's business is international in scope, the "**Restricted Area**" is worldwide. Nothing in this Paragraph 4(a)(III) shall prohibit the Participant's direct or indirect ownership of securities of any business traded on any national securities exchange or an inter-dealer quotation system, on condition that: the Participant does not, directly or indirectly, own three percent (3%) or more of any class of securities of such business; such ownership is for investment purposes only; and the Participant does not have the right, and is not a member of a group that has the right, through the ownership of an equity interest, voting securities or otherwise, to direct the activities of such business.

For purposes of this Agreement, "**Confidential Information**" includes any trade secrets or confidential or proprietary information of the Company and its affiliates, including, but not limited to, the following:

(A) information concerning customers, clients, marketing, business and operational methods of the Company and its customers or clients, contracts, financial or other data, technical data, e-mail and other correspondence or any other confidential or proprietary information possessed, owned or used by the Company;

(B) business records, product construction, product specifications, financial information, audit processes, pricing, business strategies, marketing and promotional practices (including internet-related marketing) and management methods and information;

(C) financial data, strategies, systems, research, plans, reports, recommendations and conclusions;

(D) names, arrangements with, or other information relating to, any of the Company's customers, clients, suppliers, financiers, owners, representatives and other persons who have business relationships with the Company or who are prospects for business relationships with the Company; and

(E) any non-public matter or thing obtained or ascertained by the Participant through the Participant's association with the Company, the use or disclosure of which may reasonably be construed to be contrary to the best interests of any the Company.

(b) *Non-Disclosure*. The Participant shall not, during the period of the Participant's employment or engagement by the Company or at any time thereafter, disclose, publish or use for any purpose any Confidential Information, except as: (i) required in the ordinary course of the Company's business or the Participant's work for the Company; (ii) required by law; or

(iii) directed and authorized in writing by the Company. Upon the Participant's Termination of Service for any reason and at any other time so requested by the Company, the Participant shall immediately return and deliver to the Company any and all Confidential Information, computers, hard-drives, papers, books, records, documents, memoranda, manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, which belong to the Company or relate to the Company's business and which are in the Participant's possession, custody or control, whether prepared by the Participant or others. If at any time after the Participant's Termination of Service, for any reason, the Participant determines that the Participant has any Confidential Information in the Participant's possession or control, the Participant shall immediately return to the Company, or at the Company's request destroy, all such Confidential Information in the Participant's possession or control, including all copies and portions thereof. Participant shall provide the Company with written affirmation of the Participant's compliance with the Participant's obligations under this Paragraph 4(b) if so requested by the Company. The Participant understands and agrees that the obligations under this Paragraph 4(b) are in addition to, and not in limitation or preemption of, all other obligations of confidentiality which the Participant may have to the Company under general legal or equitable principles, any other agreement with the Company or other policies implemented by the Company. Notwithstanding anything to the contrary contained herein, the Participant shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If the Participant files a lawsuit for retaliation by Company for reporting a suspected violation of law, the Participant may disclose the trade secret to the Participant's attorney and use the trade secret information in the court proceeding, if the Participant files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Nothing in the Agreement prohibits disclosure or discussion of conduct the Participant reasonably believes to be unlawful, including illegal discrimination, illegal harassment, illegal retaliation, a wage-and-hour violation, or sexual assault.

(c) *Non-Disparagement.* The Participant agrees that the Company's goodwill and reputation are assets of great value to the Company which were obtained through great costs, time and effort. Therefore, the Participant agrees that during the Participant's employment or engagement by the Company and at any time thereafter, the Participant will not in any way disparage, libel, defame, or make public statements or third-party disclosures, except to the extent required by law or legal proceedings, that are injurious to the Company, its business or business practices, its products or services or its employees.

(d) *Remedies.* The Participant acknowledges that the restrictions contained in this Paragraph 4, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests and business goodwill and that any violation of these restrictions would result in irreparable injury to the Company. The existence of any claim or cause of action by the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants contained in Paragraph 4.

(i) *Forfeiture by the Participant.* If the Participant breaches any restriction in this Paragraph 4, the Company shall be entitled to, in addition to any legal remedies available to the Company, undertake any or all of the following: (A) require the Participant to forfeit any RSUs (whether then vested or unvested) that have not yet been converted into Common Stock as of the date of such violation; (B) require the Participant to immediately sell to the Company a number of shares of Common Stock equal to the gross number of RSUs converted into Common Stock hereunder, for the then-current Fair Market Value of such shares; (C) require the Participant to immediately pay to the Company any gain that the Participant realized on any sale of shares of Common Stock issued in settlement of the RSUs granted hereunder; (D) discontinue future grants of any and all equity awards under any equity incentive plan in which the Participant may participate; (E) recover damages incurred by the Company as a result of the breach; and (F) recover its attorneys' fees, costs and expenses incurred in connection with such actions. To the extent that the provisions of this Paragraph 4 are inconsistent with the terms of any other agreement between the Company and the Participant, the Company and the Participant agree that the provisions of this Paragraph 4 shall control.

(ii) *Injunctive Relief and Damages.* Participant acknowledges and agrees that a breach of Paragraph 4 will result in irreparable harm and continuing damage to the Company, and that money damages and the remedies set forth in Paragraph 4(d)(i) above would be not be sufficient remedies to the Company for any such breach or threatened breach. Therefore, to the fullest extent permitted by law, Participant agrees that the Company shall also be entitled to a temporary restraining order and injunctive relief restraining Participant from the commission of any breach of Paragraph 4. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any breach or threatened breach, including, without limitation, the remedies set forth in Paragraph 4(d)(i) or the recovery of money damages, attorneys' fees and costs.

(c) *Tolling.* If Participant violates any of the restrictions contained in this Paragraph 4, the Restricted Period will be suspended and will not run in favor of Participant until such time that Participant cures the violation to the satisfaction of the Company.

## 5. Limitation of Rights

Nothing in this Agreement or the Plan shall be construed to:

(a) give the Participant any right to be awarded any further RSUs or any other Award in the future, even if RSUs or other Awards are granted on a regular or repeated basis, as grants of RSUs and other Awards are completely voluntary and made solely in the discretion of the Committee;

(b) give the Participant or any other person any interest in any fund or in any specified asset or assets of the Company or any Subsidiary; or

(c) confer upon the Participant the right to continue in the employment or service of the Company or any Subsidiary, or affect the right of the Company or any Subsidiary to terminate the employment or service of the Participant at any time or for any reason.

#### 6. *Data Privacy*

By execution of this Agreement, the Participant acknowledges that he or she has read and understands the Flowserve Corporation Employee Data Protection Policy and Flowserve's Privacy Policy. The Participant hereby consents to the collection, processing, transmission, use and electronic and manual storage of his or her personal data by the Company, Wells Fargo Shareowner Services ("**Wells Fargo**") and Merrill Lynch & Co., Inc. ("**Merrill Lynch**") in order to facilitate Plan administration. The Participant understands and acknowledges that this consent applies to all personally-identifiable data relevant to Plan administration, including the Participant's name, home address, work email address, job title, GEMS ID, National Identification Number or Social Security Number, employee status, work location, work phone number, tax class, previous equity grant transaction data and compensation data. The Participant further agrees to furnish to the Company any additional information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

The Participant understands that for purposes of Plan administration, the Participant's personal data will be collected and processed at 5215 N. O'Connor Blvd, Suite 2300, Irving, Texas (USA), and transferred to Wells Fargo at 161 North Concord Exchange, South St. Paul, Minnesota (USA) and Merrill Lynch at 4 World Financial Center, 250 Vesey St., New York, New York (USA).

#### 7. *Prerequisites to Benefits*

Neither the Participant, nor any person claiming through the Participant, shall have any right or interest in the RSUs awarded hereunder, unless and until all the terms, conditions and provisions of this Agreement and the Plan which affect the Participant or such other person shall have been complied with as specified herein.

#### 8. *Delivery of Shares*

No shares of Common Stock shall be delivered to the Participant upon conversion of the RSUs into shares of Common Stock until:

(a) all the applicable taxes required to be withheld have been paid or withheld in full;

(b) the approval of any governmental authority required in connection with this RSU, or the issuance of shares of Common Stock hereunder under has been received by the Company; and

(c) if required by the Committee, the Participant has delivered to the Committee an Investment Letter in form and content satisfactory to the Company as provided in Paragraph 10 hereof.

#### 9. *Successors and Assigns*

This Agreement shall bind and inure to the benefit of and be enforceable by the Participant, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Participant may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

#### 10. *Securities Act*

The Company will not be required to deliver any shares of Common Stock pursuant to this Agreement if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933, as amended (the "**Securities Act**") or any other applicable federal or state securities laws or regulations. The Committee may require that the Participant, prior to the issuance of any such shares, sign and deliver to the Company a written statement, which shall be in a form and contain content acceptable to the Committee, in its sole discretion ("**Investment Letter**");

- (a) stating that the Participant is acquiring the shares for investment and not with a view to the sale or distribution thereof;
- (b) stating that the Participant will not sell any shares of Common Stock that the Participant may then own or thereafter acquire except either:
  - (i) through a broker on a national securities exchange, or
  - (ii) with the prior written approval of the Company; and
- (c) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act or other applicable federal or state securities laws and regulations.

#### 11. *Federal and State Taxes*

(a) Any amount of Common Stock and/or cash that is payable or transferable to the Participant hereunder may be subject to the payment of or reduced by any amount or amounts which the Company is required to withhold under the then applicable provisions of the laws of the jurisdiction where the Participant is employed, and, if applicable, the Internal Revenue Code of 1986, as amended (the “**Code**”), or its successors, or any other foreign, federal, state or local tax withholding requirement. When the Company is required to withhold any amount or amounts under the applicable provisions of any foreign, federal, state or local requirement or the Code, the Company shall withhold from the Common Stock to be issued to the Participant a number of shares necessary to satisfy the Company’s withholding obligations. The number of shares of Common Stock to be withheld shall be based upon the Fair Market Value of the shares on the date of withholding.

(b) Notwithstanding Paragraph 11(a) above, if the Participant elects, and the Committee agrees, the Company’s withholding obligations may instead be satisfied as follows:

(i) the Participant may direct the Company to withhold cash that is otherwise payable to the Participant;

(ii) the Participant may deliver to the Company a sufficient number of shares of Common Stock then owned by the Participant for a period of at least six (6) months to satisfy the Company’s withholding obligations, based on the Fair Market Value of the shares as of the date of withholding;

(iii) the Participant may deliver sufficient cash to the Company to satisfy its withholding obligations; or

(iv) any combination of the alternatives described in Paragraphs 11(b)(i) through 11(b)(iii) above.

(c) Authorization of the Participant to the Company to withhold taxes pursuant to one or more of the alternatives described in Paragraph 11(b) above must be in a form and content acceptable to the Committee. The payment or authorization to withhold taxes by the Participant shall be completed prior to the delivery of any shares pursuant to this Agreement. An authorization to withhold taxes pursuant to this provision will be irrevocable unless and until the tax liability of the Participant has been fully paid.

