

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

☐ 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: 000-03676

VSE CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

54-0649263
(I.R.S. Employer Identification No.)

6348 Walker Lane
Alexandria, Virginia
(Address of Principal Executive Offices)

22310
(Zip Code)

Registrant's Telephone Number, Including Area Code: (703) 960-4600

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, par value \$0.05 per share	VSEC	The NASDAQ Global Select Market

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 (section 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 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 transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Number of shares of Common Stock outstanding as of July 22, 2021: 12,704,165

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Forward Looking Statements

This quarterly report on Form 10-Q ("Form 10-Q") contains statements that, to the extent they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All such statements are intended to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of such safe harbor provisions.

"Forward-looking" statements, as such term is defined by the Securities Exchange Commission (the "SEC") in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, the impact of widespread health developments, such as the ongoing COVID-19 outbreak, the health and economic impact thereof and the governmental, commercial, consumer and other responses thereto, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," "continue," "seeking" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including, but not limited to, those identified elsewhere in this document, including in Item 1A, Risk Factors, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 3, Quantitative and Qualitative Disclosures About Market Risk, as well as with respect to the risks described in Item 1A, Risk Factors, to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on March 5, 2021 ("2020 Form 10-K"). All forward-looking statements made herein are qualified by these cautionary statements and risk factors and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized.

Readers are cautioned not to place undue reliance on these forward looking-statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that occur or arise after the date hereof.

PART I. Financial Information

Item 1. Financial Statements

VSE Corporation and Subsidiaries

Unaudited Consolidated Balance Sheets

(in thousands except share and per share amounts)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 337	\$ 378
Receivables, net	78,322	55,471
Unbilled receivables, net	30,718	22,358
Inventories, net	274,598	253,422
Other current assets	32,255	23,328
Total current assets	416,230	354,957
Property and equipment, net	40,086	36,363
Intangible assets, net	102,005	103,595
Goodwill	238,126	238,126
Operating lease - right-of-use assets	24,149	20,515
Other assets	29,624	26,525
Total assets	\$ 850,220	\$ 780,081
Liabilities and Stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 13,816	\$ 20,379
Accounts payable	63,804	72,682
Accrued expenses and other current liabilities	53,983	45,172
Dividends payable	1,143	995
Total current liabilities	132,746	139,228
Long-term debt, less current portion	261,391	230,714
Deferred compensation	18,267	16,027
Long-term operating lease obligations	25,044	22,815
Deferred tax liabilities	11,245	14,897
Other long-term liabilities	33	83
Total liabilities	448,726	423,764
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 12,704,165 and 11,055,037, respectively	635	553
Additional paid-in capital	85,844	31,870
Retained earnings	315,555	325,097
Accumulated other comprehensive loss	(540)	(1,203)
Total stockholders' equity	401,494	356,317
Total liabilities and stockholders' equity	\$ 850,220	\$ 780,081

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

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Loss

(in thousands except share and per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Revenues:				
Products	\$ 84,463	\$ 85,747	\$ 163,043	\$ 162,089
Services	90,649	82,968	177,050	184,044
Total revenues	175,112	168,715	340,093	346,133
Costs and operating expenses:				
Products	101,325	76,522	172,037	142,049
Services	80,848	73,932	161,188	164,690
Selling, general and administrative expenses	1,050	1,295	1,088	1,543
Amortization of intangible assets	4,603	4,464	8,891	9,187
Total costs and operating expenses	187,826	156,213	343,204	317,469
	(12,714)	12,502	(3,111)	28,664
Loss on sale of a business entity and certain assets	—	(678)	—	(8,214)
Gain on sale of property	—	—	—	1,108
Goodwill and intangible asset impairment	—	(33,734)	—	(33,734)
Operating loss	(12,714)	(21,910)	(3,111)	(12,176)
Interest expense, net	2,666	3,072	5,696	6,558
Loss before income taxes	(15,380)	(24,982)	(8,807)	(18,734)
Provision for income taxes	(3,014)	(2,358)	(1,552)	558
Net loss	\$ (12,366)	\$ (22,624)	\$ (7,255)	\$ (19,292)
Basic loss per share	\$ (0.97)	\$ (2.05)	\$ (0.59)	\$ (1.75)
Basic weighted average shares outstanding	12,702,366	11,041,235	12,391,166	11,020,720
Diluted loss per share	\$ (0.97)	\$ (2.05)	\$ (0.59)	\$ (1.75)
Diluted weighted average shares outstanding	12,702,366	11,041,235	12,391,166	11,020,720
Dividends declared per share	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.18

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

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Comprehensive Loss
(in thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (12,366)	\$ (22,624)	\$ (7,255)	\$ (19,292)
Change in fair value of interest rate swap agreements, net of tax	152	(79)	663	(952)
Other comprehensive income (loss), net of tax	152	(79)	663	(952)
Comprehensive loss	<u>\$ (12,214)</u>	<u>\$ (22,703)</u>	<u>\$ (6,592)</u>	<u>\$ (20,244)</u>

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

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Stockholders' Equity

(in thousands except per share data)

Three months ended June 30, 2021						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2021	12,691	\$ 635	\$ 85,296	\$ 329,064	\$ (692)	\$ 414,303
Net loss	—	—	—	(12,366)	—	(12,366)
Stock-based compensation	13	—	548	—	—	548
Other comprehensive income, net of tax	—	—	—	—	152	152
Dividends declared (\$0.09 per share)	—	—	—	(1,143)	—	(1,143)
Balance at June 30, 2021	12,704	\$ 635	\$ 85,844	\$ 315,555	\$ (540)	\$ 401,494

Three months ended June 30, 2020						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2020	11,029	\$ 551	\$ 31,244	\$ 336,584	\$ (1,978)	\$ 366,401
Net loss	—	—	—	(22,624)	—	(22,624)
Stock-based compensation	14	1	250	—	—	251
Other comprehensive loss, net of tax	—	—	—	—	(79)	(79)
Dividends declared (\$0.09 per share)	—	—	—	(995)	—	(995)
Balance at June 30, 2020	11,043	\$ 552	\$ 31,494	\$ 312,965	\$ (2,057)	\$ 342,954

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

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Stockholders' Equity (continued)

(in thousands except per share data)

Six months ended June 30, 2021						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2020	11,055	\$ 553	\$ 31,870	\$ 325,097	\$ (1,203)	\$ 356,317
Issuance of common stock	1,599	80	51,937	—	—	52,017
Net loss	—	—	—	(7,255)	—	(7,255)
Stock-based compensation	50	2	2,037	—	—	2,039
Other comprehensive income, net of tax	—	—	—	—	663	663
Dividends declared (\$0.18 per share)	—	—	—	(2,287)	—	(2,287)
Balance at June 30, 2021	12,704	\$ 635	\$ 85,844	\$ 315,555	\$ (540)	\$ 401,494

Six months ended June 30, 2020						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2019	10,970	\$ 549	\$ 29,411	\$ 334,246	\$ (1,105)	\$ 363,101
Net loss	—	—	—	(19,292)	—	(19,292)
Stock-based compensation	73	3	2,083	—	—	2,086
Other comprehensive loss, net of tax	—	—	—	—	(952)	(952)
Dividends declared (\$0.18 per share)	—	—	—	(1,989)	—	(1,989)
Balance at June 30, 2020	11,043	\$ 552	\$ 31,494	\$ 312,965	\$ (2,057)	\$ 342,954

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

VSE Corporation and Subsidiaries
Unaudited Consolidated Statements of Cash Flows

(in thousands)

	For the six months ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (7,255)	\$ (19,292)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,267	12,403
Deferred taxes	(3,872)	(2,980)
Stock-based compensation	2,256	1,313
Inventory valuation adjustment	24,420	—
Loss on sale of a business entity and certain assets	—	8,214
Gain on sale of property and equipment	—	(1,000)
Goodwill and intangible asset impairment	—	33,734
Earn-out obligation fair value adjustment	—	(1,399)
Changes in operating assets and liabilities, net of impact of acquisitions:		
Receivables	(17,558)	4,588
Unbilled receivables	(4,378)	193
Inventories	(45,157)	(19,884)
Other current assets and noncurrent assets	(16,693)	(8,320)
Accounts payable and deferred compensation	(8,017)	11,512
Accrued expenses and other current and noncurrent liabilities	10,019	3,726
Net cash (used in) provided by operating activities	(53,968)	22,808
Cash flows from investing activities:		
Purchases of property and equipment	(5,158)	(1,828)
Proceeds from the sale of property and equipment	14	2,424
Proceeds from payments on notes receivable	1,138	838
Proceeds from the sale of a business entity and certain assets	—	19,915
Cash paid for acquisitions, net of cash acquired	(14,785)	—
Net cash (used in) provided by investing activities	(18,791)	21,349
Cash flows from financing activities:		
Borrowings on loan agreement	258,497	235,118
Repayments on loan agreement	(234,976)	(244,843)
Proceeds from issuance of common stock, net of underwriters' discounts and issuance costs	52,017	—
Earn-out obligation payments	—	(31,701)
Payment of debt financing costs	—	(636)
Payments of taxes for equity transactions	(681)	(635)
Dividends paid	(2,139)	(1,981)
Net cash provided by (used in) financing activities	72,718	(44,678)
Net decrease in cash and cash equivalents	(41)	(521)
Cash and cash equivalents at beginning of period	378	734
Cash and cash equivalents at end of period	\$ 337	\$ 213
Supplemental disclosure of noncash investing and financing activities:		
Notes receivable from the sale of a business entity and certain assets	\$ 11,815	\$ 13,482

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

VSE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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(1) Basis of Presentation

Our accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and in accordance with the instructions to SEC Form 10-Q and Article 10 of SEC Regulation S-X. Therefore, such financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and footnotes thereto included in our 2020 Form 10-K. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates affecting the financial statements include accruals for contract disallowance reserves, award fee revenues, costs to complete on fixed price contracts, and recoverability of goodwill and intangible assets.

Coronavirus (COVID-19) Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus disease, known as COVID-19, as a global pandemic. The pandemic and the containment and mitigation efforts by governments to attempt to control its spread created uncertainties and disruptions in the economic and financial markets. The pandemic triggered a decline in demand for our Aviation segment products and services beginning with the second quarter of 2020 and continuing through the end of the second quarter of 2021. Our results of operations for the first six months of 2021 continue to reflect the adverse impact from the COVID-19 pandemic. Although demand has improved since the onset of the pandemic, it remains below pre-pandemic levels. The extent to which the impact of COVID-19 may continue to have an adverse effect on our future business and results of operations is highly uncertain and unpredictable. However, we believe that with the global vaccination effort underway, that may generate an increase in commercial air travel and result in a gradual recovery in demand for our Aviation segment products and services commencing toward the second half of 2021. We are closely monitoring the effects and risks of COVID-19 to assess its continuing impact on our business, financial condition and results of operations. We maintain a robust continuity plan to adequately respond to situations such as the COVID-19 pandemic, including a framework for remote work arrangements, in order to effectively maintain operations, including financial reporting systems, internal controls over financial reporting and disclosure controls and procedures.

Underwritten Public Offering

On January 29, 2021, we entered into an underwriting agreement relating to the issuance and sale of 428,600 shares of the Company's common stock, at the public offering price of \$35.00 per share. The underwriters exercised their option to purchase an additional 170,497 shares. The transaction closed on February 2, 2021. We received net proceeds of approximately \$52 million after deducting underwriting discounts, commissions and offering related expenses.

(2) Acquisition and Divestitures

Acquisition

On March 1, 2021, we acquired HAECO Special Services, LLC ("HSS") from HAECO Airframe Services, LLC, a division of HAECO Americas ("HAECO") for the purchase price of \$14.8 million, subject to post-closing and working capital adjustments. HSS is a leading provider of fully integrated maintenance, repair and overhaul ("MRO") support solutions for military and government aircraft. HSS provides scheduled depot maintenance, contract field deployment and unscheduled drop-in maintenance for a United States Department of Defense ("DoD") contract specifically for the sustainment of the U.S. Air Force ("USAF") KC-10 fleet. The acquisition was not significant to our consolidated financial statements. HSS operating results are included in our Federal and Defense segment in the accompanying unaudited consolidated financial statements beginning on the acquisition date of March 1, 2021.

VSE CORPORATION AND SUBSIDIARIES
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The allocation of the total consideration for the acquisition to the tangible and identifiable intangible assets acquired and liabilities assumed is preliminary until we obtain final information regarding their fair values. Based on preliminary estimates, we allocated approximately \$7.5 million to the fair value of net tangible assets (including \$9.2 million of accounts receivable) and \$7.3 million to customer relationship intangible asset, which is being amortized over approximately 4 years from the acquisition date.

Divestitures

Prime Turbines Sale

In January 2020, VSE's subsidiary VSE Aviation, Inc. entered into two definitive agreements to sell (1) Prime Turbines LLC ("Prime Turbines") and (2) certain related inventory assets to PTB Holdings USA, LLC ("PTB"). The transaction was completed on February 26, 2020 with cash proceeds of \$20.0 million, including final working capital adjustments, and a note receivable of \$8.3 million received as consideration. As a result of the sale of the business and inventory, we derecognized the assets and liabilities of Prime Turbines and recorded a \$7.5 million loss in the first quarter of 2020 which was reflected within loss on sale of a business entity and certain assets in the consolidated statements of income. As of June 30, 2021 and December 31, 2020, the total outstanding balance of the note receivable from PTB was \$5.4 million and \$6.1 million, respectively, which represent the present value of the consideration to be received with an imputed interest rate discount, of which \$1.5 million and \$1.4 million were current as of June 30, 2021 and December 31, 2020, respectively. The note receivable balance is included in other assets and other current assets in our consolidated balance sheets.

CT Aerospace Asset Sale

In June 2020, VSE's subsidiary VSE Aviation, Inc. entered into an asset purchase agreement to sell CT Aerospace, LLC ("CT Aerospace") inventory and certain assets to Legacy Turbines, LLC ("Legacy Turbines") for \$6.9 million, with a note receivable received as consideration. As a result of the sale, we recorded a \$78 thousand loss in the second quarter of 2020. As of June 30, 2021 and December 31, 2020, the total outstanding balance of the note receivable from Legacy Turbines was \$6.1 million and \$6.4 million, respectively, net of a variable discount of \$275 thousand, of which \$1.7 million and \$1.3 million were current as of June 30, 2021 and December 31, 2020, respectively. The note receivable balance is included in other assets and other current assets in our consolidated balance sheet.

(3) Revenue

Disaggregated Revenue

Our revenues are derived from the delivery of products to our customers and from contract services performed for the DoD or federal civilian agencies. Our customers also include various other government agencies and commercial clients.