#### 12. *Copy of Plan*

By the electronic acceptance of this Agreement, the Participant acknowledges receipt of a copy of the Plan.

#### 13. *Administration*

This Agreement is subject to the terms and conditions of the Plan. The Plan is administered by the Committee in accordance with its terms. The Committee has sole and complete discretion with respect to all matters reserved to it by the Plan and the decisions of the majority of the Committee with respect to the Plan and this Agreement shall be final and binding upon the Participant and the Company. Neither the Company nor the members of the Board or the Committee will be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the RSUs granted hereunder. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

#### 14. *Adjustment of Number of Shares of RSUs*

The number of RSUs granted hereunder shall be subject to adjustment in accordance with Articles 12 and 13 of the Plan.

#### 15. *Non-transferability*

The RSUs granted by this Agreement are not transferable by the Participant other than by will or pursuant to applicable laws of descent and distribution. The RSUs and any rights and privileges in connection therewith, cannot be transferred, assigned, pledged or hypothecated by operation of law, or otherwise, and is not otherwise subject to execution, attachment, garnishment or similar process. In the event of such occurrence, this Agreement will automatically terminate and will thereafter be null and void.

#### *16. Remedies*

The Company shall be entitled to recover from the Participant reasonable attorneys' fees incurred in connection with the enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

#### *17. Information Confidential*

As partial consideration for the granting of the Award hereunder, the Participant hereby agrees to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that the Participant has relating to the terms and conditions of this Agreement. However, such information may be disclosed as required by law and may be given in confidence to the Participant's spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to the Participant, as a factor weighing against the advisability of granting any such future award to the Participant.

#### *18. Amendments*

Except as otherwise provided in the Plan or below, this Agreement may be amended only by a written agreement executed by the Company and the Participant. Notwithstanding the foregoing, the Board or the Committee may amend this Agreement to the extent necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award or to the extent that such amendment is not materially adverse to the Participant.

#### *19. Governing Law; Venue*

This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas (excluding any conflict of laws, rule or principle of Texas law that might refer the governance, construction, or interpretation of this Plan to the laws of another state). By accepting the RSUs, the Participant hereby irrevocably and unconditionally agrees that any action, suit or proceeding, at law or equity, arising out of or relating to this Plan, this Agreement, the RSUs or any agreements or transactions contemplated hereby shall only be brought in a federal or state court of competent jurisdiction in Dallas County, Texas, and each of the Company and the Participant hereby irrevocably and unconditionally expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and hereby irrevocably and unconditionally waives (by way of motion, as a defense or otherwise) any and all jurisdictional, venue and convenience objections or defenses that such party may have in such action, suit or proceeding. Each of the Company and the Participant hereby irrevocably and unconditionally consents to the service of process of any of the aforementioned courts.

#### *20. Severability*

Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement (or portion thereof) is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions (or remaining portion of such provision) of this Agreement, but such provision (or portion thereof) shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision (or portion thereof) had never been included.

#### *21. Headings*

The titles and headings of paragraphs are included for convenience of reference only and are not to be considered in construction of the provisions of this Agreement.

#### *22. Word Usage*

Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

#### *23. Execution of Receipts and Releases*



Any payment of cash or any issuance or transfer of shares of Common Stock or other property to the Participant or to the Participant's legal representative, heir, legatee or distributee, in accordance with the provisions of this Agreement, shall, to the extent thereof, be in full satisfaction of all claims of such persons under this Agreement. The Company may require the Participant or the Participant's legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

#### *24. Code Section 409A*

Notwithstanding anything herein to the contrary, in the case of a conversion of vested RSUs and registration and transfer of shares of Common Stock on account of any termination of service (other than death), if the Participant is a "specified employee" as defined in Section 1.409A-1(i) of the final Treasury Regulations under Section 409A of the Code, then solely to the extent required under Section 409A of the Code, a distribution of such shares to the Participant shall not occur until the date which is six (6) months following the date of the Participant's termination of service (or, if earlier, the date of the Participant's death).

#### *25. Electronic Delivery and Acceptance.*

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

#### *26. Insider Trading Restrictions/Market Abuse Laws.*

The Participant may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Common Stock are listed and in applicable jurisdictions including the United States and the Participant's country or his or her broker's country, if different, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of shares, RSUs or rights linked to the value of shares of Common Stock (e.g., Dividend Equivalents) during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. The Participant acknowledges that it is the Participant's responsibility to comply with any applicable restrictions, and the Participant should speak with his or her personal legal advisor on this matter.

#### *27. Appendix A.*

Notwithstanding any provision of this Agreement to the contrary, the RSUs shall be subject to any special terms and conditions for the Participant's jurisdiction of residence (and jurisdiction of employment, if different) as set forth in Appendix A to the Agreement, if applicable, which shall constitute part of this Agreement.

#### *28. Participant Acceptance.*

The Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any shares of Common Stock be issued (or other securities or property distributed) under this Agreement in the absence of such acceptance. By accepting the RSUs, Participant agrees that the RSUs are granted under and governed by the terms and conditions of the Plan and this Agreement. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to accepting this Agreement and fully understands all provisions of the Plan and this Agreement.

The Company and the Participant are executing this Agreement effective as of the Date of Grant set forth in the introductory clause.

FLOWSERVE CORPORATION

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R. Scott Rowe  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: March 7, 2023

<sup>1</sup>Use Non-Executive Chair signature for CEO award.

## Appendix A

### **Jurisdiction Specific Provisions**

This Appendix A includes terms and conditions applicable to Participants in the countries, states, and jurisdictions covered by this Appendix A. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan and the Agreement to which this Appendix A is attached.

The information is based on the securities, exchange control and other laws in effect in the respective countries (and, as applicable, states and jurisdictions) as of **January 1, 2022**. The laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information noted herein as the only source of information relating to the consequences of the Participant's participation in the Plan, as the information may be out of date by the time the RSUs are settled or the Participant sells the shares of Common Stock acquired.

In addition, the information contained in this Appendix A is general in nature and may not apply to the Participant's particular situation, and the Company is not in a position to assure the Participant of any particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the applicable laws in his or her jurisdiction may apply to his or her situation.

If the Participant (i) is a citizen or resident of a jurisdiction other than the one in which he or she is currently working and/or residing, (ii) transfers employment or residency to another jurisdiction after the RSU grant date, (iii) changes employment status to a consultant position, or (iv) is considered a resident of another jurisdiction for local law purposes, the Company shall, in its sole discretion, determine the extent to which the special terms and conditions contained herein shall apply to the Participant unless the special terms and conditions contained herein specifically address that circumstance.

### CHINA

#### ***Terms and Conditions***

The award of RSUs granted pursuant to the Agreement (the "**Award**") is subject to the following additional terms and conditions to the extent that the Company, in its discretion, determines that the Participant's participation in the Plan is subject to exchange control restrictions in the People's Republic of China ("**PRC**" or "**China**"), as implemented by the State Administration of Foreign Exchange ("**SAFE**"), or other applicable laws of PRC.

#### Non-Competition Compensation.

Participant acknowledges and agrees that any non-competition compensation stipulated in the employment agreement (the "**Employment Contract**") entered into between Participant, on the one hand, and the Company or any of its affiliates, on the other hand, shall constitute the entire consideration and compensation payable to Participant for his or her performance of the non-competition obligations under the Employment Contract and Paragraph 4 (**Restrictive Covenants**) of this Agreement, and the Company shall have no obligation to pay any additional compensation to Participant under this Agreement for Participant's compliance with the restrictive covenants contained herein.

Modification of this Agreement. If any of the terms of this Agreement may in the opinion of the Company conflict or be inconsistent with any applicable PRC laws or regulations, the Company reserves the right to modify this Agreement to be consistent with applicable PRC laws or regulations.

Enforceability of this Agreement. It is expressly understood and agreed that although Participant and the Company consider the restrictions contained in Paragraph 4 (**Restrictive Covenants**) to be reasonable, if a judicial determination is made by a court in China that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Participant, the provisions of this Agreement will not be rendered void, but will be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction in China finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding will not affect the enforceability of any of the other restrictions contained in this Agreement.

Award Conditioned on Satisfaction of Regulatory Obligations. The RSUs are conditioned upon the Company securing and maintaining all necessary approvals from the SAFE and any other applicable government entities in the PRC to permit the operation of the Plan in China, as determined by the Company in its sole discretion.

Shares Must Remain with Company's Designated Broker. The Participant agrees to hold the shares of Common Stock (the "**Shares**") underlying the RSUs with such broker as may be designated by the Company from time to time and shall not transfer the Shares to another broker until such time as may be permitted by the Company.

**Sale of Shares.** Notwithstanding anything in the Plan to the contrary, when the Participant terminates employment with the Company or its affiliates, the Participant will be required to sell all Shares acquired under the Plan and any other equity incentive or purchase plan or program (collectively, “**Equity Programs**”) within such time period as may be established by the SAFE or otherwise within the later of six (6) months of such termination or of the final release of Shares underlying the RSUs, or other such period as may be required by Company policy, as determined in the Company’s discretion. If the Participant has not completed any required sale within the required period then applicable, the Participant hereby authorizes the Company or any affiliate to complete such sale on the Participant’s behalf. The Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by the Company (or any affiliate or the Company’s designated brokerage firm) to effectuate the sale of the Shares (including, without limitation, as to the transfers of the proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters. The Participant acknowledges that neither the Company nor the designated brokerage firm is under any obligation to arrange for such sale of the Shares at any particular price (it being understood that the sale will occur in the market) and that broker’s fees and similar expenses may be incurred in any such sale. In any event, when the Shares are sold, the sale proceeds, less any (mandatory, non-local) tax withholding, any broker’s fees or commissions, and any similar expenses of the sale will be remitted to the Participant in accordance with applicable exchange control laws and regulations and Company practices.

**Exchange Control Restrictions.** The Participant understands and agrees that the Participant will be required immediately to repatriate to China cash dividends (to the extent such dividends are not reinvested to purchase additional Shares, if such reinvestment is permitted by the SAFE and applicable laws) and the proceeds from the sale of any Shares acquired under the Equity Programs. The Participant further understands that such repatriation of dividends and proceeds may need to be effected through a special bank account established by the Company or its affiliate, and the Participant hereby consents and agrees that dividends and proceeds from the sale of Shares acquired under the Plan may be transferred to such account by the Company on the Participant’s behalf prior to being delivered to the Participant. The dividends and proceeds may be paid to the Participant in U.S. dollars or local currency, at the Company’s discretion. If the dividends and proceeds are paid to the Participant in U.S. dollars, the Participant understands that a U.S. dollar bank account in China must be established and maintained by the Participant so that the proceeds may be deposited into such account. If the dividends and proceeds are paid to the Participant in local currency, the Participant acknowledges that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the dividends and proceeds to local currency due to exchange control restrictions. The Participant agrees to bear any currency fluctuation risk between the time dividends are declared or the Shares are sold and the dividends or net proceeds are converted into local currency and distributed to the Participant. The Participant further agrees to comply with any other requirements that may be imposed by the Company and its affiliates in the future in order to facilitate compliance with exchange control requirements in China and to sign any agreements, forms and/or consents that may be reasonably requested by the Company or its designated broker to effectuate any of the remittances, transfers, conversions or other processes affecting the proceeds.

**Administration.** The Participant shall be solely responsible for, and neither the Company nor its affiliates shall be liable for, any costs, fees, lost interest or dividends or other losses the Participant may incur or suffer resulting from the enforcement of the terms of this Appendix A or otherwise from the Company’s operation and enforcement of the Plan, the Agreement and the RSUs in accordance with Chinese law including, without limitation, any applicable SAFE rules, regulations and requirements.

### ***Notifications***

**Foreign Asset and Account Reporting Notification.** If the Participant is a Chinese resident, the Participant may be required to report to SAFE all details of his or her foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-PRC residents. The Participant should consult with his or her personal tax advisor to determine the Participant’s personal reporting obligations.

**Conversion from USD to CNY:** The Participant’s proceeds will be converted from USD to CNY using the official rates as determined by HSBC on the date of payment. These CNY proceeds will be deposited into the Participant’s China Merchant Bank account. The Participant may elect to have proceeds paid in USD if the Participant is an account holder at HSBC. Please contact the Vice President, Total Rewards and HRIS to file or update optional payment instructions.

## **FRANCE**

### ***Terms and Conditions***

It is intended that RSUs granted under the Plan to qualifying employees or officers, as defined in Section 1, in France who are resident in France for French tax purposes shall qualify for the specific tax and social security charges treatment applicable to French qualified RSUs granted under Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as subsequently amended, and in accordance with the relevant provisions set forth by the French Tax Administration (the “**French Qualified RSUs**”). The terms of the Agreement (including Appendix A) shall be interpreted accordingly and in accordance with the relevant provisions set forth by French tax and social security laws, and relevant Guidelines published by French tax and social security administrations and subject to the fulfillment of legal, tax and reporting obligations.

1. Eligibility: French Qualified RSUs may not be granted to an individual:

- a. Unless he is employed by the Company or by a company which is a corporate subsidiary of the Company, as defined in Article 225-197-2 of the French Commercial Code; or
- b. Unless he is a director with a management function as defined in Article 225-197-1 of the French Commercial Code.

2. Vesting: French Qualified RSUs shall vest ratably over a three-year period following the Date of Grant, with 1/3 of the RSUs vesting on each anniversary of the Date of Grant as set forth in Section 2 (a) of the Agreement, provided that in no event may a granted RSU vest earlier than one year after the Date of Grant, unless otherwise provided below.

3. Acceleration on Death: Upon Termination of Employment from the Company by reason of Participant's death, all French Qualified RSUs that are not vested at that time immediately will become vested in full. The Company shall issue the underlying shares to the Participant's heirs, at their written request, within six months following the death of the Participant. Notwithstanding the foregoing, the Participant's heirs must comply with the restriction on the sale of shares set forth below (Section 7. "Closed Periods"), to the extent and as long as applicable under French law.

4. Rights as a Stockholder: Participant will have no rights as a stockholder of the Company with regard to the French Qualified RSUs until the date of delivery of the Common Stock as provided under Section 6. "Delivery" of this Appendix. Accordingly and contrary to Section 2(d) of the Agreement, the Participant will have no rights to receive Dividend Equivalents, whether such Dividend Equivalents are paid in cash or in shares of Common Stock.

5. Settlement: All French Qualified RSUs vested shall be settled only in shares of Common Stock, no cash settlement or payment being allowed.

6. Sales Restrictions: The sale of shares underlying French Qualified RSUs may occur as soon as the shares are delivered to the Participant, provided the following:

- a. Any shares related to a French Qualified RSU which have been delivered prior to the second anniversary of the Grant Date shall be subject to a holding period until the second year anniversary of the Grant Date (the "**Holding Period**") unless otherwise provided in the Agreement.
- b. In no event may the sale of shares underlying French Qualified RSU occur during the closed periods as provided in Section 7. "Closed Periods" of this Appendix.

7. Closed Periods: In addition to any provision of the Agreement, Shares underlying French Qualified RSUs may not be sold during the following periods ("**Closed Periods**"):

(a) within 10 days before or after the publication of the annual accounts; and

(b) within a period beginning with the date at which executives of the Company become aware of any information which, were it to be public knowledge, could have a significant impact on the price of shares in and ending 10 trading days after the information becomes public knowledge.

These Closed Periods will apply to the grant of French Qualified RSUs as long as and to the extent such Closed Periods are applicable under French law.

8. Disqualification of French-Qualified RSU: If the RSU or the underlying shares are otherwise modified or adjusted in a manner in keeping with the terms of the Plan or as mandated as a matter of law and the modification or adjustment is contrary to the terms and conditions of the rules of this Appendix A applicable to the French Qualified RSUs, such RSUs may no longer qualify as French-Qualified RSUs. If the RSUs no longer qualify as French-Qualified RSU, the Committee may, provided it is authorized to do so under the Agreement, determine to lift, shorten or terminate certain restrictions applicable to the vesting of the RSUs or the sale of shares of Common Stock which may have been imposed under this Appendix. In the event that any RSUs no longer qualify as French-Qualified RSUs, the holder of such RSUs shall be ultimately liable and responsible for all taxes and/or social security contributions that he or she is legally required to pay in connection with such RSUs.

Language Consent. By accepting the grant of RSUs, the Participant confirms having read and understood the Plan and Agreement which were provided in English. The Participant accepts the terms of those documents accordingly.

*Consentement Relatif à la Langue Utilisée. En acceptant l'attribution, le Participant confirme avoir lu et compris le Plan et le Contrat, qui ont été communiqués en langue anglaise. Le Participant accepte les termes de ces documents en connaissance de cause.*

## **Notifications**

Foreign Asset and Account Reporting Notification. The Participant must report shares of Common Stock (the "**Shares**") held outside of France and foreign bank accounts to the French tax authorities when filing his or her annual tax return. The Participant should consult with his or her personal tax advisor to determine the Participant's personal reporting obligations.

## **GERMANY**

### ***Notifications***

**Exchange Control Notification.** Cross-border payments in excess of a specified threshold (currently EUR 12,500) must be reported monthly to the German Federal Bank (*Bundesbank*). For payments made or received in connection with securities (including proceeds realized upon the sale of shares of Common Stock), the report must be filed electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de). The Participant is personally responsible for complying with applicable exchange control requirements in Germany.

**No Prospectus Requirements:** Participation in the Plan is not offered to the public in Germany, and no action has been or will be taken which would allow an offering of participations in the Plan to the public in Germany. Participants in the Plan in Germany are exclusively employees of the Company or its affiliates, it being understood that such offer to employees to participate in the Plan is or shall be made to less than 150 non-qualified investors in each member state of the European Economic Area. The Plan, the discretionary Award of RSUs to a Participant and/or their vesting and subsequent settlement do not trigger any prospectus obligations in Germany. The granting of the RSUs to a Participant who is resident or employed in Germany does not constitute an “offer of securities to the public” within the meaning of article 2 lit. d) of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “Prospectus Regulation”). In addition, no obligation to publish a prospectus would apply pursuant to either article 1 para. 4 lit. (i) or lit (b) of the Prospectus Regulation or any other provisions of German law.

**Data Privacy:** Concurrently with the execution and delivery of this Agreement, the Participant has executed and delivered to the Company a Processing and Transfer of Personal Data Consent Form in the form attached hereto as Appendix B which supplements the Flowserve Corporation Employee Data Protection Policy and Flowserve’s Privacy Policy and replaces and supersedes the consent provided for under the second and third sentence of Section 6 (Privacy).

## **ITALY**

### ***Terms and Conditions***

**Labor Law Acknowledgment.** This provision supplements the acknowledgements contained in Section 1 (Restricted Stock Units) of the Agreement:

In accepting the grant of RSUs, the Participant consents to participation in the Plan and acknowledges that the Participant has received a copy of the Plan.

This Agreement shall not be considered as an extension of the employment contract – if any – or of an obligation deriving from an employment contract. The Participant understands that the Company has unilaterally, gratuitously and in its own discretion decided to grant RSUs under the Plan to certain individuals who may be or not employees of the Company or an affiliate. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or an affiliate, other than as set forth in the Agreement. Consequently, the Participant understands that the RSUs are granted on the assumption and condition that the RSUs and any shares of Common Stock (“*Shares*”) acquired upon settlement of the RSUs are not a part of any employment contract (either with the Company or an affiliate) and shall not be considered a mandatory benefit, salary, nor salary components, for any purposes (including severance compensation), or any other right whatsoever. Further, the Participant understands that the RSUs would not be granted to the Participant but for the assumptions and conditions referred to above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken, or should any of the conditions not be met for any reason, any grant of or right to the RSUs shall be null and void.

### **Termination.**

This provision supplements the acknowledgements contained in Section 3 (Effect of Termination of Service) of the Agreement:

The Participant understands and agrees that, unless otherwise provided in the Agreement, the Participant will forfeit any right of indemnification in the event of termination of Participant’s employment for any reason, included but not limited to disciplinary reason (i.e. “giusta causa” or “giustificato motivo soggettivo/giustificatezza”), reduction-in-force or internal reorganization (i.e. “giustificato motivo oggettivo”) both individual or collective, resignation, retirement, disciplinary dismissal adjudged or recognized to be without cause/reason.

Language Consent. By accepting the grant of RSUs, the Participant confirms having read and understood the Plan and Agreement which were provided in English.

### ***Notifications***

Foreign Asset and Account Reporting Notification. If at any time during the fiscal year the Participant holds foreign financial assets (including cash and shares of Common Stock) that may generate income taxable in Italy, the Participant is required to report these assets on his or her annual tax return (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due, irrespective of their value. These reporting obligations also will apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions. The Participant should consult with his or her personal tax advisor to determine the Participant's personal reporting obligations.

## **SPAIN**

### ***Terms and Conditions***

Labor Law Acknowledgment. This provision supplements the acknowledgements contained in Section 1 (Restricted Stock Units) of the Agreement:

In accepting the grant of RSUs, the Participant consents to participation in the Plan and acknowledges that the Participant has received a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and in its own discretion decided to grant RSUs under the Plan to certain individuals who may be employees of the Company or an affiliate. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or an affiliate, other than as set forth in the Agreement. Consequently, the Participant understands that the RSUs are granted on the assumption and condition that the RSUs and any shares of Common Stock ("**Shares**") acquired upon settlement of the RSUs are not a part of any employment contract (either with the Company or an affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation), or any other right whatsoever. Further, the Participant understands that the RSUs would not be granted to the Participant but for the assumptions and conditions referred to above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken, or should any of the conditions not be met for any reason, any grant of or right to the RSUs shall be null and void.