A summary of revenues for our operating segments by customer for the three and six months ended June 30, 2021 are as follows (in thousands):

	Three months ended June 30, 2021			
	Aviation	Fleet	Federal and Defense	Total
Commercial	\$ 47,465	\$ 17,630	\$ 185	\$ 65,280
DoD	—	4,676	62,075	66,751
Other government	50	35,751	7,280	43,081
	<u>\$ 47,515</u>	<u>\$ 58,057</u>	<u>\$ 69,540</u>	<u>\$ 175,112</u>

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Six months ended June 30, 2021				
	Aviation	Fleet	Federal and Defense	Total
Commercial	\$ 91,811	\$ 32,067	\$ 503	\$ 124,381
DoD	—	7,778	104,861	112,639
Other government	75	72,959	30,039	103,073
	<u>\$ 91,886</u>	<u>\$ 112,804</u>	<u>\$ 135,403</u>	<u>\$ 340,093</u>

A summary of revenues for our operating segments by customer for the three and six months ended June 30, 2020 are as follows (in thousands):

Three months ended June 30, 2020				
	Aviation	Fleet	Federal and Defense	Total
Commercial	\$ 31,170	\$ 8,525	\$ 467	\$ 40,162
DoD	837	5,095	58,955	64,887
Other government	214	57,602	5,850	63,666
	<u>\$ 32,221</u>	<u>\$ 71,222</u>	<u>\$ 65,272</u>	<u>\$ 168,715</u>

Six months ended June 30, 2020				
	Aviation	Fleet	Federal and Defense	Total
Commercial	\$ 89,220	\$ 17,347	\$ 889	\$ 107,456
DoD	837	9,662	118,522	129,021
Other government	244	97,417	11,995	109,656
	<u>\$ 90,301</u>	<u>\$ 124,426</u>	<u>\$ 131,406</u>	<u>\$ 346,133</u>

A summary of revenues for our operating segments by type for the three and six months ended June 30, 2021 is as follows (in thousands):

Three months ended June 30, 2021				
	Aviation	Fleet	Federal and Defense	Total
Repair	\$ 19,021	\$ —	\$ —	\$ 19,021
Distribution	28,494	58,057	—	86,551
Cost Plus Contract	—	—	21,813	21,813
Fixed Price Contract	—	—	32,430	32,430
T&M Contract	—	—	15,297	15,297
Total	<u>\$ 47,515</u>	<u>\$ 58,057</u>	<u>\$ 69,540</u>	<u>\$ 175,112</u>

VSE CORPORATION AND SUBSIDIARIES
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	Six months ended June 30, 2021			
	Aviation	Fleet	Federal and Defense	Total
Repair	\$ 37,337	\$ —	\$ —	\$ 37,337
Distribution	54,549	112,804	—	167,353
Cost Plus Contract	—	—	38,364	38,364
Fixed Price Contract	—	—	56,361	56,361
T&M Contract	—	—	40,678	40,678
Total	<u>\$ 91,886</u>	<u>\$ 112,804</u>	<u>\$ 135,403</u>	<u>\$ 340,093</u>

A summary of revenues for our operating segments by type for the three and six months ended June 30, 2020 is as follows (in thousands):

	Three months ended June 30, 2020			
	Aviation	Fleet	Federal and Defense	Total
Repair	\$ 16,848	\$ —	\$ —	\$ 16,848
Distribution	15,373	71,222	—	86,595
Cost Plus Contract	—	—	23,307	23,307
Fixed Price Contract	—	—	36,079	36,079
T&M Contract	—	—	5,886	5,886
Total	<u>\$ 32,221</u>	<u>\$ 71,222</u>	<u>\$ 65,272</u>	<u>\$ 168,715</u>

	Six months ended June 30, 2020			
	Aviation	Fleet	Federal and Defense	Total
Repair	\$ 49,656	\$ —	\$ —	\$ 49,656
Distribution	40,645	124,426	—	165,071
Cost Plus Contract	—	—	42,988	42,988
Fixed Price Contract	—	—	74,995	74,995
T&M Contract	—	—	13,423	13,423
Total	<u>\$ 90,301</u>	<u>\$ 124,426</u>	<u>\$ 131,406</u>	<u>\$ 346,133</u>

Contract Balances

Unbilled receivables (contract assets) represent our right to consideration in exchange for goods or services that we have transferred to the customer prior to us having the right to payment for such goods or services. Contract liabilities are recorded when customers remit contractual cash payments in advance of us satisfying related performance obligations under contractual arrangements, including those with performance obligations to be satisfied over a period of time.

We present our unbilled receivables and contract liabilities on a contract-by-contract basis. If a contract liability exists, it is netted against the unbilled receivables balance for that contract. Unbilled receivables increased from \$22.4 million at December 31, 2020 to \$30.7 million at June 30, 2021, primarily due to the unbilled receivables acquired as a result of the HSS acquisition and revenues recognized as performance obligations are satisfied in excess of billings. Contract liabilities, which are included in accrued expenses and other current liabilities in our consolidated balance sheets, increased from \$10.1 million at December 31, 2020 to \$12.7 million at June 30, 2021, primarily due to advance payments received in excess of revenue recognized. For the six months ended June 30, 2021 and June 30, 2020, we recognized revenue that was previously included in the beginning balance of contract liabilities of \$1.7 million and \$1.5 million, respectively.

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Performance Obligations

Our performance obligations are satisfied either at a point in time or over time as work progresses. The majority of our revenue recognized at a point in time is for the sale of vehicle and aircraft parts in our Fleet and Aviation segments. Revenues from products and services transferred to customers at a point in time accounted for approximately 49% of our revenues for the three and six months ended June 30, 2021 and 50% of our revenues for the three and six months ended June 30, 2020. Revenues from products and services transferred to customers over time accounted for approximately 51% of our revenues for the three and six months ended June 30, 2021 and 50% of our revenues for the three and six months ended June 30, 2020, primarily related to revenues in our Federal and Defense segment and MRO services in our Aviation segment.

As of June 30, 2021, the aggregate amount of transaction prices allocated to unsatisfied or partially unsatisfied performance obligations was \$24 million. Performance obligations expected to be satisfied within one year and greater than one year are 90% and 10%, respectively. We have applied the practical expedient for certain parts sales and MRO services to exclude the amount of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which we recognize revenue in proportion to the amount we have the right to invoice for services performed.

During the six months ended June 30, 2021 and June 30, 2020, revenue recognized from performance obligations satisfied in prior periods was not material.

(4) Debt

Long-term debt consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Bank credit facility - term loan	\$ 67,675	\$ 77,988
Bank credit facility - revolver loans	209,308	175,473
Principal amount of long-term debt	276,983	253,461
Less debt issuance costs	(1,776)	(2,368)
Total long-term debt	275,207	251,093
Less current portion	(13,816)	(20,379)
Long-term debt, less current portion	\$ 261,391	\$ 230,714

We have a loan agreement with a group of banks that expires in January 2023. We borrow amounts under the loan agreement to provide working capital support, fund letters of credit and finance acquisitions. The loan agreement includes term and revolving loan facilities. The revolving loan facility provides for revolving loans and letters of credit. The fair value of outstanding debt as of June 30, 2021 under our bank loan facilities approximates its carrying value using Level 2 inputs based on market data on companies with a corporate rating similar to ours that have recently priced credit facilities.

Our required term and revolver loan payments after June 30, 2021 are as follows (in thousands):

2021	11,250
2022	22,500
2023*	243,233
Total	\$ 276,983

*Includes the revolver loan required payment of \$209.3 million.

The maximum amount of credit available under the loan agreement for revolving loans and letters of credit as of June 30, 2021 was \$50 million. We pay an unused commitment fee and fees on letters of credit that are issued. We had \$803 thousand letters of credit outstanding as of June 30, 2021 and no letters of credit outstanding as of December 31, 2020.

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Under the loan agreement we may elect to increase the maximum availability of the term loan facility, the revolving loan facility, or both facilities, up to an aggregate additional amount of \$100 million.

We pay interest on the term loan borrowings and revolving loan borrowings at LIBOR plus a base margin or at a base rate (typically the prime rate) plus a base margin. As of June 30, 2021, the LIBOR base margin was 2.25% and the base rate base margin was 1.00%. The base margins increase or decrease in increments as our Total Funded Debt/EBITDA Ratio increases or decreases.

We use interest rate hedges on a portion of our debt. The amount of our debt with interest rate swap agreements was \$5 million and \$145 million as of June 30, 2021 and December 31, 2020, respectively.

After taking into account the impact of interest rate swap agreements, as of June 30, 2021, interest rates on portions of our outstanding debt ranged from 3.00% to 5.61%, and the effective interest rate on our aggregate outstanding debt was 3.44%.

Interest expense incurred on bank loan borrowings and interest rate hedges was approximately \$2.4 million and \$2.8 million for the three months ended June 30, 2021 and 2020, respectively, and \$5.1 million and \$6.3 million for the six months ended June 30, 2021 and 2020, respectively.

The loan agreement contains collateral requirements to secure our loan agreement obligations, restrictive covenants, a limit on annual dividends, and other affirmative and negative covenants, conditions, and limitations. Restrictive covenants include a maximum Total Funded Debt to EBITDA Ratio and a minimum Fixed Charge Coverage Ratio. We were in compliance with required ratios and other terms and conditions as of June 30, 2021. We continue to monitor the impacts of COVID-19 on our results of operations and liquidity relative to compliance with financial covenants; at this time, we expect that we will remain in compliance with such covenants over the next twelve months.

Subsequent Event

In July 2021, we entered into a third amendment to our loan agreement which, among other things, extended the maturity dates with respect to the revolving credit facility and term loan facility to July 2024, lowered the applicable LIBOR rate floor, and modified the maximum Total Funded Debt to EBITDA Ratio. After the amendment, our required term and revolver loan payments after June 30, 2021 are approximately \$7.5 million in 2021, \$15.0 million in 2022, \$15.0 million in 2023, and \$239.5 million in 2024. We classified the current portion of long-term debt in our consolidated balance sheets as of June 30, 2021 based on the amended terms.

Except as described above, the amended loan agreement has substantially the same terms as the existing loan agreement, including covenants and events of default.

(5) Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of shares of common stock outstanding during each period. Shares issued during the period are weighted for the portion of the period that they were outstanding. Our calculation of diluted earnings per common share includes the dilutive effects for an assumed vesting of restricted stock awards. For the three and six months ended June 30, 2021 and 2020, diluted earnings per share does not include an adjustment for the potential dilutive effect of dilutive securities as the effect would have been anti-dilutive due to the Company's net loss. The antidilutive common stock equivalents excluded from the diluted per share calculation are not material.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic weighted average common shares outstanding	12,702,366	11,041,235	12,391,166	11,020,720
Effect of dilutive shares	—	—	—	—
Diluted weighted average common shares outstanding	12,702,366	11,041,235	12,391,166	11,020,720

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(6) Commitments and Contingencies

Contingencies

We may have certain claims in the normal course of business, including legal proceedings, against us and against other parties. In our opinion, the resolution of these claims will not have a material adverse effect on our results of operations, financial position or cash flows. However, because the results of any legal proceedings cannot be predicted with certainty, the amount of loss, if any, cannot be reasonably estimated.

Further, from time-to-time, government agencies audit or investigate whether our operations are being conducted in accordance with applicable contractual and regulatory requirements. Government audits or investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon us, or could lead to suspension or debarment from future government contracting. Government investigations often take years to complete and many result in no adverse action against us. We believe, based upon current information, that the outcome of any such government disputes, audits and investigations will not have a material adverse effect on our results of operations, financial condition or cash flows.

(7) Business Segments and Customer Information

Business Segments

Management of our business operations is conducted under three reportable operating segments:

Aviation – Distribution and MRO Services

Our Aviation segment provides aftermarket repair and distribution services to commercial, cargo, business and general aviation, military and defense, and rotorcraft customers globally. Core services include parts distribution, engine accessory maintenance, MRO services, rotatable exchange and supply chain services.

Fleet – Distribution and Fleet Services

Our Fleet segment provides parts, inventory management, e-commerce fulfillment, logistics, supply chain support and other services to support the commercial aftermarket medium- and heavy-duty truck market, the United States Postal Service ("USPS"), and the DoD. Core services include vehicle parts distribution, sourcing, IT solutions, customized fleet logistics, warehousing, kitting, just-in-time supply chain management, alternative product sourcing, and engineering and technical support.

Federal and Defense – Logistics and Sustainment Services

Our Federal and Defense segment provides aftermarket MRO and logistics services to improve operational readiness and extend the life cycle of military vehicles, ships and aircraft for the DoD, federal agencies and international defense customers. Core services include base operations support; procurement; supply chain management; vehicle, maritime and aircraft sustainment services; IT services and energy consulting.

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The operating segments reported below are our segments for which separate financial information is available and for which segment results are evaluated regularly by our Chief Executive Officer in deciding how to allocate resources and in assessing performance. We evaluate segment performance based on consolidated revenues and operating income. Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Corporate expenses are primarily selling, general and administrative expenses not allocated to segments. Our segment information is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenues:				
Aviation	\$ 47,515	\$ 32,221	\$ 91,886	\$ 90,301
Fleet	58,057	71,222	112,804	124,426
Federal and Defense	69,540	65,272	135,403	131,406
Total revenues	\$ 175,112	\$ 168,715	\$ 340,093	\$ 346,133
Operating (loss) income:				
Aviation	\$ (22,272)	\$ (34,387)	\$ (22,604)	\$ (36,267)
Fleet	4,000	7,014	9,741	13,920
Federal and Defense	6,999	6,772	12,024	11,696
Corporate/unallocated expenses	(1,441)	(1,309)	(2,272)	(1,525)
Operating loss	\$ (12,714)	\$ (21,910)	\$ (3,111)	\$ (12,176)

Our Aviation segment operating income for the second quarter and first six month of 2021 was reduced by \$23.7 million primarily attributable to an inventory reserve expense which was recorded in the second quarter of 2021. The inventory reserve increase was primarily due to excess quantities of inventory at levels higher than our updated forecasts of future demand. The continued effects of the COVID-19 pandemic on commercial air travel for our region specific distribution programs, entered into prior to 2019, resulted in lowered demand assumptions.

Customer Information

The USPS, U.S. Army and Army Reserve, and U.S. Navy are our largest customers. Our customers also include various other government agencies and commercial entities. Our revenue by customer is as follows (in thousands):

Customer	Three months ended June 30,				Six months ended June 30,			
	2021	%	2020	%	2021	%	2020	%
Commercial	\$ 65,280	37	\$ 40,162	24	\$ 124,381	37	\$ 107,456	31
DoD	66,751	38	64,887	38	112,639	33	129,021	37
Other government	43,081	25	63,666	38	103,073	30	109,656	32
Total	\$ 175,112	100	\$ 168,715	100	\$ 340,093	100	\$ 346,133	100

(8) Goodwill and Intangible Assets

There were no changes in goodwill for the six months ended June 30, 2021. The goodwill balance consisted of the following (in thousands):

	Fleet	Federal and Defense	Aviation	Total
Balance as of December 31, 2020	\$ 63,190	\$ 30,883	\$ 144,053	\$ 238,126
Balance as of June 30, 2021	\$ 63,190	\$ 30,883	\$ 144,053	\$ 238,126

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We perform an annual review of goodwill for impairment during the fourth quarter and whenever events or other changes in circumstances indicate that the carrying value may not be fully recoverable.

Intangible assets, net comprised the following (in thousands):

	Cost	Accumulated Amortization	Accumulated Impairment Loss	Net Intangible Assets
June 30, 2021				
Contract and customer-related	\$ 220,495	\$ (118,668)	\$ (3,814)	\$ 98,013
Acquired technologies	12,400	(11,351)	—	1,049
Trade names	18,770	(15,827)	—	2,943
Total	\$ 251,665	\$ (145,846)	\$ (3,814)	\$ 102,005
December 31, 2020				
Contract and customer-related	\$ 213,194	\$ (110,917)	\$ (3,814)	\$ 98,463
Acquired technologies	12,400	(10,787)	—	1,613
Trade names	18,770	(15,251)	—	3,519
Total	\$ 244,364	\$ (136,955)	\$ (3,814)	\$ 103,595

The increase in the gross carrying amount of contract and customer-related intangibles during the six months ended June 30, 2021 is related to customer relationship intangible recognized in connection with the acquisition of HSS during the first quarter of 2021. See Note (2) "Acquisition and Divestitures" for additional details regarding the acquisition.