The Participant understands and agrees that, unless otherwise provided in the Agreement, the Participant will forfeit any unvested RSUs as of the date Participant's service ends without entitlement to the underlying Shares or to any amount of indemnification in the event of termination of Participant's employment for any reason including, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause (*i.e.*, subject to a "*despido improcedente*"), individual or collective dismissal on objective grounds, whether adjudged or recognized to be with or without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, and/or Article 50 of the Workers' Statute, unilateral withdrawal by the Employer and under Article 10.3 of the Royal Decree 1382/1985.

### ***Notifications***

Securities Law Notification. No "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the grant of RSUs under the Plan. Neither the Plan nor the Agreement (which includes this Appendix A) have been nor will they be registered with the Comisión Nacional del Mercado de Valores (Spanish securities regulator), and they do not constitute a public offering prospectus.

Exchange Control Notification. The Participant must declare the acquisition of Shares to the *Dirección General de Comercial e Inversiones* (the "DGCI") of the *Ministerio de Economía* for statistical purposes. Generally, the declaration must be filed in January for Shares acquired or disposed of during the prior year and/or for Shares owned as of December 31 of the prior year; however, if the value of the Shares acquired under the Plan or the amount of the sale proceeds exceeds a specified threshold (currently EUR 1,502,530), the declaration must be filed within one (1) month of the acquisition or disposition, as applicable.

The Participant also must declare electronically to the Bank of Spain any foreign securities accounts (including brokerage accounts held abroad), as well as the shares held in such accounts and transactions carried out with non-residents, depending on the amount of the transactions with non-residents during the relevant year or the balances/positions with non-residents. Different thresholds and deadlines to file the declarations apply. However, if neither such transactions during the immediately preceding year nor the balances/positions as of December 31 exceed a specified threshold (currently EUR one (1) million), no such declaration must be filed unless expressly required by the Bank of Spain. If neither the Participant's total balances/positions nor total transactions with non-residents pertaining to the relevant period exceed a specified threshold (currently EUR

50 million), a summarized form of declaration may be used. The Participant is personally responsible for complying with applicable exchange control requirements in Spain.

**Foreign Asset and Account Reporting Notification.** Individuals owning shares deposited outside of Spain and/or holding bank accounts outside of Spain whose value as of December 31 each year, or at any time throughout the year of sale, exceeds, for each type of asset, a specified threshold (currently EUR 50,000), must report their existence to the Spanish Tax Authorities on a specific tax reporting form. After the assets have been reported, the subsequent reporting obligation will only apply if their value increases by more than specified amount (currently EUR 20,000) as of each subsequent December 31, or if the assets already declared are being transferred or the bank accounts are being closed. The Participant should consult with his or her personal tax advisor to determine whether this reporting requirement applies.

## **UNITED STATES**

### **CALIFORNIA - Terms and Conditions**

**Restrictive Covenants.** If the Participant primarily resides or works in California and it is found that California law applies to this Agreement or any dispute arising from this Agreement, then Sections 4(a)(I), 4(a)(II) and 4(a)(III) (Restrictive Covenants) of this Agreement shall not apply to the Participant following their Termination of Service. Any conduct relating to the solicitation of the Company's employees that involves the misappropriation of the Company's trade secret information, such as the use, retention, or distribution of the Company's protected customer information, will remain prohibited conduct at all times, and nothing in this Agreement shall be construed to limit or eliminate any rights or remedies the Company may have under this Agreement, trade secret law, unfair competition law, or other laws applicable in California absent this Agreement.

## **UNITED STATES**

### **ILLINOIS - Terms and Conditions**

#### **Restrictive Covenants.**

**Non-Recruitment; Non-Solicitation.** If the Participant primarily resides or works in Illinois and it is found that Illinois law applies to this Agreement or any dispute arising from this Agreement, then Sections 4(a)(I) and 4(a)(II) shall not apply to the Participant following their Termination of Service unless the Participant's annual compensation exceeds \$45,000 (with the earnings threshold increasing by \$2,500 every five years from January 1, 2027, through January 1, 2037). The Participant further agrees that if, at the time they sign the Agreement, their earnings do not meet the earnings threshold, then the non-solicitation and non-recruitment obligations following Termination of Service in Sections 4(a)(I) and 4(a)(II) will automatically become enforceable against them if and when they begin earning an amount equal to or greater than the earnings threshold.

**Non-Competition.** If the Participant primarily resides or works in Illinois and it is found that Illinois law applies to this Agreement or any dispute arising from this Agreement, then Section 4(a)(III) shall not apply to the Participant following their Termination of Service unless the Participant's annual compensation exceeds \$75,000 (with the earnings threshold increasing by \$5,000 every five years from January 1, 2027, through January 1, 2037). The Participant further agrees that if, at the time they sign the Agreement, their earnings do not meet the earnings threshold, then the non-competition obligation following Termination of Service in Section 4(a)(III) will automatically become enforceable against them if and when they begin earning an amount equal to or greater than the earnings threshold.

**Non-Competition; Non-Solicitation and Non-Recruitment.** The restrictions of Sections 4(a)(I), 4(a)(II) and 4(a)(III) shall apply only to the extent that the Participant is employed for two or more years by the Company and/or receives compensation from the Company for two or more years following execution of this Agreement. To the extent employment or engagement with the Company is terminated less than two years following execution of this Agreement, the Participant agrees that they shall afford the Company the opportunity to provide them with a reasonable monetary payment, in an amount to be determined prior to or at the time of such Termination of Service, as consideration for the restrictions following Termination of Service set forth in Sections 4(a)(I), 4(a)(II) and 4(a)(III) of the Agreement. The Participant understands that reasonable consideration shall not exceed the amount that the Participant received as salary or income from the Company in the twelve (12) months prior to the Participant's Termination of Service. The Company shall also have the right, at its sole discretion, to not provide additional monetary consideration and, in such circumstances, if the Participant's experiences a Termination of Service within two years of execution of this Agreement, then Sections 4(a)(I), 4(a)(II) and 4(a)(III) shall not apply following Termination of Service.

#### **Notifications**

**Notice.** The Participant acknowledges that that they have been provided with the Agreement at least 14 days before executing the Agreement. The Participant further acknowledges that they have been advised to consult with an attorney before signing the Agreement.



## **MAINE - Terms and Conditions**

**Restrictive Covenants.** If the Participant resides in Maine and it is found that Maine law applies to this Agreement or any dispute arising from this Agreement, then Section 4(a)(III) shall not apply to the Participant following their Termination of Service unless the Participant's annual compensation exceeds 400% percent of the federal poverty level.

## **Notifications**

**Notice.** By accepting the grant of RSUs, the Participant acknowledges that they have been provided with written notice and a copy of this Agreement at least three business days before the deadline to sign this Agreement.

## **VIRGINIA - Terms and Conditions**

### **Restrictive Covenants.**

Non-Competition; Non-Recruitment; and Non-Solicitation. If the Participant primarily resides or works in Virginia and it is found that Virginia law applies to this Agreement or any dispute arising from this Agreement, then the Participant agrees that Sections 4(a)(I), 4(a)(II) and 4(a)(III) are reasonably limited in nature and do not prohibit employment with a competing business in a non-competitive position.

Non-Competition. If the Participant primarily resides or works in Virginia and it is found that Virginia law applies to this Agreement or any dispute arising from this Agreement, then Section 4(a)(III) shall not apply to the Participant following their Termination of Service if the Participant's average weekly earnings, calculated as provided for under Code of Virginia section 40.1-28.7:7 (the "Virginia Act"), are less than the average weekly wage of the Commonwealth as determined pursuant to subsection B of section 65.2-500, or the Participant otherwise qualifies as a "low-wage employee" under the Virginia Act. The Participant shall not be considered a "low-wage employee" if their earnings are derived, in whole or in predominant part, from sales commissions, incentives, or bonuses paid by the Company.

**Appendix B**  
**Processing and Transfer of Personal Data**

Flowserve Corporation (“**Company**”) will collect and process as data controller, directly from you or indirectly through your employer, personal data about you regarding your employment, the nature and amount of your compensation and the fact, details and conditions of your participation in the Flowserve Corporation 2020 Long-Term Incentive Plan (the “**Plan**”). The personal data so collected and processed includes your name, gender, home address, work email address, job title, and work telephone number, date of birth, GEMS ID, National Identification Number, Social Security Number or other identification number, employment location, salary, tax class and other tax information, nationality, job title, previous equity grant transaction data and compensation data, information necessary to process mandatory tax withholding and reporting obligations, information about any shares of stock or directorships held in the Company or its affiliates, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, and other required payroll information required for the purpose of implementing, administering and managing your participation in the Plan (the “**Data**”).

The Data is necessary in order for you to participate in the Plan and for Company and its affiliates for the purpose of implementing, administering and managing the Plan and your participation therein (on the basis of the performance of a contract (Art. 6(1)(b) GDPR)), to comply with legal obligations in the EU (on the basis of (Art. 6(1)(c) GDPR) and on the basis of legitimate interests, in particular to comply with non-EU legal obligations (Art. 6(1)(f) GDPR).

The Data will be held (i) as long as is necessary to implement, administer and manage the Plan, (ii) for the duration of any relevant statutes of limitations which may exceed the duration of your participation in the Plan, and (iii) as required to fulfill legal obligations under applicable laws.

You may, subject to the conditions set forth in the GDPR, (i) request access to, and a copy of, your Data as well as additional information about the processing and third party recipients of your Data, (ii) request deletions, corrections or amendments to your Data, (iii) request restrictions to the processing of your Data, and (iv) ask for receiving, in a structured and standard format your Data, in each case without cost. You may also lodge a complaint with the competent data protection authority or contact the Company’s data protection officer with any questions or concerns regarding the processing of your Data.

Contact Details: Data Privacy team at Flowserve Corporation, 5215 North O’Connor Boulevard, 9<sup>th</sup> Floor, Irving, Texas 75039 USA.

**Consent to Data Transfer:**

I have read and understood the above information and agree that my Data may be transferred to the Company and its affiliates as well as Wells Fargo Shareowner Services (“Wells Fargo”) and Merrill Lynch & Co., Inc. (“Merrill Lynch”) in the United States and their service providers assisting in the implementation, administration and management of the Plan (as data processors - such as brokers, accounting firms, payroll processing firms or tax firms) as set out above, and any possible purchaser of the Company or any of its affiliates or any of their businesses, as well as any tax or other public authorities, registries, security exchange commissions, or other public institutions as may be required by applicable laws.