Amortization expense related to intangible assets was approximately \$4.6 million and \$4.5 million for the three months ended June 30, 2021 and 2020, respectively, and \$8.9 million and \$9.2 million for the six months ended June 30, 2021 and 2020, respectively.

(9) Fair Value Measurements

The accounting standard for fair value measurements defines fair value, and establishes a market-based framework or hierarchy for measuring fair value. The standard is applicable whenever assets and liabilities are measured at fair value.

The fair value hierarchy established in the standard prioritizes the inputs used in valuation techniques into three levels as follows:

Level 1—Observable inputs – quoted prices in active markets for identical assets and liabilities;

Level 2—Observable inputs other than the quoted prices in active markets for identical assets and liabilities – includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets and amounts derived from valuation models where all significant inputs are observable in active markets; and

Level 3—Unobservable inputs – includes amounts derived from valuation models where one or more significant inputs are unobservable and require us to develop relevant assumptions.

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The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020 and the level they fall within the fair value hierarchy (in thousands):

Amounts Recorded at Fair Value	Financial Statement Classification	Fair Value Hierarchy	Fair Value June 30, 2021	Fair Value December 31, 2020
Non-COLI assets held in Deferred Supplemental Compensation Plan	Other assets	Level 1	\$ 1,276	\$ 1,120
Interest rate swap agreements	Accrued expenses	Level 2	\$ 720	\$ 1,603

Non-COLI assets held in our deferred supplemental compensation plan consist of equity funds with fair value based on observable inputs such as quoted prices for identical assets in active markets and changes in fair value are recorded as selling, general and administrative expenses.

We account for our interest rate swap agreements under the provisions of ASC 815, *Derivatives and Hedging*, and have determined that our swap agreements qualify as highly effective cash flow hedges. We evaluate our hedges to determine their effectiveness and as of June 30, 2021 and December 31, 2020, the swaps were determined to be fully effective. Accordingly, the fair value of the swap agreements, which is a liability recorded in accrued expenses and other current liabilities in our consolidated balance sheets, was approximately \$720 thousand and \$1.6 million at June 30, 2021 and December 31, 2020, respectively. The offset, net of an income tax effect of approximately \$80 thousand and \$400 thousand, was included in accumulated other comprehensive income in the accompanying balance sheets as of June 30, 2021 and December 31, 2020, respectively. The amounts paid and received on the swap agreements are recorded in interest expense in the period during which the related floating-rate interest is incurred. We expect the hedges to remain fully effective during the remaining terms of the swap agreements. We determine the fair value of the swap agreements based on a valuation model using primarily observable market data inputs.

(10) Income Taxes

Income tax expense during interim periods is based on our estimated annual effective income tax rate plus any discrete items that are recorded in the period in which they occur. Our tax rate is affected by discrete items that may occur in any given year, but may not be consistent from year to year.

Our effective tax rate was 19.6% and 17.6% for the three and six months ended June 30, 2021, respectively, and 9.4% and (3.0)% for the three and six months ended June 30, 2020, respectively. The difference in the effective tax rate for the three and six months ended June 30, 2021 compared to the same period of prior year primarily results from 1) a significantly higher tax loss than book loss in connection with our sale of Prime Turbines stock and a full valuation allowance established in 2020 to offset the capital loss benefit due to a lack of anticipated capital gain income in the carryforward period, 2) goodwill impairment loss recognized in 2020 that was not deductible for tax purposes, and 3) larger book loss in 2020 compared to the same period in 2021. The tax rate for the current year benefited from tax deductions for foreign derived intangible income ("FDII") and COLI income, and various federal and state income tax incentives.

(11) Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In July 2021, we entered into our third amendment to our loan agreement. The amendment adds language to the agreement to provide procedures for determining a replacement or alternative rate in the event that LIBOR becomes unavailable. We are evaluating the impact this may have on our consolidated financial statements.

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(12) Subsequent Events

Acquisition of Global Parts Group, Inc.

In July 2021, we acquired Global Parts Group, Inc. ("Global Parts"), a privately owned company with operations in Augusta, Kansas. Global Parts provides distribution and MRO services for business and general aviation (B&GA) aircraft families. The acquisition will expand our existing B&GA focus beyond engine components to include the entire airframe. We anticipate this acquisition will further diversify our existing product and platform offerings, while expanding our customer base of regional and global B&GA customers. Global Parts will operate as a subsidiary of VSE Aviation, Inc. under our Aviation segment.

The aggregate initial cash purchase price for Global Parts was approximately \$8 million, subject to certain post-closing and working capital adjustments, which was funded using our existing bank revolving loan.

We incurred approximately \$215 thousand of acquisition-related expenses as of June 30, 2021 which are included in selling, general and administrative expenses.

Bank Loan Amendment

In July 2021, we entered into a third amendment to our loan agreement. For additional information, see Note (4) "Debt — Subsequent Event."

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

General Overview

Our Business

We are a diversified aftermarket products and services company providing repair services, parts distribution, logistics, supply chain management and consulting services for land, sea and air transportation assets to government and commercial markets. We provide logistics and distribution services for legacy systems and equipment and professional and technical services to the government, including the Department of Defense ("DoD"), federal civilian agencies, and to commercial and other customers. Our operations include supply chain management solutions, parts supply and distribution, and maintenance, repair and overhaul ("MRO") services for vehicle fleet, aviation, and other customers. We also provide vehicle and equipment maintenance and refurbishment, logistics, engineering support, energy services, IT and health care IT solutions, and consulting services.

Recent Developments

In July 2021, we acquired Global Parts Group, Inc. ("Global Parts"), a privately owned company with operations in Augusta, Kansas. Global Parts provides distribution and MRO services for business and general aviation ("B&GA") aircraft families. The acquisition will expand our existing B&GA focus beyond engine components to include the entire airframe. We anticipate this acquisition will further diversify our existing product and platform offerings, while expanding our customer base of regional and global B&GA customers. Global Parts will operate as a subsidiary of VSE Aviation, Inc. under our Aviation segment. For additional information regarding our acquisition of Global Parts, see Note (12) "Subsequent Events" to our Consolidated Financial Statements included in Item 1 of this filing.

Acquisition and Divestitures

In March 2021, we acquired HAECO Special Services, LLC ("HSS"), in an all cash transaction. HSS is a leading provider of fully integrated MRO support solutions for military and government aircraft. HSS offers scheduled depot maintenance, contract field deployment and unscheduled drop-in maintenance for the DoD primarily for the sustainment of the U.S. Air Force ("USAF") KC-10 fleet. The experienced workforce of HSS includes approximately 250 employees operating from two hangar locations in Greensboro, North Carolina. HSS is a subsidiary of VSE Corporation under our Federal & Defense Services segment.

In February 2020, we sold our subsidiary Prime Turbines, LLC ("Prime Turbines") and certain related inventory assets for \$20.0 million in cash and a \$8.3 million note receivable to be paid over a period from 2020 through 2024. Our Aviation segment discontinued turboprop engine MRO services, and will concentrate on higher growth potential component/accessory repair and parts distribution while further expanding our presence within the global commercial and general aviation markets. Prime Turbines' revenues totaled less than 1% of our revenue for 2020.

In June 2020, we sold all of the inventory of our subsidiary CT Aerospace, LLC ("CT Aerospace") for a \$6.9 million note receivable to be paid to us over a period from 2020 through 2025. Our Aviation segment discontinued sales and leasing of engines and supply of used serviceable engine parts. CT Aerospace's revenues totaled less than 1% of our revenue for 2020.

See Note (2) "Acquisition and Divestitures" to our Consolidated Financial Statements included in Item 1 of this filing for additional information regarding our acquisition and divestitures.

Public Offering of Common Stock

In February 2021, we completed an underwritten public offering of common stock through the issuance of 1,599,097 shares of common stock, including an additional 170,497 shares that were issued pursuant to the underwriters' exercise of their option to purchase additional shares, at an offering price of \$35.00 per share. We received net proceeds of approximately \$52 million, after deducting underwriting discounts and other offering expenses of approximately \$4 million. The net proceeds will be used for general corporate purposes, including financing strategic acquisitions and working capital requirements for new program launches.

Organization and Segments

Our operations are conducted within three reportable segments aligned with our operating segments: (1) Aviation; (2) Fleet; and (3) Federal and Defense. We provide more information about each of these reportable segments under Item 1, "Business-History and Organization" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 ("2020 Form 10-K").

Concentration of Revenues

Source of Revenues	(in thousands)							
	Three months ended June 30,				Six months ended June 30,			
	2021	%	2020	%	2021	%	2020	%
Commercial	\$ 65,280	37	\$ 40,162	24	\$ 124,381	37	\$ 107,456	31
DoD	66,751	38	64,887	38	112,639	33	129,021	37
Other government	43,081	25	63,666	38	103,073	30	109,656	32
Total	<u>\$ 175,112</u>	<u>100</u>	<u>\$ 168,715</u>	<u>100</u>	<u>\$ 340,093</u>	<u>100</u>	<u>\$ 346,133</u>	<u>100</u>

COVID-19 Discussion

Forward Looking Information

Disclosures that address business and operating considerations associated with the COVID-19 pandemic are made under highly uncertain conditions and may involve forward looking information that is based on assumptions and expectations regarding future events. For additional discussion on the uncertainties and business risks associated with the COVID-19 pandemic, refer to Item 1A, "Risk Factors" of our 2020 Form 10-K.

Demand for Products and Services, Operating Results, and Financial Condition

All of our businesses have remained operational since the onset of the COVID-19 pandemic through the end of the second quarter of 2021, and we continue to operate with limited disruption. We have experienced varying levels of reduction in demand for our services and products, and have adjusted our cost structure to support the current and near-term forecasted demand environment. The majority of the cost reductions occurred within our Aviation segment, as a decline in commercial aircraft revenue passenger miles contributed to a reduction in demand for aftermarket parts and MRO services. The length and severity of lower customer demand due to the COVID-19 pandemic remains uncertain; however, if travel restrictions continue to ease, we expect demand will continue to recover, leading to increased demand for our products and services for the remainder of 2021.

While current conditions raise the potential for a decline in performance for our Fleet segment and our Federal and Defense segment, we anticipate limited disruption in demand for the products and services they offer, as compared to other industries, due to the nature of their government, defense and e-commerce customer bases. Our parts supply for truck fleets, including the United States Postal Service ("USPS") delivery vehicles and our DoD program services, provide support for the essential services conducted by our customers.

We have not experienced a material adverse change in our financial condition at this time as a result of the COVID-19 pandemic; however, a prolonged disruption in the demand for our products and services could have an adverse impact on our operating results and cause a material adverse change in our financial condition. We will continue to evaluate the nature and extent of future impacts of the COVID-19 pandemic on our business.

Capital, Financial Resources, Credit Losses, and Liquidity

Our debt capital and liquidity position have not experienced a material adverse change resulting from the COVID-19 pandemic at this time, and we are meeting our obligations in a timely manner. We currently have sufficient cash flows and unused loan commitments to meet our obligations in the near term. Weakness in our Aviation segment customer markets has caused a delay in receivables collections and an increase in bad debt expense. This trend may continue in future periods. We do not anticipate receivables collections to negatively impact our Fleet or Federal and Defense segments.

We have a loan agreement with a bank group comprised of ten banks, including multiple large banks and multiple regional banks. Our revolving credit facility under this loan agreement provides \$350 million in loan commitments, of which we have currently borrowed approximately 60%. The potential for additional declines in our earnings may impact our financial covenant ratios in future periods. Accordingly, in the second quarter of 2021, we amended the loan agreement to provide increased financial covenant flexibility through July 2024.

Material Impairments, Restructuring Charges

Due to the continued market volatility caused by the COVID-19 pandemic, we performed an interim impairment analysis of our goodwill during the second quarter of 2020. Our interim analysis indicated that our reporting units in our Fleet and Federal and Defense segments had fair values substantially in excess of their carrying values, and we believe the COVID-19 pandemic induced economic crisis is not likely to have a material adverse impact on customer demand for products and services provided by these two segments. Accordingly, at this time we do not anticipate any impairments in these two business segments.

Our interim impairment analysis indicated that our VSE Aviation reporting unit, within our Aviation segment, had a fair value less than its carrying value and had incurred an impairment. We recognized a goodwill impairment charge of \$30.9 million for our VSE Aviation reporting unit in the second quarter of 2020. Prior to the onset of the COVID-19 pandemic, our Aviation segment was performing strongly. Our VSE Aviation reporting unit experienced lower customer demand in 2020 and the first six months of 2021 as compared to 2019, but we believe market opportunities will increase for us in the longer term. Accordingly, at this time we do not anticipate any further material impairments in our Aviation segment. However, should the magnitude and duration of the downturn be greater than we anticipated in our analysis, there could be further impairment.

Balance Sheet Asset Valuation

Our goodwill and intangible assets could be impacted by changes in economic conditions affecting our revenue projections and the market valuation of public companies. See "Material Impairments" above for further details. We do not believe that there are or will be significant changes in judgments in determining the fair value of other assets on our balance sheet or that our ability to timely account for them will be negatively impacted. While the COVID-19 pandemic may cause some delays in collecting some of our accounts receivable and potentially give rise to some bad debt write offs, we do not expect this to have a material impact on our accounts receivable.

We have made opportunistic purchases of aviation parts, resulting in an increase in our inventory levels. During the second quarter of 2021, we reviewed the assumptions and calculations utilized in the valuation of excess and obsolete inventory and recorded an additional reserve of \$24.4 million. The inventory reserve increase was primarily due to excess and slow moving quantities of certain Aviation segment inventory, including inventory supporting specific international region distribution programs entered into prior to 2019 at levels higher than our updated forecasts of future demand. The increase in our inventory valuation reserves in the second quarter takes into consideration slower than anticipated air travel recovery in certain regions, primarily in the Asia Pacific region, impacted by the COVID-19 pandemic. While some countries have removed or eased travel restrictions, others have maintained international testing requirements and travel restrictions due to recent rebounds in the number of cases and low vaccination rates within those countries, which has lowered demand for our products. While the COVID-19 pandemic has slowed demand for certain aviation products in international regions, we do not expect any additional material adverse impact to the carrying value of our inventory. Additionally, we do not anticipate the lower international demand to materially impact the recovery of our Aviation segment, where our distribution business revenues have exceeded pre-pandemic levels during the second quarter of 2021. If we experience further slowness in demand or if the lower level of demand lasts significantly longer than we anticipate, our inventory may be subject to further valuation adjustments.

Administrative Continuity and Reporting Systems

We have modified our workforce policies, procedures and capabilities for most of our administrative personnel to work remotely, including our financial reporting personnel. This remote work arrangement is working as intended and has not had any adverse effect on our ability to maintain financial operations, including financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Business Continuity Plans

As the COVID-19 pandemic continues to drive global uncertainty, we remain focused on protecting the safety of our employees, continuing to serve our customers with the highest quality product and repair services, and on upholding the strength of the business.

Our business operations are deemed critical and essential by the Federal and State governments. All of our repair, distribution and base operations facilities remain open and operational, and we continue to deliver products and services to customers without interruption. We implemented virus prevention protocols consistent with guidelines issued by the U.S. Centers for Disease Control and Prevention, and mandated remote working where practicable.

We do not anticipate any material expenditures or resource constraints in supporting our operations at this time.

Impact on Supply Chain

Major customers and suppliers of our Fleet, Federal and Defense, and Aviation segments remain open and continue to operate. Our Fleet segment customers provide essential services, and we, along with our suppliers, play a key role in keeping truck fleets operable. Our Federal and Defense segment customers continue their mission critical essential services. Our Aviation segment customers continue to operate, albeit at lower rates. While the overall economic downturn may cause some slowness in every industry, we do not anticipate any parts availability concerns, disruptions in our supply of materials or resources, or an adverse impact on our procurement capabilities or product costs.

Health and Safety

The health and safety of our employees, customers and communities are of primary concern. We have taken significant steps to protect our workforce including but not limited to, working remotely. For our locations with an active on-site workforce, we implemented virus prevention protocols consistent with guidelines issued by the U.S. Centers for Disease Control and Prevention and are following local ordinances and guidance. We have taken steps at our facilities to ensure additional employee safety, including implementing separate operational shifts, strict social distancing requirements, providing personal protective equipment and stringent requirements for cleaning and sanitizing at our work sites. Our operations have not been materially impacted by any constraints or other impacts on our human capital resources and productivity and we do not expect any such material impact.

Travel Restrictions

Travel restrictions and border closures may limit the manner in which our sales and support staff service our customers. We do not anticipate this will have a material impact on our ability to continue to operate.

Business Trends

The following discussion provides a brief description of some of the key business factors impacting our results of operations detailed by segment.

Aviation Segment

Our Aviation segment was significantly impacted by the COVID-19 pandemic as global demand for air travel and decreased revenue passenger miles had an adverse impact on demand for our Aviation products and services. Despite the challenges faced during the COVID-19 pandemic we have seen sustained sequential quarterly revenue increases due to the recovery in demand since the peak of the negative COVID-19 pandemic impact that occurred during the second quarter of 2020. We believe that this trend will continue throughout the remainder of the year. We have initiated several new distribution growth initiatives that have resulted in a 85% second quarter year over year distribution revenue increase.

During the second quarter of 2021, we reviewed the assumptions and calculations utilized in the valuation of excess and obsolete inventory and recorded an additional reserve of \$24.4 million. The inventory reserve increase was primarily due to excess and slow moving quantities of certain Aviation segment inventory, including inventory supporting specific international region distribution programs entered into prior to 2019 at levels higher than our updated forecasts of future demand. The increase in our inventory valuation reserves in the second quarter takes into consideration slower than anticipated air travel recovery in certain regions, primarily in the Asia Pacific region, impacted by the COVID-19 pandemic. While some countries have removed or eased travel restrictions, others have maintained international testing requirements and travel restrictions due to recent rebounds in the number of cases and low vaccination rates within those countries, which has lowered demand for our products. While the COVID-19 pandemic has slowed demand for certain aviation products in international regions, we do not expect any additional material adverse impact to the carrying value of our inventory. Additionally, we do not anticipate the lower international demand to materially impact the recovery of our Aviation segment, where our distribution business revenues have exceeded pre-pandemic levels during the second quarter of 2021.

Our July 2021 acquisition of Global Parts is intended to expand our existing B&GA focus beyond engine components to include the entire airframe. We anticipate this acquisition will further diversify our existing product and platform offerings, while expanding our customer base of regional and global B&GA customers.

In the first quarter of 2020, we divested our Prime Turbines subsidiary, a business offering turboprop engine MRO services. In the second quarter of 2020, we sold all of the inventory assets of our CT Aerospace subsidiary, a business offering turboprop engine and engine parts sales. We will no longer offer these services, focusing instead on higher-growth component/accessory repair and parts distribution.

We expect that the current disruption in market conditions will result in strategic opportunities for near and long-term growth. We intend to continue pursuing these opportunities, which may require future investment.

Fleet Segment

Our Fleet segment continues to focus on both its core USPS and DoD customer base and commercial customer diversification. We are expanding our presence in both new and existing markets, including e-commerce solutions, private brand product sales, traditional parts supply, supply chain services, and just-in-time inventory programs to new commercial customers. Commercial customer revenue continues to see a strong growth trend, increasing approximately 107% during the second quarter of 2021 compared to the same period in 2020. Our e-commerce fulfillment services produced continued growth in the second quarter and we expect additional expansion of this service offering going forward as we expand into a new 60,000 square foot leased facility in Pennsylvania to support further commercial growth.

We believe the COVID-19 pandemic is likely to continue to have a limited adverse impact on revenues for this segment of our business, as demand from our commercial truck fleet customers and our e-commerce platforms has continued to see growth.

Federal and Defense Segment

Our Federal and Defense segment continues to be focused on redefining VSE in the federal marketplace, diversifying our capability and product offerings, broadening our markets and offerings to capture new business, and investing in business development to build our contract backlog in current and new markets. Strong revenue performance in U.S. Navy work and new revenues from the U.S. Air Force work performed by our HSS acquisition enabled us to successfully grow our second quarter revenue for this segment consistent with the same period of the prior year despite anticipated declines in our U.S. Army work due to program completions. We expect that our refocused business development efforts will produce revenue growth in subsequent years. Contract funding increases have resulted in bookings of \$107 million in the second quarter of 2021, further supporting a favorable outlook for our federal contracting revenue base.

We expect the COVID-19 pandemic to continue to have a limited adverse impact on revenues for this segment, as the U.S. government is expected to maintain critical DoD preparedness programs.

Financial Statement Presentation

The following discussion provides a brief description of certain key items that appear in our consolidated financial statements:

Revenues

Revenues are derived from the delivery of products and from professional and technical services performed through various ordering agreements and contract agreements. Our Federal and Defense segment's revenue results from services provided on longer term contracts, including cost-type, fixed-price, and time and materials. Revenues from these contract types result from work performed on these contracts and from costs for materials and other work-related contract allowable costs. Revenues from our Aviation and Fleet segment are derived from repair and distribution services primarily through shorter term purchase orders from customers.

Costs and Operating Expenses

Costs and operating expenses consist primarily of cost of inventory and delivery of our products sold; direct costs, including labor, material, and supplies used in the performance of our contract work; indirect costs associated with our direct contract costs; sales, general, and administrative expenses associated with our operating segments and corporate management; and certain costs and charges arising from nonrecurring events outside the ordinary course of business. These costs will generally increase or

decrease in conjunction with our level of products sold or contract work performed. Costs and operating expenses also include expense for amortization of intangible assets acquired through our acquisitions. Expense for amortization of acquisition related intangible assets is included in the segment results in which the acquisition is included. Segment results also include expense for an allocation of corporate management costs. We reduced controllable costs during 2020 in line with the anticipated decrease in demand resulting from the COVID-19 pandemic.

Bookings and Funded Backlog

Revenues for federal government contract work performed by our Federal and Defense segment depend on contract funding ("bookings"), and bookings generally occur when contract funding documentation is received. Funded contract backlog is an indicator of potential future revenue. While bookings and funded contract backlog generally result in revenue, we may occasionally have funded contract backlog that expires or is de-obligated upon contract completion and does not generate revenue.

For the first six months of 2021, Federal and Defense segment bookings increased 52% year-over-year to \$170 million, while total funded backlog increased 31% year-over-year to \$224 million. The current management team is focused on revitalizing this business, with an emphasis on growing backlog to promote future revenue growth.

A summary of our bookings and revenues for our Federal and Defense segment for the six months ended June 30, 2021 and 2020, and funded contract backlog as of June 30, 2021 and 2020 is as follows (in millions):

	2021		2020	
Bookings	\$	170	\$	112
Revenues	\$	135	\$	131
Funded Contract Backlog	\$	224	\$	171

Critical Accounting Policies, Estimates and Judgments

Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), which require us to make estimates and assumptions. Certain critical accounting policies affect the more significant accounts, particularly those that involve judgments, estimates and assumptions used in the preparation of our consolidated financial statements. The development and selection of these critical accounting policies have been determined by our management. We have reviewed our critical accounting policies and estimates with the audit committee of our board of directors. Due to the significant judgment involved in selecting certain of the assumptions used in these policies, it is possible that different parties could choose different assumptions and reach different conclusions. We consider our policies relating to the following matters to be critical accounting policies.

Revenue Recognition

We account for revenue in accordance with ASC 606. The unit of account in ASC 606 is a performance obligation. At the inception of each contract with a customer, we determine our performance obligations under the contract and the contract's transaction price. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the respective goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. For product sales, each product sold to a customer typically represents a distinct performance obligation. Our performance obligations are satisfied over time as work progresses or at a point in time based on transfer of control of products and services to our customers.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and therefore are accounted for as part of the existing contract.

Substantially all Fleet segment revenues from the sale of vehicle parts to customers are recognized at the point in time of the transfer of control to the customer. Sales returns and allowances for vehicle parts are not significant.

Our Aviation segment revenues result from the sale of aircraft parts and performance of MRO services for private and commercial aircraft owners, other aviation MRO providers, and aviation original equipment manufacturers. Our Aviation segment recognizes

revenues for the sale of aircraft parts at a point in time when control is transferred to the customer, which usually occurs when the parts are shipped. Our Aviation segment recognizes revenues for MRO services over time as the services are transferred to the customer. MRO services revenue recognized is measured based on the cost-to-cost input method, as costs incurred reflect the work completed, and therefore the services transferred to date. Sales returns and allowances are not significant.

Our Federal and Defense segment revenues result from professional and technical services, which we perform for customers on a contract basis. Revenue is recognized for performance obligations over time as we transfer the services to the customer. The three primary types of contracts used are cost-type, fixed-price and time and materials. Revenues result from work performed on these contracts by our employees and our subcontractors and from costs for materials and other work-related costs allowed under our contracts.

Revenues on cost-type contracts are recorded as contract allowable costs are incurred and fees are earned. Variable consideration, typically in the form of award fees, is included in the estimated transaction price, to the extent that it is probable that a significant reversal will not occur, when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and our best judgment based on current facts and circumstances.

Revenues on fixed-price contracts are recorded as work is performed over the period. Revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with the transfer of control to the customer. For such contracts, we estimate total costs at the inception of the contract based on our assumptions of the cost elements required to complete the associated tasks of the contract and assess the effects of the risks on our estimates of total costs to complete the contract. Our cost estimates are based on assumptions that include the complexity of the work, our employee labor costs, the cost of materials and the performance of our subcontractors. These cost estimates are subject to change as we perform under the contract and as a result, the timing of revenues and amount of profit on a contract may change as there are changes in estimated costs to complete the contract. Such adjustments are recognized on a cumulative catch-up basis in the period we identify the changes.

Revenues for time and materials contracts are recorded based on the amount for which we have the right to invoice our customers, because the amount directly reflects the value of our work performed for the customer. Revenues are recorded on the basis of contract allowable labor hours worked multiplied by the contract defined billing rates, plus the direct costs and indirect cost burdens associated with materials and subcontract work used in performance on the contract. Generally, profits on time and materials contracts result from the difference between the cost of services performed and the contract defined billing rates for these services.

Revenues related to work performed on government contracts at risk, which is work performed at the customer's request prior to the government formalizing funding, is not recognized until it can be reliably estimated and its realization is probable.

A substantial portion of contract and administrative costs are subject to audit by the Defense Contract Audit Agency. Our indirect cost rates have been audited and approved for 2018 and prior years with no material adjustments to our results of operations or financial position. While we maintain reserves to cover the risk of potential future audit adjustments based primarily on the results of prior audits, we do not believe any future audits will have a material adverse effect on our results of operations, financial position, or cash flows.

Business Combinations

We account for business combinations under the acquisition method of accounting. The purchase price of each business acquired is allocated to the tangible and intangible assets acquired and the liabilities assumed based on information regarding their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and liabilities assumed is allocated to goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, and market multiples, among other items. We determine the fair values of intangible assets acquired generally in consultation with third-party valuation advisors. The valuation of assets acquired and liabilities assumed requires a number of judgments and is subject to revision as additional information about the fair values becomes available. We will recognize any adjustments to provisional amounts that are identified during the period not to exceed twelve months from the acquisition date (the "measurement period") in which the adjustments are determined. Acquisition costs are expensed as incurred. The results of operations of businesses acquired are included in the consolidated financial statements from their dates of acquisition.

As part of the agreement to acquire certain subsidiaries, we may be obligated to pay contingent consideration should the acquired entity meet certain earnings objectives subsequent to the date of acquisition. As of the acquisition date, contingent consideration is recorded at fair value as determined through the use of a probability-based scenario analysis approach. Under this approach, a set of potential future subsidiary earnings is estimated based on various revenue growth rate assumptions for each scenario. A probability of likelihood is then assigned to each potential future earnings estimate and the resultant contingent consideration is calculated and discounted using a weighted average discount rate. The fair value is measured each reporting period subsequent to the acquisition date and any changes are recorded within cost and operating expenses within our consolidated statement of income. Changes in either the revenue growth rates, related earnings or the discount rate could result in a material change to the amount of the contingent consideration accrued.

Goodwill and Intangible Assets

Goodwill is subject to a review for impairment at least annually. We perform an annual review of goodwill for impairment during the fourth quarter and whenever events or other changes in circumstances indicate that the carrying value may not be fully recoverable. We estimate the fair value of our reporting units using a weighting of fair values derived from the income approach and market approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on our estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on a weighted average cost of capital adjusted for the relevant risk associated with the characteristics of the business and the projected cash flows.

In the second quarter of 2020, due to the significant decline in our market capitalization as well as an overall stock market decline amid market volatility as a result of the COVID-19 pandemic, we performed an interim impairment test utilizing a quantitative assessment approach. Based on the assessment, our VSE Aviation reporting unit was determined to be impaired and a \$30.9 million impairment charge was recognized. This impairment charge resulted from changes to estimates and assumptions of the expected future cash flows for the reporting unit, which were adversely impacted by reduced global air travel and decreased passenger miles caused by the COVID-19 pandemic. As of the most recent annual goodwill impairment testing date in the fourth quarter of 2020, for which a qualitative assessment approach was utilized, it was determined that it is more likely than not that the fair value of our reporting units exceeded their carrying value. As described in our 2020 Form 10-K, there was uncertainty surrounding the macroeconomic factors impacting the VSE Aviation reporting unit and a downturn in these factors or a change in the long-term revenue growth or profitability for this reporting unit could increase the likelihood of a future impairment.

Our VSE Aviation reporting unit had approximately \$144 million of goodwill as of June 30, 2021. The goodwill balance of this reporting unit continues to be at risk for future impairment for the reasons discussed above.

We performed a quarterly assessment to identify potential indicators of impairment for each of our reporting units during the second quarter of 2021. Based on our assessment performed, we did not identify any impairment indicators for any reporting unit during the second quarter of 2021 and determined that it was not more likely than not that the carrying value of any of the reporting units exceeded their respective fair values. We will continue to closely monitor the operational performance of these reporting units and the impacts of COVID-19 on the fair value of goodwill.

We also review our long-lived assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. During the second quarter of 2021, we performed a quarterly assessment to identify potential indicators of impairment of the long-lived assets with finite lives. Based on our assessment, we did not identify any impairment indicators during the second quarter of 2021 that may indicate that the carrying amount of long-lived assets may not be recoverable.

As of June 30, 2021, we had no intangible assets with indefinite lives and we had an aggregate of approximately \$238 million of goodwill associated with our acquisitions.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. This method also requires the recognition of future tax benefits, such as net operating loss and capital loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured 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 income in the period that includes the enactment date.

The carrying value of net deferred tax assets is based on assumptions regarding our ability to generate sufficient future taxable income to utilize these deferred tax assets.

Recently Issued Accounting Pronouncements

For a description of recently announced accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see "Recently Issued Accounting Pronouncements" in Note (11) of the Notes to our Unaudited Consolidated Financial Statements in Item 1 of this report.

Results of Operations

The following discussion of our Results of Operations and Liquidity and Capital Resources includes a comparison of the second quarter of 2021 to the second quarter of 2020, and the first six months of 2021 to the first six months of 2020.