I understand and agree that these recipients of my Data are located in the United States or elsewhere outside the European Economic Area. I understand that the recipients’ countries may have different data privacy laws and a lower level of data privacy protection standards than the European Economic Area and that these standards may be considered inadequate under the GDPR.

I understand that my consent is voluntary and that I may withdraw it at any time with effect for the future. However, while refusing or withdrawing my consent will not have a negative effect on my employment, it may affect my ability to participate in the Plan.

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Name, Date, Place, Signature

## PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

### FLOWERVE CORPORAION 2020 LONG-TERM INCENTIVE PLAN

This Performance Restricted Stock Unit Agreement (this “**Agreement**”) is made and entered into by and between Flowserve Corporation, a New York corporation (the “**Company**”), and /\$ParticipantName\$/ (the “**Participant**”) as of /\$GrantDate\$/ (the “**Date of Grant**”). All capitalized terms used in this Agreement and not otherwise defined herein have the meanings given to such terms in the Plan (as defined below).

**WHEREAS**, the Company has adopted the Flowserve Corporation 2020 Long-Term Incentive Plan (the “**Plan**”) to strengthen the ability of the Company to retain the services of key Employees and Outside Directors and to increase the interest of such persons in the Company’s welfare.

**WHEREAS**, the Committee believes that the grant of Performance Restricted Stock Units to the Participant as described herein is consistent with the stated purposes for which the Plan was adopted.

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions hereafter set forth and for other good and valuable consideration, the Company and the Participant agree as follows:

#### 1. *Performance Restricted Stock Units*

(a) In order to encourage the Participant’s contribution to the successful performance of the Company, and in consideration of the covenants and promises of the Participant herein contained, the Company hereby grants to the Participant as of the Date of Grant, an Award of /\$AwardsGranted\$/ Restricted Stock Units subject to performance conditions (the “**Performance Shares**”), which will be converted into a number of shares of Common Stock of the Company equal to the number of vested Performance Shares or, as determined in the sole discretion of the Committee, into an equivalent amount of cash, subject to the conditions and restrictions set forth below and in the Plan. The Performance Shares granted hereunder shall constitute a Performance Award within the meaning of the Plan. The Performance Shares granted pursuant to this Agreement will be subject to the Company’s “Recoupment of Incentive Compensation Policy,” as the same may be modified from time to time.

(b) *No Shareholder Rights.* The Performance Shares granted pursuant to this Agreement do not and shall not entitle the Participant to any rights of a stockholder of the Company prior to the date shares of Common Stock are issued to the Participant in settlement of the Award. The Participant’s rights with respect to Performance Shares shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Performance Shares lapse in accordance with this Agreement.

#### 2. *Vesting and Settlement of Performance Shares*

The Performance Shares will be earned based on the Company’s performance against the three performance metrics outlined below for the period beginning January 1, 2023 and ending December 31, 2025 (the “**Performance Cycle**”).

(a) *Return on Invested Capital.* One-half of the Performance Shares (the “**ROIC Performance Shares**”) will be earned based on the Company’s return on invested capital performance over each of the three calendar years of the Performance Cycle with such ROIC Performance Shares allocated evenly among each of the three years of the Performance Cycle (the “**ROIC Performance Goals**”), and subject to further adjustment as provided under Paragraph 2(c) below. The Committee has established the threshold, target and maximum ROIC Performance Goal for the 2023 calendar year, as set forth in Appendix A attached hereto. The Committee will establish and communicate to the Participant a threshold, target and maximum ROIC Performance Goal for the 2024 and 2025 calendar years prior to March 30, 2024 and March 30, 2025, respectively, in accordance with the requirements of Section 6.7 of the Plan. Following the end of the Performance Cycle, the Committee shall compare the actual performance of the Company with the ROIC Performance Goals and certify, in writing, whether and to what extent the ROIC Performance Goals have been achieved for such Performance Cycle. Subject to the provisions of Paragraph 3 below, upon written certification by the Committee, which shall occur no later than March 15 of the year following the year in which the Performance Cycle ends, as to whether, and to what extent, the ROIC Performance Goals have been achieved, the ROIC Performance Shares will become vested (the “**Vesting Date**”) and will be eligible for conversion in accordance with the following schedule, in each case, subject to further adjustment as provided under Paragraph 2(c) below:

- (i) If the ROIC Performance Goal achieved is less than the threshold, the ROIC Performance Shares will not vest.

(ii) If the threshold ROIC Performance Goal is achieved, then 50% of the ROIC Performance Shares will vest.

(iii) If the target ROIC Performance Goal is achieved, then 100% of the ROIC Performance Shares will vest.

(iv) If the maximum ROIC Performance Goal is achieved or exceeded, then 200% of the ROIC Performance Shares will vest.

(v) If the ROIC Performance Goal achieved is between the threshold and the target, or between target and maximum, the number of ROIC Performance Shares that will vest will be interpolated on a straight-line basis between the two nearest designated points.

(b) *Free Cash Flow*. The remaining one-half of the Performance Shares (the “**FCF Performance Shares**”) will be earned based on the Company’s average annual free cash flow performance as a percentage of net income over each of the three calendar years in the Performance Cycle (the “**FCF Performance Goals**”), subject to further adjustment as provided under Paragraph 2(c) below. The Committee has established a threshold, target and maximum FCF Performance Goal for the 2023 calendar year, as set forth in Appendix A attached hereto. The Committee will establish and communicate to the Participant a threshold, target and maximum FCF Performance Goal for the 2024 and 2025 calendar years prior to March 30, 2024 and March 30, 2025, respectively, in accordance with the requirements of Section 6.7 of the Plan. Following the end of the Performance Cycle, the Committee shall compare the actual performance of the Company with the FCF Performance Goals and certify, in writing, whether and to what extent the FCF Performance Goals have been achieved for such Performance Cycle. Subject to the provisions of Paragraph 3 below, upon written certification by the Committee on the Vesting Date as to whether, and to what extent, the FCF Performance Goals have been achieved, the FCF Performance Shares will become vested on the Vesting Date and will be eligible for conversion in accordance with the following schedule, in each case, subject to further adjustment as provided under Paragraph 2(c) below:

(i) If the FCF Performance Goal achieved is less than the threshold, the FCF Performance Shares will not vest.

(ii) If the threshold FCF Performance Goal is achieved, then 50% of the FCF Performance Shares will vest.

(iii) If the target FCF Performance Goal is achieved, then 100% of the FCF Performance Shares will vest.

(iv) If the maximum FCF Performance Goal is achieved or exceeded, then 200% of the FCF Performance Shares will vest.

(v) If the FCF Performance Goal achieved is between the threshold and the target or between target and maximum, the number of FCF Performance Shares that will vest will be interpolated on a straight-line basis between the two nearest designated points.

(c) *Relative Total Shareholder Return Modifier*. ROIC Performance Shares and FCF Performance Shares which vest pursuant to the foregoing Paragraphs 2(a) and 2(b) shall be subject to adjustment in the aggregate based on the Company’s relative total shareholder return performance as compared to the total shareholder return performance of the constituent companies in a performance peer group over the Performance Cycle (“**Relative TSR**”). The Committee has established the Company’s performance peer group for purposes of calculating the Relative TSR performance as set forth in Appendix A attached hereto. Subject to the provisions of Paragraph 3 below, upon written certification by the Committee on the Vesting Date as to whether, and to what extent, the Relative TSR has been achieved, the Performance Shares will become vested on the Vesting Date and will be eligible for conversion in accordance with the following schedule:

(i) If the Relative TSR achieved is at the 25<sup>th</sup> percentile or below, the aggregate percentage of Performance Shares that have vested pursuant to the foregoing Paragraphs 2(a) and 2(b) shall be reduced by 15% and such reduced amount shall be eligible for conversion.

(ii) If the Relative TSR achieved is greater than the 25<sup>th</sup> percentile and less than the 75<sup>th</sup> percentile, the aggregate percentage of Performance Shares that have vested pursuant to the foregoing Paragraphs 2(a) and 2(b) shall be neither reduced nor increased and such amount shall be eligible for conversion.

(iii) If the Relative TSR achieved is at the 75<sup>th</sup> percentile or higher, the aggregate percentage of Performance Shares that have vested pursuant to the foregoing Paragraphs 2(a) and 2(b) shall be increased by 15% and such increased amount shall be eligible for conversion.

(d) Except as otherwise provided in Paragraph 3 below, by no later than March 15 of the year following the year in which the Performance Cycle ends, the Company shall convert the vested Performance Shares into the number of whole shares, rounded up to the nearest whole share, of Common Stock equal to the number of vested Performance Shares, subject to the provisions of the Plan and the Agreement, or into a cash amount determined in accordance with Paragraph 2(g) below, and shall deliver such shares (in accordance with Paragraph 2(e) below) or cash to the Participant. The value of such shares of Common Stock shall not bear any interest owing to the passage of time.

(e) Following conversion of the vested Performance Shares into shares of Common Stock, such shares of Common Stock will be registered and transferred of record to the Participant. The delivery of any shares of Common Stock pursuant to this Agreement is subject to the provisions of Paragraphs 8 and 10 below.

(f) Each year that this Agreement is in effect, the Participant will receive credits (“**Dividend Equivalents**”) based upon the cash dividends that would have been paid on the number of shares of Common Stock equal to 100% of the Performance Shares as if such shares of Common Stock were actually held by the Participant. Dividend Equivalents shall be deemed to be reinvested in additional Performance Shares (which may thereafter accrue additional Dividend Equivalents). Any such reinvestment shall be at the Fair Market Value of the Common Stock at the time thereof. Dividend Equivalents may be settled in cash or shares of Common Stock, or any combination thereof, as determined by the Committee, in its sole and absolute discretion. The settlement of Dividend Equivalents in the form of shares of Common Stock will constitute a Bonus Stock Award for purposes of the Plan. Following conversion of the vested Performance Shares into shares of Common Stock, the Participant also shall receive a distribution of the Dividend Equivalents accrued with respect to such Performance Shares prior to the date of such conversion. In the event any Performance Shares do not vest, the Participant shall forfeit his or her right to any Dividend Equivalents accrued with respect to such unvested Performance Shares.

(g) Notwithstanding the foregoing provisions of Paragraphs 2(e) and 2(f), the Committee may, in its sole and absolute discretion, in lieu of distributing any shares of Common Stock to the Participant, elect to pay the Participant an amount in cash equal to the Fair Market Value on the date of conversion of the shares of Common Stock that the Participant otherwise would be entitled to receive pursuant to this Agreement.

### 3. Effect of Termination of Service

(a) The Performance Shares granted pursuant to this Agreement shall vest in accordance with the provisions of Paragraphs 2(a)-2(c) above, on condition that the Participant does not experience a Termination of Service through the end of the Performance Cycle. If, however, the Participant experiences a Termination of Service, then, except as otherwise provided in Paragraphs 3(b) through 3(d) below, the Performance Shares that have not previously vested in accordance with the vesting schedule reflected in Paragraphs 2(a)-2(c) above, as of the date of such Termination of Service shall be forfeited by the Participant to the Company.