	Three months ended June 30,		Six months ended June 30,		Change	
	2021	2020	2021	2020	Three Months	Six Months
Revenues	\$ 175,112	\$ 168,715	\$ 340,093	\$ 346,133	\$ 6,397	\$ (6,040)
Costs and operating expenses	187,826	156,213	343,204	317,469	31,613	25,735
Loss on sale of a business entity and certain assets	—	(678)	—	(8,214)	678	8,214
Gain on sale of property	—	—	—	1,108	—	(1,108)
Goodwill and intangible asset impairment	—	(33,734)	—	(33,734)	33,734	33,734
Operating loss	(12,714)	(21,910)	(3,111)	(12,176)	9,196	9,065
Interest expense, net	2,666	3,072	5,696	6,558	(406)	(862)
Loss before income taxes	(15,380)	(24,982)	(8,807)	(18,734)	9,602	9,927
Provision for income taxes	(3,014)	(2,358)	(1,552)	558	(656)	(2,110)
Net loss	\$ (12,366)	\$ (22,624)	\$ (7,255)	\$ (19,292)	\$ 10,258	\$ 12,037

Quarter Ended June 30, 2021 Compared to Quarter Ended June 30, 2020

Revenues

Our revenues increased approximately \$6.4 million or 3.8% for the second quarter of 2021 compared to the same period for the prior year. The increase in revenues resulted from an increase in our Aviation segment of approximately \$15.3 million, a decrease in our Fleet segment of approximately \$13.2 million, and an increase in our Federal and Defense segment of approximately \$4.3 million. See "Segment Operating Results" for a breakdown of our results of operations by segment.

Costs and Operating Expenses

Our costs and operating expenses increased approximately \$31.6 million or 20.2% for the second quarter of 2021 compared to the same period for the prior year. The increase in the second quarter of 2021 was primarily attributable to the effects of an inventory reserve which increased the cost and operating expenses by \$24.4 million. The inventory reserve increase was primarily due to excess quantities of inventory at levels higher than our updated forecasts of future demand. The continued effects of the COVID-19 pandemic on commercial air travel for our region specific distribution programs, entered into prior to 2019, resulted in lowered demand assumptions. Costs and operating expenses for 2020 included an expense reduction of approximately \$1.7 million associated with the valuation of an acquisition related earn-out obligation.

Loss on Sale of a Business Entity and Certain Assets

Loss on sale of a business entity and certain assets of \$678 thousand is comprised of the difference between the carrying value on our books of our CT Aerospace subsidiary's inventory and the sale price of the inventory upon sale in the second quarter of 2020.

Goodwill and Intangible Asset Impairment

Goodwill and intangible asset impairment of \$33.7 million is comprised of a charge to write down the carrying value of our Aviation businesses due to an anticipated decline in demand for these services caused by the global aviation industry downturn associated with the COVID-19 pandemic and a charge to write down the carrying value of CT Aerospace related intangible assets that were determined to have no residual value or ongoing future cash flows due to the sale of all the subsidiary's inventory.

Operating Loss

Our operating loss decreased approximately \$9.2 million or 42.0% for the second quarter of 2021 compared to the same period for the prior year. Operating income increased approximately \$12.1 million for our Aviation segment, decreased approximately \$3.0 million for our Fleet segment, and increased approximately \$227 thousand for our Federal and Defense segment.

Interest Expense

Interest expense decreased approximately \$406 thousand for the second quarter of 2021 compared to the same period for the prior year due to a decrease in our average amounts borrowed.

Provision for Income Taxes

Our effective tax rate was 19.6% for the second quarter of 2021 and 9.4% for the same period of 2020. Our tax rate is affected by discrete items that may occur in any given year but may not be consistent from year to year. Permanent differences such as foreign derived intangible income ("FDII") deduction, capital gains tax treatment, state income taxes, certain federal and state tax credits and other items caused differences between our statutory U.S. Federal income tax rate and our effective tax rate. The higher effective tax rate for the second quarter of 2021 primarily resulted from: 1) goodwill impairment loss recognized in 2020 that was not deductible for tax purposes, and 2) larger book loss in 2020 compared to the same period in 2021.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Revenues

Our revenues decreased approximately \$6.0 million or 1.7% for the first six months of 2021 compared to the same period for the prior year. The decrease in revenues resulted from an increase in our Aviation segment of approximately \$1.6 million, a decrease in our Fleet segment of approximately \$11.6 million, and an increase in our Federal and Defense segment of \$4.0 million. See "Segment Operating Results" for a breakdown of our results of operations by segment.

Costs and Operating Expenses

Our costs and operating expenses increased approximately \$25.7 million or 8.1% for the first six months of 2021 compared to the same period for the prior year. Costs and operating expenses for our operating segments increase and decrease in conjunction with the level of business activity and revenues generated by each segment. The increase was mainly attributable to the effects of COVID-19 on the valuation of inventory reserve which increased costs and operating expenses by \$24.4 million. The inventory reserve increase was primarily due excess quantities of inventory at levels higher than our updated forecasts of future demand. The continued effects of the COVID-19 pandemic on commercial air travel for our region specific distribution programs, entered into prior to 2019, resulted in lowered demand assumptions. Costs and operating expenses for 2020 included approximately \$1.4 million of earn-out adjustment expense.

Loss on Sale of a Business Entity and Certain Assets

Loss on sale of a business entity and certain assets of \$8.2 million in 2020 is comprised of (1) the difference between the carrying value on our books for our Prime Turbines, LLC business and the sale price upon divestiture, plus the difference between the carrying value on our books of inventory sold that is used to support the operations of our divested Prime Turbines, LLC business and the sale price of the inventory upon divestiture, and (2) the difference between the carrying value on our books of our CT Aerospace subsidiary's inventory and the sale price of the inventory upon sale in the second quarter of 2020.

Gain on Sale of Property

Gain on sale of property in 2020 is comprised of \$1.1 million associated with the sale of a Miami, Florida real estate holding.

Goodwill and Intangible Asset Impairment

Goodwill and intangible asset impairment of \$33.7 million is comprised of a charge to write down the carrying value of our Aviation businesses due to an anticipated decline in demand for these services caused by the global aviation industry downturn associated with the COVID-19 pandemic and a charge to write down the carrying value of CT Aerospace related intangible assets that were determined to have no residual value or ongoing future cash flows due to the sale of all the subsidiary's inventory.

Operating Loss

Our operating loss decreased approximately \$9.1 million or 74% for the first six months of 2021 compared to the same period for the prior year. Operating income increased approximately \$13.7 million for our Aviation segment, decreased approximately \$4.2 million for our Fleet segment, and increased approximately \$328 thousand for our Federal and Defense segment.

Interest Expense

Interest expense decreased approximately \$862 thousand for the first six months of 2021 compared to the same period for the prior year due to a decrease in our average amounts borrowed.

Provision for Income Taxes

Our effective tax rate was 17.6% for the first six months of 2021 and (3.0)% for the same period of 2020. Our tax rate is affected by discrete items that may occur in any given year but may not be consistent from year to year. Permanent differences such as foreign derived intangible income ("FDII") deduction, capital gains tax treatment, state income taxes, certain federal and state tax credits and other items caused differences between our statutory U.S. Federal income tax rate and our effective tax rate. The higher effective tax rate for the first six months of 2021 primarily resulted from 1) a significantly higher tax loss than book loss in connection with our sale of Prime Turbines stock and a full valuation allowance established in 2020 to offset the capital loss due to a lack of anticipated capital gain income in the carryforward period, 2) goodwill impairment loss recognized in 2020 that was not deductible for tax purposes, and 3) larger book loss in 2020 compared to the same period in 2021.

Segment Operating Results

Aviation Segment Results

The results of operations for our Aviation segment are (in thousands):

	Three months ended June 30,		Six months ended June 30,		Change	
	2021	2020	2021	2020	Three Months	Six Months
Revenues	\$ 47,515	\$ 32,221	\$ 91,886	\$ 90,301	\$ 15,294	\$ 1,585
Costs and operating expenses	69,787	32,196	114,490	85,728	37,591	28,762
Loss on sale of a business entity and certain assets	—	(678)	—	(8,214)	678	8,214
Gain on sale of property	—	—	—	1,108	—	(1,108)
Goodwill and intangible impairment	—	(33,734)	—	(33,734)	33,734	33,734
Operating loss	\$ (22,272)	\$ (34,387)	\$ (22,604)	\$ (36,267)	\$ 12,115	\$ 13,663
Loss percentage	(46.9)%	(106.7)%	(24.6)%	(40.2)%		

Revenues for our Aviation segment increased approximately \$15.3 million or 47% for the second quarter of 2021 compared to the second quarter of 2020. The revenue growth is primarily attributable to improved domestic demand within the distribution and repair markets and revenue contributions from recently initiated distribution contract wins. The increases in revenue were partially offset by the divestiture of all of CT Aerospace inventory in June 2020. Revenues for CT Aerospace was approximately \$1.0 million for the second quarter of 2020. Revenues for our Aviation segment non-divested businesses increased approximately \$16.3 million or 52.2% for the second quarter of 2021 compared to the same period of the prior year.

Costs and operating expenses increased approximately \$37.6 million or 117% for the second quarter of 2021 compared to the second quarter of 2020 due to improved demand for our products and services and a \$23.7 million additional inventory valuation reserve recognized in the second quarter of 2021. Costs and operating expenses for this segment included expenses for amortization of intangible assets associated with acquisitions, allocated corporate costs, and a reduction in expense for valuation adjustments to accrued earn-out obligations associated with acquisitions. Expense for amortization of intangible assets was approximately \$2.1 million for the second quarter of 2021 and approximately \$2.2 million for the second quarter of 2020. Allocated corporate costs were approximately \$1.8 million for the second quarter of 2021 and approximately \$0.9 million for the second quarter of 2020. There was no expense for earn-out valuation adjustments for the second quarter of 2021 compared to earn-out valuation adjustment expense of approximately \$1.7 million for the second quarter of 2020.

Loss on sale of a business entity and certain assets of \$678 thousand for the second quarter of 2020 is comprised of the difference between the carrying value on our books of CT Aerospace inventory and the sale price of the inventory upon sale in the second quarter of 2020.

The goodwill and intangible asset impairment of \$33.7 million for the second quarter and the first six months of 2020 is comprised of a charge to write down the goodwill carrying value of our Aviation businesses due to an anticipated decline in demand for these services caused by the global aviation industry downturn associated with the COVID-19 pandemic and a charge to write down the carrying value of CT Aerospace related intangible assets that were determined to have no residual value or ongoing future cash flows due to the sale of all the subsidiary's inventory.

Operating loss decreased approximately \$12.1 million or 35% for the second quarter of 2021 compared to the second quarter of 2020. Components of the change in operating loss included 1) an additional inventory reserve valuation of \$23.7 million in the second quarter of 2021, 2) the elimination of profits from our divested businesses in 2020 of approximately \$158 thousand for the second quarter of 2021, 3) a loss on the divestiture of CT Aerospace inventory in 2020 of \$678 thousand, and 4) a \$33.7 million goodwill and intangible asset impairment charge in 2020.

Revenues for our Aviation segment increased approximately \$1.6 million or 2% for the first six months of 2021 compared to the first six months of 2020. The revenue growth is primarily attributable to improved demand within the distribution and repair markets and revenue contributions from recently initiated distribution contract wins. The increases in revenue were partially offset by the divestiture of Prime Turbines in February of 2020 and the sale of all of CT Aerospace inventory in June 2020. We did not have revenue for these two divested businesses for the first six months of 2021 compared to combined revenues for these divested businesses of approximately \$8.9 million for the first six months of 2020. Revenues for our Aviation segment non-divested businesses increased approximately \$10.5 million or 12.9% for the first six months of 2021 compared to the first six months of 2020.

Costs and operating expenses increased approximately \$28.8 million or 34% for the first six months of 2021 compared to the first six months of 2020 due to improved demand for our products and services and a \$23.7 million additional inventory valuation reserve recognized in the second quarter of 2021. Costs and operating expenses for this segment included expenses for amortization of intangible assets associated with acquisitions, allocated corporate costs, and a reduction in expense for valuation adjustments to accrued earn-out obligations associated with acquisitions. Expense for amortization of intangible assets was approximately \$4.1 million for the first six months of 2021 compared to approximately \$4.6 million for the first six months of 2020. Allocated corporate costs were approximately \$3.8 million for the first six months of 2021, compared to approximately \$3.0 million for the first six months of 2020. There was no expense for earn-out valuation adjustments for the first six months of 2021 compared to earn-out valuation adjustment expense of approximately \$1.4 million for the first six months of 2020.

Loss on sale of a business entity and certain assets of \$8.2 million for the first six months of 2020 is comprised of the difference between the carrying value on our books for our Prime Turbines business and certain associated assets and the sale price upon divestiture in the first quarter of 2020, plus the difference between the carrying value on our books of CT Aerospace inventory and the sale price of the inventory upon sale in the second quarter of 2020.

Gain on sale of property for the first six months of 2020 is comprised of approximately \$1.1 million associated with the sale of a Miami, Florida real estate holding.

Operating loss decreased approximately \$13.7 million or 38% for the first six months of 2021 compared to the first six months of 2020. Components of the change in operating loss included 1) an additional inventory reserve valuation of \$23.7 million in the second quarter of 2021, 2) the elimination of profits from our divested businesses in 2020 of approximately \$1.3 million for the first six months of 2020, 3) a \$1.1 million gain on the sale of a real estate property in 2020, 4) a loss on the divestiture of Prime

Turbines and associated assets and the sale of CT Aerospace inventory in 2020 of \$8.2 million, and 5) a \$33.7 million goodwill and intangible asset impairment charge in 2020.

Fleet Segment Results

The results of operations for our Fleet segment are (in thousands):

	Three months ended June 30,		Six months ended June 30,		Change	
	2021	2020	2021	2020	Three Months	Six Months
Revenues	\$ 58,057	\$ 71,222	\$ 112,804	\$ 124,426	\$ (13,165)	\$ (11,622)
Costs and operating expenses	54,057	64,208	103,063	110,506	(10,151)	(7,443)
Operating income	\$ 4,000	\$ 7,014	\$ 9,741	\$ 13,920	\$ (3,014)	\$ (4,179)
Profit percentage	6.9 %	9.8 %	8.6 %	11.2 %		

Revenues for our Fleet segment decreased approximately \$13.2 million or 18% for the second quarter of 2021 compared to the second quarter of 2020. Revenues from commercial customers increased approximately \$9.1 million or 107%, driven by growth in our e-commerce fulfillment business. Revenues from sales to DoD customers decreased approximately \$0.4 million or 8%, and revenues from sales to other government customers decreased approximately \$21.9 million or 38% primarily due to a non-recurring \$19.5 million order for COVID-19 related supplies in the second quarter of 2020.

Costs and operating expenses decreased approximately \$10.2 million or 16%, primarily due to decreased revenues. Costs and operating expenses for this segment include expense for amortization of intangible assets associated with acquisitions and allocated corporate costs. Expense for amortization of intangible assets was approximately \$1.8 million for the second quarter of 2021 and approximately \$1.9 million for the second quarter of 2020. Expense for allocated corporate costs was approximately \$2.3 million for the second quarter of 2021 and approximately \$2.3 million for the second quarter of 2020.

Operating income decreased approximately \$3.0 million or 43% for the second quarter of 2021, primarily due to a change in the mix of products sold, including increased commercial customer revenues and a \$0.7 million inventory valuation reserve recognized in the second quarter of 2021.