(b) *Termination due to Death or Total and Permanent Disability.* In the event the Participant experiences a Termination of Service due to his or her Total and Permanent Disability or death, then on the date of such Termination of Service (the “**Death/Disability Vesting Date**”), 100% of the outstanding Performance Shares shall vest as if the target Performance Goal has been achieved. Notwithstanding Paragraph 2(d) above, as soon as practicable, but in no event later than March 15 of the year following the year in which the Death/Disability Vesting Date occurs, the Company shall convert the vested Performance Shares into the number of whole shares of Common Stock equal to the number of vested Performance Shares, subject to the provisions of the Plan and this Agreement, or into a cash amount determined in accordance with Paragraph 2(g) above, and shall deliver such shares (in accordance with Paragraph 2(e) above) or cash to the Participant (or the Participant’s estate).

(c) *Termination due to Special End of Service.* In the event the Participant experiences a Termination of Service due to his or her Special End of Service, then the Performance Shares shall remain outstanding and on each remaining Vesting Date the Participant shall be entitled to receive the number of shares of Common Stock that would have been payable to such Participant if he or she had continued to provide services through such Vesting Date in accordance with Paragraph 2. For purposes of this Agreement, the term “Special End of Service” shall mean the voluntary termination of a Participant’s employment and other service with the Company for any reason other than due to the Participant’s death, Total and Permanent Disability or termination for “cause” (as determined by the Committee in its sole discretion) on or after attaining both (i) age 55 and (ii) 10 years of service with the Company or its subsidiaries.

(d) *Involuntary Termination.* In the event the Participant experiences a Termination of Service (i) due to a reduction-in-force (as determined in the sole discretion of the Committee) or (ii) under other circumstances triggering payment under the Flowserve Corporation Executive Officer Severance Plan (as the same may be amended) (each, an “Involuntary Termination”, and such Involuntary Termination occurs in the final year of the Performance Cycle, then on the Vesting Date the Participant shall be entitled to receive a number of shares of Common Stock equal to (i) the number of shares of Common Stock that would have been payable to such Participant if he or she had continued to provide services through the end of the Performance Cycle as determined by the Committee in accordance with Paragraph 2, multiplied by (ii) a fraction, the numerator of which is the

number of full months (counting the month in which the Participant's Termination of Service occurs as a full month) during the Performance Cycle that the Participant was employed by the Company, and the denominator of which is the total number of months in the Performance Cycle.

#### 4. Restrictive Covenants

(a) Participant acknowledges that that he or she has become and will continue to become familiar with new and on-going Confidential Information (as defined below). Participant recognizes and agrees that: (i) the Company has devoted a considerable amount of time, effort and expense to develop its Confidential Information and business goodwill; (ii) the Confidential Information and the Company's business goodwill are valuable assets to the Company; and (iii) any unauthorized use or disclosure of the Company's Confidential Information would cause irreparable harm to the Company, including damage to the Company's business goodwill, for which there is no adequate remedy at law. For these reasons, Participant agrees that, to protect the Company's Confidential Information (as defined below) and business goodwill, it is necessary to enter into the following restrictive covenants. As used in this Paragraph 4, references to the "**Company**" refer to the Company and its Subsidiaries.

Participant, whether individually or as a principal, partner, stockholder, manager, agent, consultant, contractor, employee, lender, investor, volunteer, director or officer of any corporation or association or in any other manner or capacity whatsoever, agrees that during Participant's employment by the Company and for a period of one (1) year following the date on which Participant's employment ceases (for whatever reason) (the "**Restricted Period**"), Participant shall not, whether directly or indirectly, without the express prior written consent of the Company:

(I) **Non-Solicitation.** Other than for the benefit of the Company during Participant's period of employment with or engagement by the Company, curtail the business of, interfere with the Company's relationship with, solicit business from, attempt to transact business with or transact business with any customer or prospective customer of the Company with whom the Company transacted business or solicited within the preceding twenty-four (24) months, and which either: (A) Participant contacted, called on, serviced, did business with or had contact with during Participant's employment or that Participant attempted to contact, call on, service, or do business with during Participant's employment or engagement; (B) Participant became acquainted with or dealt with, for any reason, as a result of Participant's employment or engagement by the Company; or (C) Participant received Confidential Information regarding during Participant's employment with or engagement by the Company. This restriction applies only to business that is in the scope of services or products provided by the Company.

(II) **Non-Recruitment.** Hire, recruit, solicit for employment, induce or encourage to leave the employment of or engagement by the Company, or otherwise cease their employment or engagement with the Company, on behalf of Participant or any other person or entity, any current employee or independent contractor of the Company or its subsidiaries (including those employees on vacation and approved leaves of absence, disability or other approved absence with the legal right to return to employment) or any former employee or independent contractor of the Company or its subsidiaries whose employment or engagement ceased no more than three (3) months earlier.

(III) **Non-Competition.** Become employed by, advise, perform services for, establish, have any ownership interest in, invest in or otherwise engage in any capacity, whether directly or indirectly, with a Competing Business in the Restricted Area. For purposes of this Agreement, "Competing Business" means any entity or business that is in the business of providing flow management products and related repair and/or replacement services. Because the scope and nature of the Company's business is international in scope, the "Restricted Area" is worldwide. Nothing in this Paragraph 4(a)(III) shall prohibit the Participant's direct or indirect ownership of securities of any business traded on any national securities exchange or an inter-dealer quotation system, on condition that: the Participant does not, directly or indirectly, own three percent (3%) or more of any class of securities of such business; such ownership is for investment purposes only; and the Participant does not have the right, and is not a member of a group that has the right, through the ownership of an equity interest, voting securities or otherwise, to direct the activities of such business.

For purposes of this Agreement, "**Confidential Information**" includes any trade secrets or confidential or proprietary information of the Company and its affiliates, including, but not limited to, the following:

(A) information concerning customers, clients, marketing, business and operational methods of the Company and its customers or clients, contracts, financial or other data, technical data, e-mail and other correspondence or any other confidential or proprietary information possessed, owned or used by the Company;

(B) business records, product construction, product specifications, financial information, audit processes, pricing, business strategies, marketing and promotional practices (including internet-related marketing) and management methods and information;

(C) financial data, strategies, systems, research, plans, reports, recommendations and conclusions;

(D) names, arrangements with, or other information relating to, any of the Company's customers, clients, suppliers, financiers, owners, representatives and other persons who have business relationships with the Company or who are prospects for business relationships with the Company; and

(E) any non-public matter or thing obtained or ascertained by the Participant through the Participant's association with the Company, the use or disclosure of which may reasonably be construed to be contrary to the best interests of any the Company.

(b) *Non-Disclosure.* The Participant shall not, during the period of the Participant's employment or engagement by the Company or at any time thereafter, disclose, publish or use for any purpose any Confidential Information, except as: (i) required in the ordinary course of the Company's business or the Participant's work for the Company; (ii) required by law; or (iii) directed and authorized in writing by the Company. Upon the Participant's Termination of Service for any reason and at any other time so requested by the Company, the Participant shall immediately return and deliver to the Company any and all Confidential Information, computers, hard drives, papers, books, records, documents, memoranda, manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, which belong to the Company or relate to the Company's business and which are in the Participant's possession, custody or control, whether prepared by the Participant or others. If at any time after the Participant's Termination of Service, for any reason, the Participant determines that the Participant has any Confidential Information in the Participant's possession or control, the Participant shall immediately return to the Company, or at the Company's request destroy, all such Confidential Information in the Participant's possession or control, including all copies and portions thereof. Participant shall provide the Company with written affirmation of the Participant's compliance with the Participant's obligations under this Paragraph 4(b) if so requested by the Company. The Participant understands and agrees that the obligations under this Paragraph 4(b) are in addition to, and not in limitation or preemption of, all other obligations of confidentiality which the Participant may have to the Company under general legal or equitable principles, any other agreement with the Company or other policies implemented by the Company. Notwithstanding anything to the contrary contained herein, the Participant shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If the Participant files a lawsuit for retaliation by Company for reporting a suspected violation of law, the Participant may disclose the trade secret to the Participant's attorney and use the trade secret information in the court proceeding, if the Participant files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Nothing in the Agreement prohibits disclosure or discussion of conduct the Participant reasonably believes to be unlawful, including illegal discrimination, illegal harassment, illegal retaliation, a wage-and-hour violation, or sexual assault.

(c) *Non-Disparagement.* The Participant agrees that the Company's goodwill and reputation are assets of great value to the Company which were obtained through great costs, time and effort. Therefore, the Participant agrees that during the Participant's employment or engagement by the Company and at any time thereafter, the Participant will not in any way disparage, libel, defame, or make public statements or third-party disclosures, except to the extent required by law or legal proceedings, that are injurious to the Company, its business or business practices, its products or services or its employees.

(d) *Remedies.* The Participant acknowledges that the restrictions contained in this Paragraph 4, in view of the nature of the Company's business, are reasonable and necessary to protect the Company's legitimate business interests and business goodwill and that any violation of these restrictions would result in irreparable injury to the Company. The existence of any claim or cause of action by the Participant against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants contained in Paragraph 4.

(i) *Forfeiture by the Participant.* If the Participant breaches any restriction in this Paragraph 4, the Company shall be entitled to, in addition to any legal remedies available to the Company, undertake any or all of the following: (A) require the Participant to forfeit any Performance Shares (whether then vested or unvested) that have not yet been converted into Common Stock (or an equivalent cash payment) as of the date of such violation; (B) require the Participant to immediately sell to the Company a number of shares of Common Stock equal to the gross number of Performance Shares converted into Common Stock hereunder, for the then-current Fair Market Value of such shares; (C) require the Participant to immediately pay to the Company any cash settlement of Performance Shares hereunder or any gain that the Participant realized on any sale of shares of Common Stock issued in settlement of the Performance Shares granted hereunder; (D) discontinue future grants of any and all equity awards under any equity incentive plan in which the Participant may participate; (E) recover damages incurred by the Company as a result of the breach; and (F) recover its attorneys' fees, costs and expenses incurred in connection with such actions. To the extent that the provisions of this Paragraph 4 are inconsistent with the terms of any other agreement between the Company and the Participant, the Company and the Participant agree that the provisions of this Paragraph 4 shall control.

(ii) *Injunctive Relief and Damages.* Participant acknowledges and agrees that a breach of Paragraph 4 will result in irreparable harm and continuing damage to the Company, and that money damages and the remedies set forth in Paragraph 4(d)(i) above would be not be sufficient remedies to the Company for any such breach or threatened breach.

Therefore, to the fullest extent permitted by law, Participant agrees that the Company shall also be entitled to a temporary restraining order and injunctive relief restraining Participant from the commission of any breach of Paragraph 4. Nothing contained in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available to it for any breach or threatened breach, including, without limitation, the remedies set forth in Paragraph 4(d)(i) or the recovery of money damages, attorneys' fees and costs.

(e) *Tolling.* If Participant violates any of the restrictions contained in this Paragraph 4, the Restricted Period will be suspended and will not run in favor of Participant until such time that Participant cures the violation to the satisfaction of the Company.

## 5. *Limitation of Rights*

Nothing in this Agreement or the Plan shall be construed to:

(a) give the Participant any right to be awarded any further Performance Shares or any other Award in the future, even if Performance Shares or other Awards are granted on a regular or repeated basis, as grants of Performance Shares and other Awards are completely voluntary and made solely in the discretion of the Committee;

(b) give the Participant or any other person any interest in any fund or in any specified asset or assets of the Company or any Subsidiary; or

(c) confer upon the Participant the right to continue in the employment or service of the Company or any Subsidiary, or affect the right of the Company or any Subsidiary to terminate the employment or service of the Participant at any time or for any reason.

## 6. *Data Privacy*

By execution of this Agreement, the Participant acknowledges that he or she has read and understands the Flowserve Corporation Employee Data Protection Policy and Flowserve's Privacy Policy. The Participant hereby consents to the collection, processing, transmission, use and electronic and manual storage of his or her personal data by the Company, Wells Fargo Shareowner Services ("**Wells Fargo**") and Merrill Lynch & Co., Inc. ("**Merrill Lynch**") in order to facilitate Plan administration. The Participant understands and acknowledges that this consent applies to all personally-identifiable data relevant to Plan administration, including the Participant's name, home address, work email address, job title, GEMS ID, National Identification Number or Social Security Number, employee status, work location, work phone number, tax class, previous equity grant transaction data and compensation data. The Participant further agrees to furnish to the Company any additional information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

The Participant understands that for purposes of Plan administration, the Participant's personal data will be collected and processed at 5215 N. O'Connor Blvd, Suite 2300, Irving, Texas (USA), and transferred to Wells Fargo at 161 North Concord Exchange, South St. Paul, Minnesota (USA) and Merrill Lynch at 4 World Financial Center, 250 Vesey St., New York, New York (USA).

## 7. *Prerequisites to Benefits*

Neither the Participant, nor any person claiming through the Participant, shall have any right or interest in the Performance Shares awarded hereunder, unless and until all the terms, conditions and provisions of this Agreement and the Plan which affect the Participant or such other person shall have been complied with as specified herein.

## 8. *Delivery of Shares*

No shares of Common Stock shall be delivered to the Participant upon conversion of the Performance Shares into shares of Common Stock until:

(a) all the applicable taxes required to be withheld have been paid or withheld in full;

(b) the approval of any governmental authority required in connection with the Performance Shares, or the issuance of shares of Common Stock hereunder under has been received by the Company; and

(c) if required by the Committee, the Participant has delivered to the Committee an Investment Letter in form and content satisfactory to the Company as provided in Paragraph 10 hereof.

## 9. *Successors and Assigns*



This Agreement shall bind and inure to the benefit of and be enforceable by the Participant, the Company and their respective permitted successors and assigns (including personal representatives, heirs and legatees), except that the Participant may not assign any rights or obligations under this Agreement except to the extent and in the manner expressly permitted herein.

#### 10. Securities Act

The Company will not be required to deliver any shares of Common Stock pursuant to this Agreement if, in the opinion of counsel for the Company, such issuance would violate the Securities Act of 1933, as amended (the “**Securities Act**”) or any other applicable federal or state securities laws or regulations. The Committee may require that the Participant, prior to the issuance of any such shares, sign and deliver to the Company a written statement, which shall be in a form and contain content acceptable to the Committee, in its sole discretion (“**Investment Letter**”):

- (a) stating that the Participant is acquiring the shares for investment and not with a view to the sale or distribution thereof;
- (b) stating that the Participant will not sell any shares of Common Stock that the Participant may then own or thereafter acquire except either:
  - (i) through a broker on a national securities exchange, or
  - (ii) with the prior written approval of the Company; and
- (c) containing such other terms and conditions as counsel for the Company may reasonably require to assure compliance with the Securities Act or other applicable federal or state securities laws and regulations.

#### 11. Federal and State Taxes

(a) Any amount of Common Stock or cash that is payable or transferable to the Participant hereunder may be subject to the payment of or reduced by any amount or amounts which the Company is required to withhold under the then applicable provisions of the laws of the jurisdiction where the Participant is employed, and, if applicable, the Internal Revenue Code of 1986, as amended (the “**Code**”), or its successors, or any other foreign, federal, state or local tax withholding requirement. When the Company is required to withhold any amount or amounts under the applicable provisions of any foreign, federal, state or local requirement or the Code, the Company shall withhold from the Common Stock to be issued to the Participant a number of shares necessary to satisfy the Company’s withholding obligations. The number of shares of Common Stock to be withheld shall be based upon the Fair Market Value of the shares on the date of withholding.

(b) Notwithstanding Paragraph 11(a) above, if the Participant elects, and the Committee agrees, the Company’s withholding obligations may instead be satisfied as follows:

- (i) the Participant may direct the Company to withhold cash that is otherwise payable to the Participant;
- (ii) the Participant may deliver to the Company a sufficient number of shares of Common Stock then owned by the Participant for a period of at least six (6) months to satisfy the Company’s withholding obligations, based on the Fair Market Value of the shares as of the date of withholding;
- (iii) the Participant may deliver sufficient cash to the Company to satisfy its withholding obligations; or
- (iv) any combination of the alternatives described in Paragraphs 11(b)(i) through 11(b)(iii) above.

(c) Authorization of the Participant to the Company to withhold taxes pursuant to one or more of the alternatives described in Paragraph 11(b) above must be in a form and content acceptable to the Committee. The payment or authorization to withhold taxes by the Participant shall be completed prior to the delivery of any shares pursuant to this Agreement. An authorization to withhold taxes pursuant to this provision will be irrevocable unless and until the tax liability of the Participant has been fully paid.

#### 12. Copy of Plan

By the electronic acceptance of this Agreement, the Participant acknowledges receipt of a copy of the Plan.

#### 13. Administration

This Agreement is subject to the terms and conditions of the Plan. The Plan is administered by the Committee in accordance with its terms. The Committee has sole and complete discretion with respect to all matters reserved to it by the Plan and the decisions of the majority of the Committee with respect to the Plan and this Agreement shall be final and binding upon the Participant and the Company. Neither the Company nor the members of the Board or the Committee will be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Performance Shares granted hereunder. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

#### *14. Adjustment of Number of Performance Shares*

The number of Performance Shares granted hereunder shall be subject to adjustment in accordance with Articles 12 and 13 of the Plan.

#### *15. Non-transferability*

The Performance Shares granted by this Agreement are not transferable by the Participant other than by will or pursuant to applicable laws of descent and distribution. The Performance Shares and any rights and privileges in connection therewith, cannot be transferred, assigned, pledged or hypothecated by operation of law, or otherwise, and is not otherwise subject to execution, attachment, garnishment or similar process. In the event of such occurrence, this Agreement will automatically terminate and will thereafter be null and void.

#### *16. Remedies*

The Company shall be entitled to recover from the Participant reasonable attorneys' fees incurred in connection with the enforcement of the terms and provisions of this Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

#### *17. Information Confidential*

As partial consideration for the granting of the Award hereunder, the Participant hereby agrees to keep confidential all information and knowledge, except that which has been disclosed in any public filings required by law, that the Participant has relating to the terms and conditions of this Agreement. However, such information may be disclosed as required by law and may be given in confidence to the Participant's spouse and tax and financial advisors. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to the Participant, as a factor weighing against the advisability of granting any such future award to the Participant.

#### *18. Amendments*

Except as otherwise provided in the Plan or below, this Agreement may be amended only by a written agreement executed by the Company and the Participant. Notwithstanding the foregoing, the Board or the Committee may amend this Agreement to the extent necessary or advisable in light of any addition to or change in any federal or state, tax or securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award or to the extent that such amendment is not materially adverse to the Participant.

#### *19. Governing Law; Venue*

This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Texas (excluding any conflict of laws, rule or principle of Texas law that might refer the governance, construction, or interpretation of this Plan to the laws of another state). By accepting the Performance Shares, the Participant hereby irrevocably and unconditionally agrees that any action, suit or proceeding, at law or equity, arising out of or relating to this Plan, this Agreement, the Performance Shares or any agreements or transactions contemplated hereby shall only be brought in a federal or state court of competent jurisdiction in Dallas County, Texas, and each of the Company and the Participant hereby irrevocably and unconditionally expressly submits to the personal jurisdiction and venue of such courts for the purposes thereof and hereby irrevocably and unconditionally waives (by way of motion, as a defense or otherwise) any and all jurisdictional, venue and convenience objections or defenses that such party may have in such action, suit or proceeding. Each of the Company and the Participant hereby irrevocably and unconditionally consents to the service of process of any of the aforementioned courts.

#### *20. Severability*

Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement (or portion thereof) is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions (or remaining portion of such provision) of this Agreement, but

such provision (or portion thereof) shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision (or portion thereof) had never been included.

## *21. Headings*

The titles and headings of paragraphs are included for convenience of reference only and are not to be considered in construction of the provisions of this Agreement.

## *22. Word Usage*

Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

## *23. Execution of Receipts and Releases*

Any payment of cash or any issuance or transfer of shares of Common Stock or other property to the Participant or to the Participant's legal representative, heir, legatee or distributee, in accordance with the provisions of this Agreement, shall, to the extent thereof, be in full satisfaction of all claims of such persons under this Agreement. The Company may require the Participant or the Participant's legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

## *24. Code Section 409A.*

Notwithstanding anything herein to the contrary, in the case of a conversion of vested Performance Shares and registration and transfer of shares of Common Stock on account of any termination of service (other than death), if the Participant is a "specified employee" as defined in Section 1.409A-1(i) of the final Treasury Regulations under Section 409A of the Code, then solely to the extent required under Section 409A of the Code, a distribution of such shares to the Participant shall not occur until the date which is six (6) months following the date of the Participant's termination of service (or, if earlier, the date of the Participant's death).

## *25. Electronic Delivery and Acceptance.*

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

## *26. Insider Trading Restrictions/Market Abuse Laws.*

The Participant may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Common Stock are listed and in applicable jurisdictions including the United States and the Participant's country or his or her broker's country, if different, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of shares, Performance Shares or rights linked to the value of shares of Common Stock (e.g., Dividend Equivalents) during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. The Participant acknowledges that it is the Participant's responsibility to comply with any applicable restrictions, and the Participant should speak with his or her personal legal advisor on this matter.