Revenues for our Fleet segment decreased approximately \$11.6 million or 9% for the first six months of 2021 compared to the first six months of 2020. Revenues from commercial customers increased approximately \$14.7 million or 84.9%, driven by growth in our e-commerce fulfillment business. Revenues from sales to DoD customers decreased approximately \$1.9 million or 19.5%, and revenues from sales to other government customers decreased approximately \$24.5 million or 25.1% primarily due to a non-recurring \$19.5 million order for COVID-19 related supplies during the first six months of 2020.

Costs and operating expenses decreased approximately \$7.4 million or 7%, primarily due to decreased revenues. Costs and operating expenses for this segment include expense for amortization of intangible assets associated with acquisitions and allocated corporate costs. Expense for amortization of intangible assets was approximately \$3.5 million for the first six months of 2021 and approximately \$3.9 million for the first six months of 2020. Expense for allocated corporate costs was approximately \$4.6 million for the first six months of 2021 and approximately \$4.1 million for the first six months of 2020.

Operating income decreased approximately \$4.2 million or 30% for the first six months of 2021, primarily due to a change in the mix of products sold, including increased commercial customer revenues, an increase in allocated corporate costs, and a \$0.7 million inventory valuation reserve recognized in the second quarter of 2021.

Federal and Defense Segment Results

The results of operations for our Federal and Defense segment are (in thousands):

	Three months ended June 30,		Six months ended June 30,		Change	
	2021	2020	2021	2020	Three Months	Six Months
Revenues	\$ 69,540	\$ 65,272	\$ 135,403	\$ 131,406	\$ 4,268	\$ 3,997
Costs and operating expenses	62,541	58,500	123,379	119,710	4,041	3,669
Operating income	\$ 6,999	\$ 6,772	\$ 12,024	\$ 11,696	\$ 227	\$ 328
Profit percentage	10.1 %	10.4 %	8.9 %	8.9 %		

Revenues for our Federal and Defense segment increased approximately \$4.3 million or 7% and costs and operating expenses increased \$4.0 million or 7% for the second quarter of 2021 compared to the second quarter of 2020 primarily due to new revenues from the U.S. Air Force work performed by our HSS acquisition partially offset by declines in our U.S. Army work due to program completions.

Operating income was substantially unchanged compared to the second quarter of 2020.

Revenues for our Federal and Defense segment increased approximately \$4.0 million or 3% and costs and operating expenses increased \$3.7 million or 3% for the first six months of 2021 compared to the first six months of 2020 primarily due to revenue performance on our U.S. Department of Justice program and new revenues from the U.S. Air Force work performed by our HSS acquisition, partially offset by declines in our U.S. Army work due to program completions and a decline in our U.S. Navy work.

Operating income was substantially unchanged compared to the first six months of 2020.

Financial Condition

There has been no material adverse change in our financial condition in the second quarter of 2021. Our bank debt increased approximately \$23.5 million and we had \$140 million of unused bank loan commitments as of June 30, 2021. In February 2021, we completed an underwritten public offering of common stock, generating gross proceeds of approximately \$56 million and net proceeds of approximately \$52 million through the issuance of 1,599,097 shares of common stock. Changes to other asset and liability accounts were primarily due to our earnings; our level of business activity; the timing and level of inventory purchases to support new distribution programs, contract delivery schedules, and subcontractor and vendor payments required to perform our contract work; the timing of government contract funding awarded; and collections from our customers.

Liquidity and Capital Resources

Cash Flows

Cash and cash equivalents decreased approximately \$41 thousand during the first six months of 2021.

Cash used in operating activities was approximately \$54.0 million in the first six months of 2021 compared to cash provided by operating activities of approximately \$22.8 million in the same period of the prior year. The change was comprised of a reduction of approximately \$12.0 million in net loss, a decrease of approximately \$15.2 million in other non-cash operating activities and a decrease of approximately \$73.6 million due to changes in the levels of operating assets and liabilities.

Inventories and accounts receivable represent a significant amount of our assets, and accounts payable represent a significant amount of our operating liabilities. Cash used related to increases in inventory was approximately \$45.2 million, cash used related to increases in receivables and unbilled receivables was approximately \$21.9 million, and cash used by decreases in accounts payable and deferred compensation was approximately \$8.0 million for the first six months of 2021. The increased cash outflow related to increases in inventory levels over the prior year were primarily due to increased investment in new inventory to support recent distribution program wins and program launches within our Aviation segment. A significant portion of accounts receivable and accounts payable result from the use of subcontractors to perform work on our contracts and from the purchase of materials and inventory to fulfill contract obligations and distribution agreements. Accordingly, our levels of accounts receivable and accounts payable may fluctuate depending on the timing of material and inventory purchases, services ordered, product sales, government funding delays, the timing of billings received from subcontractors and materials vendors, and the timing of payments.

received for services. Such timing differences have the potential to cause significant increases and decreases in our inventory, accounts receivable, and accounts payable in short time periods, and accordingly, can cause increases or decreases in our cash provided by operations. We have recently experienced and expect to continue to experience delays in some of our Aviation segment receivables as a result of the COVID-19 economic down-turn.

Cash used in investing activities was approximately \$18.8 million in the first six months of 2021 compared to cash provided by investing activities of approximately \$21.3 million in the same period of the prior year. In 2021 approximately \$14.8 million was used for the acquisition of HSS. In 2020 approximately \$22.3 million was provided by proceeds from the divestiture of our Prime Turbines business and CT Aerospace inventory and the sale of a Miami, Florida real estate holding. Other cash used in investing activities consisted primarily of purchases of property and equipment. Other cash provided by investing activities consisted primarily of proceeds from payments on notes receivable in connection with the divestiture of Prime Turbines and sale of CT Aerospace inventory.

Cash provided by financing activities was approximately \$72.7 million in the first six months of 2021 compared to cash used in financing activities of approximately \$44.7 million in the same period of 2020. In 2021, we received approximately \$52.0 million in proceeds from the February 2021 public offering of our common stock, net of underwriters' discounts and issuance costs. In 2020, approximately \$31.7 million was used for the payment of an earn-out obligation in connection with the acquisition of our 1st Choice Aerospace subsidiary in 2019. Other financing activities consisted primarily of borrowing and repayment of debt and payment of dividends.

We paid cash dividends totaling approximately \$2.1 million or \$0.18 per share in the first six months of 2021. Pursuant to our bank loan agreement, our payment of cash dividends is subject to annual restrictions. We have paid cash dividends each year since 1973.

Liquidity

Our internal sources of liquidity are primarily from operating activities, specifically from changes in our level of revenues and associated inventory, accounts receivable and accounts payable, and from profitability. Significant increases or decreases in revenues and inventory, accounts receivable and accounts payable can affect our liquidity. Our inventory and accounts payable levels can be affected by the timing of large opportunistic inventory purchases and by distributor agreement requirements. Our accounts receivable and accounts payable levels can be affected by changes in the level of contract work we perform, by the timing of large materials purchases and subcontractor efforts used in our contracts, and by delays in the award of contractual coverage and funding and payments. Government funding delays can cause delays in our ability to invoice for revenues earned, presenting a potential negative impact on our days sales outstanding.

We also purchase property and equipment; invest in expansion, improvement, and maintenance of our operational and administrative facilities; and invest in the acquisition of other companies.

We have considered the effects of the COVID-19 pandemic on our liquidity and capital resources, and we currently do not expect a material adverse impact on our ability to meet future liquidity needs. See "COVID-19 Discussion-Capital, Financial Resources, Credit Losses, and Liquidity" and Item 1A, "Risk Factors" of our 2020 Form 10-K for additional details regarding risks related to the impact of COVID-19 on our liquidity and capital resources. As discussed in greater detail below, under the terms of our existing loan agreement, we are required to maintain certain financial covenants. The COVID-19 pandemic has disrupted the demand for our Aviation segment products and services and further disruption is possible. Accordingly, we amended our existing loan agreement with our banks in the second quarter of 2021 to provide increased financial covenant flexibility.

Our external financing consists of a loan agreement with a bank group that expires in January 2023. The loan agreement includes a term loan facility and a revolving loan facility. The revolving loan facility provides for revolving loans and letters of credit.

The term loan requires quarterly installment payments. Our required term loan payments after June 30, 2021 are approximately \$11.3 million in 2021, \$22.5 million in 2022, and \$33.9 million in 2023. The amount of term loan borrowings outstanding as of June 30, 2021 was \$67.7 million.

The maximum amount of credit available to us under our loan agreement for revolving loans and letters of credit as of June 30, 2021 was \$350 million. We pay an unused commitment fee and fees on letters of credit that are issued. We had approximately \$209.3 million in revolving loan amounts outstanding and \$803 thousand of letters of credit outstanding as of June 30, 2021.

Under the loan agreement we may elect to increase the maximum availability of the term loan facility, the revolving loan facility, or a combination of both facilities, subject to customary lender commitment approvals. The aggregate limit of incremental increases is \$100 million.

We pay interest on the term loan borrowings and revolving loan borrowings at LIBOR plus a base margin or at a base rate (typically the prime rate) plus a base margin. The applicable LIBOR rate has a floor of 0.75%. As of June 30, 2021, the LIBOR base margin was 2.25% and the base rate base margin was 1.00%. The base margins increase or decrease in steps as our Total Funded Debt to EBITDA Ratio increases or decreases.

We use interest rate hedges on a portion of our debt. As of June 30, 2021, interest rates on portions of our outstanding debt ranged from 3.00% to 5.61%, and the effective interest rate on our aggregate outstanding debt was 3.44%.

The loan agreement contains collateral requirements to secure our loan agreement obligations, restrictive covenants, a limit on annual dividends, and other affirmative and negative covenants, conditions and limitations. The restrictive covenants require that we maintain a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00 and a maximum Total Funded Debt to EBITDA Ratio that varies over future periods as indicated in the table below. We were in compliance with required ratios and other terms and conditions as of June 30, 2021. We continue to monitor the impacts of COVID-19 on our results of operations and liquidity relative to compliance with financial covenants; at this time, we expect that we will remain in compliance with such covenants over the next twelve months.

Testing Period	Maximum Total Funded Debt to EBITDA Ratio
First Amendment Effective Date (November 26, 2019) through and including March 31, 2020	3.50 to 1.00
From April 1, 2020 through and including September 30, 2020	4.00 to 1.00
From October 1, 2020 through and including March 31, 2021	4.25 to 1.00
From April 1, 2021 through and including June 30, 2021	4.00 to 1.00
From July 1, 2021 through and including September 30, 2021	3.75 to 1.00
From October 1, 2021 through and including December 31, 2021	3.50 to 1.00
From January 1, 2022 and thereafter	3.25 to 1.00

We currently do not use public debt security financing.

Bank Loan Amendment

On July 23, 2021, we entered into a third amendment to our loan agreement which, among other things, extended the maturity dates with respect to the revolving credit facility and term loan facility to July 23, 2024, lowered the applicable LIBOR rate floor to 0.50%, and modified the maximum Total Funded Debt to EBITDA Ratio as indicated in the table below.

Testing Period	Maximum Total Funded Debt to EBITDA Ratio
From July 23, 2021 through and including December 31, 2021	4.50 to 1.00
From January 1, 2022 through and including June 30, 2022	4.25 to 1.00
From July 1, 2022 through and including September 30, 2022	4.00 to 1.00
From October 1, 2022 through and including December 31, 2022	3.75 to 1.00
From January 1, 2023 through and including March 31, 2023	3.50 to 1.00
From April 1, 2023 and thereafter	3.25 to 1.00

After the amendment, our required quarterly amortization payments on our term loan will be \$3.75 million.

Inflation and Pricing

Most of our contracts provide for estimates of future labor costs to be escalated for any option periods, while the non-labor costs in our contracts are normally considered reimbursable at cost. Our property and equipment consist principally of land, buildings and improvements, shop and warehouse equipment, computer systems equipment, and furniture and fixtures. We do not expect

the overall impact of inflation on replacement costs of our property and equipment to be material to our future results of operations or financial condition.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Disclosures About Market Risk

Interest Rates

Our bank loan agreement provides available borrowing to us at variable interest rates. Accordingly, future interest rate changes could potentially put us at risk for a material adverse impact on future earnings and cash flows. To mitigate the risks associated with future interest rate movements we have employed interest rate hedges to fix the rate on a portion of our outstanding borrowings for various periods.

In February 2019, we entered into a LIBOR based interest rate swap on our revolving loan for a term of three years with a notional amount of \$75 million. This swap amount decreases in increments on an annual basis to \$45 million for the second year and to \$25 million for the third year. We pay an effective interest rate of 2.805% plus our base margin on the debt matched to this swap.

In March 2020, we entered into a LIBOR based interest rate swap on our revolving loan for a term of two years with a notional amount of \$50 million. We pay an effective interest rate of 0.73% plus our base margin on the debt matched to this swap.

LIBOR is used as a reference rate for borrowings under our loan agreement and related interest rate swap agreements. LIBOR is expected to be phased out in the future, and the option to select some LIBOR tenors may no longer be available under our loan agreement after December 31, 2021. Other LIBOR tenors, including those that we most commonly use, may no longer be available under our loan agreement after June 30, 2023. In connection with our loan amendment in July 2021, language was added to the agreement to provide procedures for determining a replacement or alternative rate in the event that LIBOR becomes unavailable. At this time, there is no definitive information regarding the future transition of LIBOR to a replacement rate; however, we continue to monitor the developments with respect to the potential discontinuance of LIBOR and intend to work with our bank group to minimize the impact of such discontinuance on our financial condition and results of operations. The consequences of the discontinuance of LIBOR cannot be entirely predicted but could result in an increase in our variable rate debt.

VSE CORPORATIONS AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risks

See "Disclosures About Market Risk" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

As of the end of the period covered by this report, based on management's evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the second quarter of fiscal 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the previously disclosed risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 ("2020 Form 10-K"). The risk factors disclosed in our 2020 Form 10-K should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and should not be considered the only risks to which we are exposed.

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

We did not purchase any of our equity securities during the period covered by this report.

VSE's loan agreement prohibits VSE from paying cash dividends, except that if there is no event of default, no act, event or condition that would constitute an event of default with the giving of notice or the passage of time, or both, and no covenant breach would occur giving effect to the payment of the dividend, VSE may pay cash dividends that do not exceed \$6 million in the aggregate in any fiscal year.

Item 6. Exhibits

(a) Exhibits

Exhibit 10.1	<u>Third Amended and Restated Business Loan and Security Agreement dated July 23, 2021 among VSE Corporation and its wholly owned subsidiaries, Citizens Bank N.A. and certain other banks.</u>
Exhibit 31.1	<u>Section 302 CEO Certification</u>
Exhibit 31.2	<u>Section 302 CFO and PAO Certification</u>
Exhibit 32.1	<u>Section 906 CEO Certification</u>
Exhibit 32.2	<u>Section 906 CFO and PAO Certification</u>
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Document
Exhibit 104	The cover page from this Quarterly Report on Form 10-Q, formatted in inline XBRL.

Pursuant to the requirements of the Exchange Act, VSE has omitted all other items contained in "Part II. Other Information" because such other items are not applicable or are not required if the answer is negative or because the information required to be reported therein has been previously reported.

VSE CORPORATION AND SUBSIDIARIES

SIGNATURES

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

VSE CORPORATION

Date: July 29, 2021

By: /s/ John A. Cuomo
John A. Cuomo
Director, Chief Executive Officer and President
(Principal Executive Officer)

Date: July 29, 2021

By: /s/ Stephen D. Griffin
Stephen D. Griffin
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXECUTION VERSION

THIRD AMENDMENT TO FOURTH AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT

THIS THIRD AMENDMENT TO FOURTH AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT (this “Third Amendment”), dated as of July 23, 2021, by and among VSE Corporation, a Delaware corporation (“VSE”; and together with each other Borrower party hereto, collectively, the “Borrowers”), the Lenders (as hereinafter defined) party hereto, and Citizens Bank, N.A., as administrative agent (as successor by merger to Citizens Bank of Pennsylvania) (in such capacity, the “Administrative Agent”) for the Lenders.