## *27. Participant Acceptance.*

The Participant must accept the terms and conditions of this Agreement either electronically through the electronic acceptance procedure established by the Company or through a written acceptance delivered to the Company in a form satisfactory to the Company. In no event shall any shares of Common Stock be issued (or other securities or property distributed) under this Agreement in the absence of such acceptance. By accepting the Performance Shares, Participant agrees that the Performance Shares are granted under and governed by the terms and conditions of the Plan and this Agreement. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to accepting this Agreement and fully understands all provisions of the Plan and this Agreement.

The Company and the Participant are executing this Agreement effective as of the Date of Grant set forth in the introductory clause.

FLOWSERVE CORPORATION

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R. Scott Rowe<sup>1</sup>

President and Chief Executive Officer  
(Principal Executive Officer)

Date: March 7, 2023

<sup>1</sup>Use Non-Executive Chair signature for CEO award.

## Appendix A

**SUBSIDIARIES  
FLOWSERVE CORPORATION**

<b>NAME OF SUBSIDIARY</b>	<b>JURISDICTION OF INCORPORATION</b>	<b>PERCENTAGE OWNERSHIP</b>
ARABIAN SEALS COMPANY, LTD.	Saudi Arabia	40%
AUDCO ITALIANA S.R.L.	Italy	13%
AUDCO LIMITED	United Kingdom	100%
BW/IP NEW MEXICO, INC.	United States	100%
CALDER GMBH	Switzerland	100%
COOPERATIE FLOWSERVE W.A.	Netherlands	100%
FLOWCOM INSURANCE COMPANY, INC.	United States	100%
FLOWSERVE - AL MANSOORI SERVICES COMPANY LTD.	United Arab Emirates	49%
FLOWSERVE - AL RUSHAID COMPANY LTD	Saudi Arabia	51%
FLOWSERVE (AUSTRIA) GMBH	Austria	100%
FLOWSERVE (B) SDN. BND.	Brunei	100%
FLOWSERVE (MAURITIUS) CORPORATION	Mauritius	100%
FLOWSERVE (PHILIPPINES), INC.	Philippines	100%
FLOWSERVE (SHANGHAI) LIMITED	China	100%
FLOWSERVE (THAILAND) LIMITED	Thailand	100%
FLOWSERVE / ABAHSAIN FLOW CONTROL CO. LTD.	Saudi Arabia	60%
FLOWSERVE / ABAHSAIN SEAL COMPANY LIMITED	Saudi Arabia	60%
FLOWSERVE AHAUS GMBH	Germany	100%
FLOWSERVE ALGERIA SARL	Algiers	100%
FLOWSERVE AUSTRALIA PTY. LTD.	Australia	100%
FLOWSERVE B.V.	Netherlands	100%
FLOWSERVE BELGIUM N.V.	Belgium	100%
FLOWSERVE BOLIVIA S.R.L.	Bolivia	100%
FLOWSERVE CA ULC	Canada	100%
FLOWSERVE CANADA CORP.	Canada	100%
FLOWSERVE CANADA HOLDCO ULC	Canada	100%
FLOWSERVE CHILE S.P.A.	Chile	100%
FLOWSERVE COLOMBIA S.A.S.	Colombia	100%
FLOWSERVE CONTROL VALVES GMBH	Austria	100%
FLOWSERVE CORPORATION	United States	100%
FLOWSERVE CV HOLDINGS LLC	United States	100%
FLOWSERVE CV1 GP LLC	United States	100%
FLOWSERVE CZECH REPUBLIC, S.R.O.	Czech Republic	100%
FLOWSERVE DE VENEZUELA C.C.A.	Venezuela	100%
FLOWSERVE DE VENEZUELA LLC	United States	100%
FLOWSERVE DO BRASIL LTDA.	Brazil	100%
FLOWSERVE DORTMUND GMBH & CO. KG	Germany	100%
FLOWSERVE DORTMUND VERWALTUNGS GMBH	Germany	100%
FLOWSERVE ECUADOR CIA. LTDA.	Ecuador	100%

FLOWSERVE EMA HOLDINGS B.V.	Netherlands	100%
FLOWSERVE ESSEN GMBH	Germany	100%
FLOWSERVE FINLAND OY	Finland	100%
FLOWSERVE FLOW CONTROL GMBH	Germany	100%
FLOWSERVE FLUID MOTION AND CONTROL (SUZHOU) CO., LTD.	China	100%
FLOWSERVE FRANCE HOLDING S.A.S.	France	100%
FLOWSERVE FRANCE S.A.S.	France	100%
FLOWSERVE FSD S.A.S.	France	100%
FLOWSERVE GB LIMITED	United Kingdom	100%
FLOWSERVE GERMANY HOLDINGS BV	Netherlands	100%
FLOWSERVE GLOBAL HOLDINGS HUNGARY KFT	Hungary	100%
FLOWSERVE GULF FZE	United Arab Emirates	100%
FLOWSERVE HOLDINGS COOPERATIEF W.A.	Netherlands	100%
FLOWSERVE HOLDINGS, INC.	United States	100%
FLOWSERVE HUNGARY HOLDINGS KFT	Hungary	100%
FLOWSERVE HUNGARY SERVICES KFT	Hungary	100%
FLOWSERVE INDIA CONTROLS PVT. LTD.	India	100%
FLOWSERVE INTERNATIONAL B.V.	Netherlands	100%
FLOWSERVE INTERNATIONAL HOLDINGS LLC	United States	100%
FLOWSERVE INTERNATIONAL LIMITED	United Kingdom	100%
FLOWSERVE INTERNATIONAL MIDDLE EAST VALVES LLC	United States	100%
FLOWSERVE INTERNATIONAL, INC.	United States	100%
FLOWSERVE JAPAN CO. LTD.	Japan	100%
FLOWSERVE KAZAKHSTAN LLP	Kazakhstan	100%
FLOWSERVE KOREA LTD.	South Korea	100%
FLOWSERVE KSM CO. LTD.	South Korea	40%
FLOWSERVE LA HOLDINGS S. DE R.L. DE C.V.	Mexico	100%
FLOWSERVE MANAGEMENT COMPANY	United States	100%
FLOWSERVE MEXICO HOLDINGS LLC	United States	100%
FLOWSERVE MICROFINISH PUMPS PVT. LTD.	India	76%
FLOWSERVE MICROFINISH VALVES PVT. LTD.	India	76%
FLOWSERVE MOROCCO SARL AU	Morocco	100%
FLOWSERVE NETHERLANDS C.V.	Netherlands	100%
FLOWSERVE NORWAY AS	Norway	100%
FLOWSERVE PERU S.A.C.	Peru	100%
FLOWSERVE POMPES S.A.S.	France	100%
FLOWSERVE PTE. LTD.	Singapore	100%
FLOWSERVE S.A.	Spain	100%
FLOWSERVE S.R.L.	Argentina	100%
FLOWSERVE S.R.L.	Italy	100%
FLOWSERVE SALES INTERNATIONAL, S.A.S.	France	100%
FLOWSERVE SANMAR LIMITED	India	40%
FLOWSERVE SERVICES & TRADING LLC	Qatar	49%

FLOWSERVE SIHI (BELGIUM) BVBA	Belgium	100%
FLOWSERVE SIHI (FRANCE) SAS	France	100%
FLOWSERVE SIHI (SCHWEIZ) GMBH	Switzerland	100%
FLOWSERVE SIHI (SPAIN) S.L.	Spain	100%
FLOWSERVE SIHI AUSTRIA GMBH	Austria	100%
FLOWSERVE SIHI BULGARIA EOOD	Bulgaria	100%
FLOWSERVE SIHI CZ S.R.O.	Czech Republic	100%
FLOWSERVE SIHI GERMANY GMBH	Germany	100%
FLOWSERVE SIHI HOLDING GMBH	Germany	100%
FLOWSERVE SIHI HUNGARY KFT	Hungary	100%
FLOWSERVE SIHI POLAND SP. ZOO	Poland	100%
FLOWSERVE SIHI ROMANIA SRL	Romania	100%
FLOWSERVE SIZDIRMAZLIK COZUMLERI TICARET LTD. STI.	Turkey	100%
FLOWSERVE SOLUTIONS (MALAYSIA) SDN. BHD.	Malaysia	100%
FLOWSERVE SOUTH AFRICA (PROPRIETARY) LIMITED	South Africa	100%
FLOWSERVE SPAIN S.L.	Spain	100%
FLOWSERVE SUPPLY SOLUTIONS PTE LTD.	Singapore	100%
FLOWSERVE TREASURY B.V.	Netherlands	100%
FLOWSERVE US HOLDINGS LLC	United States	100%
FLOWSERVE US INC.	United States	100%
FLOWSERVE, S. DE R.L. DE C.V.	Mexico	100%
FLS CANADA ULC	Canada	100%
INDUSTRIAS MEDINA S.A. DE C.V.	Mexico	37%
INGERSOLL-DRESSER PUMPS S.R.L.	Italy	100%
INMOBILIARIA INDUSTRIAL DE LEON S.A. DE C.V.	Mexico	37%
INVENSYS FLOW CONTROL AUSTRALASIA PTY. LTD.	Australia	100%
KSM CO. LTD	Republic of Korea	40%
LIMOTORQUE INDIA LIMITED	India	24%
MAQUILADORA INDUSTRIAL DE LEON S.A. DE C.V.	Mexico	37%
NAF AB	Sweden	100%
OOO FLOWSERVE	Russian Federation	100%
PMV AUTOMATION AB	Sweden	100%
PT FLOWSERVE	Indonesia	100%
SIHI CHILE S.A.	Chile	50%
SIHI PUMPS & SERVICES (THAILAND) LTD.	Thailand	100%
SIHI PUMPS (MALAYSIA) SDN. BHD.	Malaysia	100%
STERLING INDUSTRY CONSULT GMBH	Germany	100%
THOMPSONS, KELLY & LEWIS PTY. LIMITED	Australia	100%
WORTHINGTON S.R.L.	Italy	100%
YKV CORPORATION	Japan	15%



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-264072) and Form S-8 (Nos. 333-234407, 333-163251, and 333-82081) of Flowserve Corporation of our report dated March 7, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas

March 7, 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Scott Rowe, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 of Flowserve Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the consolidated 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.

/s/ R. Scott Rowe

R. Scott Rowe  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: March 7, 2023

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Amy B. Schwetz, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2022 of Flowserve Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the consolidated 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.

/s/ Amy B. Schwetz

Amy B. Schwetz

Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: March 7, 2023

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

I, R. Scott Rowe, President and Chief Executive Officer of Flowserve Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Annual Report on Form 10-K of the Company for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ R. Scott Rowe

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R. Scott Rowe  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: March 7, 2023

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

I, Amy B. Schwetz, Senior Vice President and Chief Financial Officer of Flowserve Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Annual Report on Form 10-K of the Company for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Amy B. Schwetz

Amy B. Schwetz

Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: March 7, 2023