WITNESSETH:

WHEREAS, the Borrowers, the Administrative Agent and certain banks and financial institutions from time to time party thereto (the “Lenders”) are parties to that certain Fourth Amended and Restated Business Loan and Security Agreement, dated as of January 5, 2018 (as amended by that certain First Amendment to Fourth Amended and Restated Business Loan and Security Agreement, dated as of November 26, 2019, that certain Second Amendment to Fourth Amended and Restated Business Loan and Security Agreement, dated as of June 29, 2020 and as further amended, restated, amended and restated, supplemented or otherwise modified and in effect prior to the date hereof, the “Existing Credit Agreement”; the Existing Credit Agreement as amended by this Third Amendment, the “Credit Agreement”; unless otherwise defined herein, capitalized terms used herein that are not otherwise defined herein shall have the respective meanings assigned to such terms in the Credit Agreement);

WHEREAS, the Borrowers have requested that the Lenders amend certain provisions of the Existing Credit Agreement;

WHEREAS, the Lenders are, subject to the terms and conditions of this Third Amendment, willing to make such amendments to the Existing Credit Agreement; and

WHEREAS, in accordance with the terms of the Existing Credit Agreement, the Administrative Agent, the Borrowers and the Lenders agree that the Existing Credit Agreement is hereby, subject to the terms and conditions of this Third Amendment, amended as provided below.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

1. Amendments to the Existing Credit Agreement. From and after the Third Amendment Effective Date:

a. the Existing Credit Agreement is amended pursuant to this Third Amendment to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement (including Exhibits 3 and 5 of the Credit Agreement) attached as Exhibit A to this Third Amendment.

b. Except as set forth in clause (a) above, all other Exhibits and Schedules to the Existing Credit Agreement shall not be amended, modified, supplemented or otherwise affected.

2. Conditions Precedent to Effectiveness. This Third Amendment shall become effective (the “Third Amendment Effective Date”) upon satisfaction of the following conditions:

a. Executed Third Amendment. The Administrative Agent shall have received counterparts of this Third Amendment, executed by a duly authorized officer of each Borrower, the Administrative Agent and the Lenders.

b. Fees and Expenses.

i. All fees and expenses required to be paid on the Third Amendment Effective Date pursuant to this Third Amendment shall have been paid, to the extent, with respect to such expenses, documented in reasonable detail at least one (1) Business Day prior to the Third Amendment Effective Date (or such shorter period as may be reasonably agreed to by the Borrowers), including, without limitation, the reasonable and documented legal fees and expenses of external counsel to the Administrative Agent.

ii. The Borrowers shall have paid, or caused to be paid, the fees set forth in that certain Fee Letter, dated as of the date hereof (the “Third Amendment Fee Letter”), among the Administrative Agent and the Borrowers, as and to the extent required by the Third Amendment Fee Letter.

iii. The Administrative Agent shall have received from the Borrowers, for the account of each Lender that executes and delivers a Third Amendment signature page to the Administrative Agent by 12:00 p.m. (EST) on or before July 21, 2021 (each such Lender, a “Consenting Lender”, and collectively, the “Consenting Lenders”), an amendment fee in an amount equal to 12.5 basis points on (A) the Revolving Facility Commitment Amount of such Consenting Lender, (B) the outstanding principal amount of the Initial Term Loans held by such Consenting Lender and (C) the outstanding principal amount of the First Amendment Term Loans held by such Consenting Lender.

3. Representations and Warranties. Each Borrower hereby represents and warrants to the Administrative Agent and each Lender as follows:

a. the execution, delivery and performance by each of the Borrowers of this Third Amendment has been duly authorized by all necessary corporate or limited liability company, as applicable, action, and do not and will not:

(i) violate any provision of the organizational documents of such Borrower or any other VSE Entity;

(ii) violate any provision of any law or any governmental rule or regulation applicable to such Borrower or any other VSE Entity, or any order, judgment, decree or order of any court or other Government Authority binding on such Borrower or any other VSE Entity; or

(iii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Material Contract of such Borrower or any other VSE Entity other than those that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

b. each Borrower has all requisite corporate, partnership or limited liability company power and authority to enter into this Third Amendment and to perform its respective obligations under this Third Amendment and the Credit Agreement;

c. this Third Amendment has been duly executed and delivered by each Borrower that is a party hereto and is the legally valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or the availability of equitable remedies;

d. no Event of Default has occurred or is continuing, and no act, event or condition has occurred and is continuing which with notice or the lapse of time, or both, would constitute an Event of Default; and

e. the representations and warranties of such Borrower contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects (without duplication of any materiality qualifier therein) as of the date of this Agreement, except to the extent such representations and warranties relate to an earlier date in which case such representations and warranties are true and correct in all material respects (without duplication of any materiality qualifier therein) as of such earlier date.

4. No Modification. Except as expressly set forth herein, nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents or constitute a course of conduct or dealing among the parties. Except as expressly stated herein, the Administrative Agent and Lenders reserve all rights, privileges and remedies under the Loan Documents. Except as amended or consented to hereby, the Credit Agreement and other Loan Documents remain unmodified and in full force and effect. All references in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby. This Third Amendment shall constitute a Loan Document.

5. Counterparts. This Third Amendment may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Third Amendment by facsimile transmission or electronic transmission shall be as effective as delivery of a manually executed counterpart hereof.

6. Successors and Assigns. The provisions of this Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that, except as permitted by the Credit Agreement, none of the Borrowers may assign or transfer any of its rights or obligations under this Third Amendment without the prior written consent of the Administrative Agent.

7. Governing Law. This Third Amendment shall be governed by, and construed in accordance with, the internal laws of the Commonwealth of Virginia (without regard to the conflicts of laws principles thereof).

8. Severability. The illegality or unenforceability of any provision of this Third Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Third Amendment or any instrument or agreement required hereunder.

9. Captions. The captions and headings of this Third Amendment are for convenience of reference only and shall not affect the interpretation of this Third Amendment.

10. Reaffirmation. Each of the Borrowers as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Borrower grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and (ii) to the extent such Borrower granted liens on or security interests in any of its property pursuant to any such Loan Document as security for or otherwise guaranteed the Borrowers' Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each of the Borrowers hereby consents to this Third Amendment and acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. The execution of this Third Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or Lenders, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

11. EBITDA Acknowledgment. Each of the Lenders acknowledges and approves the non-cash non-recurring charges in the aggregate amount of \$24,000,000 as an addback to EBITDA pursuant to clause (e) of the definition thereof for the fiscal quarter ended June 30, 2021.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, each of the undersigned has executed this Third Amendment as of the date set forth above.

BORROWERS:

VSE CORPORATION, a Delaware corporation

By: /s/ Stephen Griffin

Name: Stephen Griffin
Title: Chief Financial Officer

ENERGETICS INCORPORATED, a Maryland corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

AKIMEKA, LLC, a Hawaii limited liability company

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

WHEELER FLEET SOLUTIONS, CO., a Pennsylvania corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

VSE INTERNATIONAL CORP., a Delaware corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

KANSAS AVIATION OF INDEPENDENCE, L.L.C., a Kansas limited liability company

By: VSE AVIATION, INC., as Managing Member

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

CT AEROSPACE LLC, a Texas limited liability company

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

VSE AVIATION, INC., a Delaware corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

VSE AVIATION, INC., a Florida corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

1ST CHOICE AEROSPACE, INC, an Ohio corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

1ST CHOICE AEROSPACE, INC, a Florida corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer

ULTRA SEATING COMPANY, a Texas corporation

By: /s/ Tarang Sharma

Name: Tarang Sharma
Title: Treasurer__

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

CITIZENS BANK, N.A., as Administrative Agent

By: /s/ Jonathan Bassett
Name: Jonathan Bassett
Title: Director

CITIZENS BANK, N.A., as a Lender

By: /s/ Jonathan Bassett
Name: Jonathan Bassett
Title: Director

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

CIT BANK,N.A., as a Lender

By: /s/ Fernando Rizzo

Name: Fernando Rizzo

Title: Director

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

CITY NATIONAL BANK, as a Lender

By: /s/ Maria A. Josephs
Name: Maria A. Josephs
Title: Senior Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

CAPITAL ONE, NATIONAL ASSOCIATION, as a Lender

By: /s/ William Panagis
Name: William Panagis
Title: Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

HSBC BANK USA, NATIONAL ASSOCIATION, as a Lender

By: /s/ Chris Burns
Name: Chris Burns
Title: Senior Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

MANUFACTURERS AND TRADERS TRUST COMPANY, as a Lender

By: /s/ R. Mark Swaak
Name: R. Mark Swaak
Title: Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

PNC BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Eric H. Williams
Name: Eric H. Williams
Title: Senior Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

TD BANK, N.A., as a Lender

By: /s/ Lawrence C. Deihle
Name: Lawrence C. Deihle
Title: Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

TRUIST BANK, as a Lender

By: /s/ Anika Kirs
Name: Anika Kirs
Title: Director

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

LENDERS:

WELLS FARGO BANK, NA., as a Lender

By: /s/ Rebecca A. Ray
Name: Rebecca A. Ray
Title: Senior Vice President

[Signature Page to Third Amendment to Fourth Amended and Restated Business Loan and Security Agreement]

Exhibit A

AMENDMENTS TO THE EXISTING CREDIT AGREEMENT

FOURTH AMENDED AND RESTATED
BUSINESS LOAN AND SECURITY AGREEMENT

dated as of January 5, 2018

by and among

VSE CORPORATION and other
“Borrower” parties hereto from time to time, collectively as Borrowers,

CITIZENS BANK, NATIONAL ASSOCIATION,
and certain other “Lender” parties hereto from time to time, collectively as Lenders,

CITIZENS BANK, NATIONAL ASSOCIATION,
as Administrative Agent

MANUFACTURERS AND TRADERS TRUST COMPANY, PNC BANK, NATIONAL ASSOCIATION and SUNTRUST BANK,
as Co-Syndication Agents

CAPITAL ONE, NATIONAL ASSOCIATION,
as Documentation Agent

and

CITIZENS BANK, NATIONAL ASSOCIATION,
as Sole Lead Arranger and Sole Book Running Manager

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FOURTH AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT

THIS FOURTH AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT is executed as of January 5, 2018, and is by and among (a) CITIZENS BANK, NATIONAL ASSOCIATION (AS SUCCESSOR BY MERGER TO CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank), together with its successors and assigns ("Citizens Bank"), acting in the capacity of Lender, Swing Line Lender, and as Administrative Agent for the Lenders; (b) certain other "Lender" parties to this Fourth Amended and Restated Business Loan and Security Agreement from time to time; (c) VSE CORPORATION, a Delaware corporation, and certain other "Borrower" parties to this Fourth Amended and Restated Business Loan and Security Agreement from time to time; and (d) CITIZENS BANK, NATIONAL ASSOCIATION, as sole and exclusive lead arranger and sole and exclusive book running manager.

WITNESSETH THAT:

WHEREAS, pursuant to a certain Third Amended and Restated Business Loan and Security Agreement dated as of January 28, 2015 (as heretofore amended, modified or restated from time to time, the "Existing Loan Agreement") by and among certain of the Borrowers, the Administrative Agent and certain of the Lenders, certain of the Borrowers obtained loans and certain other financial accommodations (collectively, the "Existing Loan") from certain of the Lenders in the original aggregate maximum principal amount of Three Hundred Million and No/100 Dollars (\$300,000,000.00);

WHEREAS, on the Restatement Date, the Borrowers, the Administrative Agent and the Lenders agreed to further increase the aggregate maximum principal amount of the Existing Loan from Three Hundred Million and No/100 Dollars (\$300,000,000.00) to Four Hundred Million and No/100 Dollars (\$400,000,000.00), subject to further increase (or reduction) as specified herein, and amend and restate the Existing Loan Agreement, in its entirety, as hereinafter provided; and

WHEREAS, on the First Amendment Effective Date, the Borrowers have requested, and the Lenders have agreed, to provide to the Borrowers (i) a new term loan in an aggregate principal amount equal to One Hundred Twenty-Three Million Three Hundred Thousand and No/100 Dollars (\$123,300,000.00) that will be used, in part, refinance in full the term loan as in effect immediately prior to the First Amendment Effective Date and (ii) additional revolving loan commitments in an aggregate principal amount equal to Fifty Million and No/100 Dollars (\$50,000,000.00).

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree, represent and warrant as follows:

CERTAIN DEFINITIONS

For the purposes of this Fourth Amended and Restated Business Loan and Security Agreement, the terms set forth below shall have the following definitions:

"Account Debtor" shall mean any Person who is indebted to one (1) or more of the Borrowers for the payment of any Receivable.

"Accounts" shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: (a) all accounts receivable, other receivables, book debts and other forms of obligations (including any such obligations that may be characterized as an account or contract right under the UCC, but excluding forms of obligations evidenced by Chattel Paper, or Instruments), (b) all rights in, to

and under all purchase orders or receipts for goods or services, (c) all rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered in connection with any other transaction (whether or not yet earned by performance), (e) all "health care insurance receivables", as such term is defined in the UCC and (f) all collateral security of any kind, given by any Person with respect to any of the foregoing.

"ADA" shall have the meaning attributed to such term in Section 5.14(a) of this Agreement.

"Additional Base Rate Interest Margin" shall be the percentage as calculated and determined pursuant to Section 1.4(b) of this Agreement and Exhibit 7 attached hereto.

"Additional Libor Interest Margin" shall be the percentage as calculated and determined pursuant to Section 1.4(b) of this Agreement and Exhibit 7 attached hereto.

"Administrative Agent" shall mean Citizens Bank or any of its affiliates, acting in its capacity as agent for the Lenders, or any successor Administrative Agent appointed pursuant to Section 10.10 of this Agreement.

"Affiliate" shall mean, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such Person, or which owns, directly or indirectly, ten percent (10%) or more of the outstanding equity interests of any Person.

"Affirmative Covenant" shall mean any affirmative or similar obligation, agreement or covenant (other than a Negative Covenant) made by the Borrowers set forth in this Agreement or in any other Loan Document.

"Agreement" or **"Loan Agreement"** shall mean this Fourth Amended and Restated Business Loan and Security Agreement, together with the schedules and exhibits attached hereto from time to time, and any and all amendments or modifications of this Fourth Amended and Restated Business Loan and Security Agreement or the schedules and exhibits attached hereto from time to time.

"Aircraft Object" shall have the meaning provided for the term "aircraft object" in the Cape Town Treaty.

"All-In Yield" means, as to any Indebtedness, the yield thereof, whether in the form of interest rate, margin, original issue discount, upfront or commitment fees paid to the lenders thereof, a LIBOR Rate or Base Rate floor (with such increased amount being equated to interest margins for purposes of determining any increase to the Applicable Interest Rate), or otherwise; *provided* that original issue discount and upfront or commitment fees paid to lenders shall be equated to interest rate assuming a 4-year life to maturity (or, if less, the stated life to maturity at the time of its incurrence of the applicable Indebtedness); and *provided, further*, that "All-In Yield" shall not include arrangement fees, structuring fees or underwriting or similar fees paid solely to arrangers for or underwriters of such Indebtedness.

"Alternative Currency" means Euro, Sterling (the lawful currency of the United Kingdom) and, solely with respect to the issuances of Letters of Credit, each other currency (other than Dollars) that is approved in accordance with The Interpretive Provisions Section of this Agreement.

"Alternative Currency Loan" means a revolving Loan made to a Borrower pursuant to this Agreement in an Alternative Currency.

“Anti-Corruption Laws” means any and all laws, rules and regulations of any jurisdiction applicable to any and all VSE Entities from time to time concerning or relating to bribery or corruption.

“Applicable Indebtedness” shall have the meaning attributed to such term in the definition of “Weighted Average Life to Maturity”.

“Applicable Interest Rate” shall mean, as applicable (based upon whether the Loan was advanced under the Term Facility, Revolving Facility, or Swing Line Facility) and as of any particular date of determination, (a) the LIBOR Lending Rate, plus the applicable Additional Libor Interest Margin, (b) the Base Rate, plus the applicable Additional Base Rate Interest Margin, or (c) the Swing Line Rate, plus the applicable Additional Libor Interest Margin, in each case, as more particularly set forth in Section 1.4 of this Agreement and Exhibit 7 attached hereto. However, if at any time, the interest rate payable pursuant to this Loan Agreement shall exceed the maximum rate of interest that may be charged under Applicable Laws, then the interest rate payable hereunder shall be reduced to the maximum percentage that may be lawfully charged under Applicable Laws.

“Applicable Laws” shall mean any and all federal, state or local laws, ordinances, statutes, rules or regulations to which any VSE Entity or the property of any VSE Entity is subject, whether domestic or international.

“Authorization” shall mean a written authorization in the form of Exhibit 10 attached hereto.

“Available Tenor” shall mean, as of any date of determination and with respect to the then-current Benchmark, as applicable, any tenor for such Benchmark or payment period for interest calculated with reference to such Benchmark, as applicable, that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Exhibit 3 attached hereto.

“Bail-In Action” shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” shall mean, 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 for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Base Rate” shall mean the highest of (a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (b) the prime commercial lending rate of the Administrative Agent, as established from time to time at its principal U.S. office and made publicly available (which such rate is an index or base rate and will not necessarily be its lowest or best rate charged to its customers or other banks) and (c) the sum of the applicable LIBOR rate for a one month interest period, as of any applicable date of determination, plus the difference between the Additional Libor Interest Margin for LIBOR Rate Loans and the Additional Base Rate Interest Margin for Base Rate Loans; provided, that if the Base Rate is less than 0.00%, it shall be deemed equal to 0.00%. Any loan bearing interest at the Base Rate is referred to herein as a “Base Rate Loan”.

“Base Rate Loan” has the meaning attributed to such term in the definition of “Base Rate”.

“Benchmark” shall mean, initially, USD LIBOR; provided that if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to USD LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Exhibit 3 attached hereto.

“Benchmark Replacement” shall mean, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Administrative Agent for the applicable Benchmark Replacement Date:

(1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Primary Operating Company as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion. If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“Benchmark Replacement Adjustment” shall mean, with respect to any replacement of the then- current Benchmark with an Unadjusted Benchmark Replacement for any applicable Interest Period and Available Tenor for any setting of such Unadjusted Benchmark Replacement:

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by the Administrative Agent:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that has been selected or recommended by the Relevant Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for the applicable Corresponding Tenor;

(b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Benchmark for the applicable Corresponding Tenor; and

(2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Primary Operating Company for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar- denominated syndicated credit facilities;

provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Administrative Agent in its reasonable discretion.

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

“Benchmark Replacement Date” shall mean the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein; or
- (3) in the case of an Early Opt-in Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election is provided to the Lenders, written notice of objection to such Early Opt-in Election from Lenders comprising the Required Lenders.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” shall mean the occurrence of one or more of the following events with respect to the then-current Benchmark:

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

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

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

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

“**Benchmark Unavailability Period**” shall mean the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Exhibit 3 attached hereto and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Exhibit 3 attached hereto.

“**Beneficial Ownership Certification**” shall mean a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“**Beneficial Ownership Regulation**” shall mean 31 C.F.R. § 1010.230.

“**Bid and Performance Bond Limit**” shall mean Seven Million Five Hundred Thousand and No/100 Dollars (\$7,500,000.00).

“**Blocked Person**” shall mean any Person described in Section 1 of the Anti-Terrorism Order (Executive Order No. 13224).

“**Board**” shall mean the Board of Governors of the Federal Reserve System.

“**Borrower**” and “**Borrowers**” shall mean, individually or collectively, as the context may require, one or more of the following VSE Entities: the Primary Operating Company, the Foreign Borrowers, the entities listed on Schedule A-1 attached hereto, and each other VSE Entity which, as of any date of determination, is a “Borrower” party to this Agreement and/or, as applicable, the other Loan Documents.

“**Business Day**” shall mean (a) any day which is neither a Saturday or Sunday nor a legal holiday or a day on which commercial banks are authorized or required to be closed in New York City; (b) when such term is used to describe a day on which a borrowing, payment, prepaying, or repaying is to be made in respect of any LIBOR Rate Loan, any day which is: (i) neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in New York City; and (ii) a London Banking Day; and (c) when such

term is used to describe a day on which an interest rate determination is to be made in respect of any LIBOR Rate Loan, any day which is a London Banking Day.

“**Cape Town Treaty**” means The Convention on International Interest in Mobile Equipment, concluded in Cape Town, South Africa on November 16, 2001 (utilizing the English-language version thereof) together with *The Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment*, concluded in Cape Town, South Africa, on November 16, 2001 (utilizing the English-language version thereof).

“**Capital Lease Obligations**” of any Person shall mean all 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.

“**CERCLA**” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601et seq.).

“**Change of Control**” means the occurrence of any of the following: (i) with respect to the Primary Operating Company (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of forty-five percent (45%) or more of the issued and outstanding Voting Stock of the Primary Operating Company, or (b) during any period of twenty-four (24) consecutive calendar months, individuals who, at the beginning of such period, constituted the board of directors of the Primary Operating Company (together with any new directors whose election by the board of directors of the Primary Operating Company or whose nomination for election by the stockholders of the Primary Operating Company was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose elections or nomination for election was previously so approved) cease for any reason (other than death or disability) to constitute a majority of the directors then in office, and (ii) with respect to every other VSE Entity, the Primary Operating Company shall cease to beneficially own and control, directly or indirectly, one hundred percent (100%), on a fully diluted basis, of the economic and voting interests in the capital stock of such VSE Entity, except in connection with a transaction not otherwise prohibited hereunder.

“**Chattel Paper**” shall have the meaning attributed to such term by the UCC, and shall include “electronic chattel paper” and “tangible chattel paper”, as such terms are defined in the UCC, whether now or hereafter existing.

“**Citizens Bank**” shall have the meaning set forth in the preamble of this Agreement.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended and as in effect from time to time.

“**Collateral**” shall have the meaning attributed to such term in Section 3.1 of this Agreement.

“**Collateral Account**” shall have the meaning attributed to such term in Article 8 of this Agreement.

“**Commercial Contract**” shall mean any written contract to which a VSE Entity is a party (other than a Government Contract or Government Subcontract) which gives rise or may give rise to Receivables.

“**Commercial Tort Claims**” shall have the meaning attributed to such term by the UCC, and shall include any and all claims now existing or hereafter arising in tort with respect to which (a) the claimant is an organization, or (b) the claimant is an individual and the claim (i) arose in the course of the claimant’s business or profession, and (ii) does not include damages arising out of personal injury to or death of any individual.

“Commitment Amount” shall mean Five Hundred Million and No/100 Dollars (\$500,000,000.00), on the First Amendment Effective Date; provided, however, that for purposes of making any calculation under this Agreement, the term “Commitment Amount” shall mean, as of any other date of determination, an amount equal to the sum of (a) the Revolving Facility Commitment Amount, plus (b) the aggregate outstanding principal balance of the Term Facility owing to the applicable Lender(s), and plus (c) the aggregate amount of all Incremental Revolving Facility Commitments and/or Incremental Term Facility Commitments established prior to and remaining in effect as of such date of determination.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Contribution Agreement” shall mean that certain Second Amended and Restated Contribution Agreement dated of even date herewith, by and among the Borrowers, and delivered by the Borrowers to the Administrative Agent prior to or simultaneously with their execution and delivery of this Agreement or a Joinder Agreement (as the case may be), together with any and all permitted amendments and modifications thereof.

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

“CT Aerospace Sale” shall mean the sale of substantially all of the assets of CT Aerospace, LLC, a Texas limited liability company pursuant to that certain Asset Purchase Agreement, to be dated on or about June 26, 2020, between VSE Aviation, Inc., a Delaware corporation, as seller and Legacy Turbines, LLC, as buyer.

“Daily Simple SOFR” shall mean, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for syndicated business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

“Data Breach” shall mean any unauthorized or unlawful access and/or use of Personal Information.

“Defaulting Lender” shall mean, subject to Section 10.16 of this Agreement, any Lender that, as determined by the Administrative Agent, (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans or participations in respect of Letters of Credit or Swing Line Loans, within three (3) Business Days of the date required to be funded by it hereunder, other than with respect to a good faith dispute; (b) has notified the Borrowers and the Administrative Agent that it does not intend or expect to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or under other agreements in which it commits to extend credit, other than with respect to a good faith dispute; (c) has failed, within three (3) Business Days after request by the Administrative Agent, to confirm in a manner satisfactory to the Administrative Agent that it will comply with its funding obligations, other than with respect to a good faith dispute; or (d) has, or has a direct or indirect parent company that has, after the Restatement Date, (i) become the subject of a proceeding under any Applicable Law for the relief of debtors, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; 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 Government; or (iv) become the subject of a Bail-in Action; provided, that, in each case upon the Administrative Agent having knowledge that any Lender is a Defaulting Lender, the Administrative Agent shall promptly notify the Borrowers in writing.

“Default Rate” shall mean, as of any date of determination, the sum of the Base Rate, plus the Additional Base Rate Interest Margin, plus two percent (2.00%) per annum.

“Deposit Accounts” shall have the meaning attributed to such term by the UCC, and shall include any and all demand, time, savings, passbook or similar account(s) from time to time established and maintained with a bank.

“Documents” shall have the meaning attributed to such term by the UCC, and shall include any and all documents of any type and nature, whether now or hereafter existing.

“Dollar”, “Dollars” and “\$” shall mean the lawful money of the United States, and as the context may require in accordance with this Agreement, shall also mean the Dollar Equivalent of any Alternative Currency.

“Dollar Equivalent” means, at any time, (a) with respect to any amount denominated in U.S. Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in Dollars as determined by the Administrative Agent or the LC Issuer, as the case may be, at such time on the basis of the Spot Rates (determined in respect of the most recent Revaluation Date) for the purchase of Dollars with such Alternative Currency.

“e-mail” shall have the meaning attributed to such term in Section 12.3 of this Agreement.

“Early Opt-in Election” shall mean, if the then-current Benchmark is USD LIBOR, the occurrence of:

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

(2) the joint election by the Administrative Agent and the Primary Operating Company to trigger a fallback from USD LIBOR and the provision by the Administrative Agent of written notice of such election to the Lenders.

“EBITDA” shall mean, with respect to the VSE Entities for any period of determination, the sum of their (a) net profit (or loss) determined in accordance with GAAP consistently applied, plus (b) net interest expense and income tax provisions for such period, to the extent deducted in the calculation of net profit (or loss) plus (c) depreciation and amortization of assets for such period, to the extent deducted in the calculation of net profit (or loss), plus (d) non-cash stock compensation that does not represent a reserve for future cash payments, to the extent deducted in the calculation of net profit (or loss), plus (e) non-cash non-recurring charges that do not represent a reserve for future cash payments, as approved in writing by the Administrative Agent prior to the next due date of the particular Compliance Certificate as required under Sections 6.3(c) of this Agreement, minus (f) any non-cash gains to the extent included in Net Income. EBITDA shall be determined on a rolling basis, based on the four (4) consecutive Fiscal Quarters then ended. EBITDA from any Permitted Acquisitions will be included on a pro forma basis as such amounts may be deemed acceptable to the Administrative Agent in its sole but reasonable discretion. EBITDA shall be calculated giving pro forma effect for any disposed, abandoned or discontinued operations (excluding held-for-sale discontinued operations until actually disposed of).

“EEA Financial Institution” shall mean (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) and/or (b) of this definition and is subject to consolidated supervision with its parent.

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

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

“Eligible Assignee” shall mean any Lender who is not a Defaulting Lender, an Affiliate of any Lender who is not a Defaulting Lender, a Federal Reserve Bank or any other “Qualified Institutional Buyer”, as such term is defined under Rule 144(A), promulgated under the Securities Act of 1933, as amended, any national or state banking institution or, with respect to the Term Loans, any other financial institution that purchases or makes loans in the ordinary course of business.

“Equalization Payments” shall have the meaning attributed to such term in Section 10.13(a) of this Agreement.

“Equipment” shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

“ERISA” shall have the meaning attributed to such term in Section 5.13(a) of this Agreement.

“ERISA Affiliate” shall mean with respect to any Borrower, any Person which, together with such Borrower, is under common control, constitutes a member of such Borrower’s controlled group, constitutes a member of such Borrower’s affiliated service group or is otherwise required to be treated as a single employer with such Borrower pursuant to Sections 4001(a)(14) or (b) of ERISA and/or Sections 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended.

“Erroneous Payment” shall have the meaning attributed to such term in Section 10.19(a) of this Agreement.

“Erroneous Payment Deficiency Assignment” shall have the meaning attributed to such term in Section 10.19(d) of this Agreement.

“Erroneous Payment Impacted Class” shall have the meaning attributed to such term in Section 10.19(d) of this Agreement.

“Erroneous Payment Return Deficiency” shall have the meaning attributed to such term in Section 10.19(d) of this Agreement.

“Erroneous Payment Subrogation Rights” shall have the meaning attributed to such term in Section 10.19(d) of this Agreement.

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

“**Euro**” means the lawful currency of the participating member states introduced in accordance with the legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency.

“**Event of Default**” shall have the meaning attributed to such term in Section 9.1 of this Agreement.

“**Excess Cash Event**” shall mean (a) any sale or disposition of any of the assets of any VSE Entity which (i) is not in the ordinary course of business and results in net cash proceeds, when combined with any and all other asset dispositions (other than Inventory sales in the ordinary course of business) that have occurred during the same Fiscal Year, in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), in the aggregate; *provided*, that within 365 days of any such non-ordinary course sale or disposition, the Borrowers shall be permitted to reinvest or commit to reinvest the net cash proceeds arising therefrom in assets used or useful in the business; *provided, further* that any such net cash proceeds must be reinvested no later than 180 days after the end of such 365-day period or (ii) is prohibited by the terms and conditions of this Agreement; (b) the issuance by any VSE Entity after the date of this Agreement of debt securities or other debt obligations (other than in connection with the Obligations and other Indebtedness permitted pursuant to Section 7.7(a) of this Agreement); (c) the receipt by or on behalf of any VSE Entity of insurance proceeds (other than insurance recoveries for business interruption loss, workers compensation or damage to tangible property, which (i) with respect to any of the foregoing insurance losses, do not exceed Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00), individually or in the aggregate, and (ii) with respect to insurance recoveries for damage(s) to tangible property, are promptly applied toward repair or replacement of the damaged property); and (d) the reversion of any pension plan assets. Notwithstanding the foregoing, the CT Aerospace Sale shall not constitute an Excess Cash Event.

“**Excluded Swap Obligation**” shall mean, with respect to any obligor, any Swap Obligation if, and to the extent that, all or a portion of the guaranty or liability of such obligor of such Swap Obligation (or any guaranty thereof) is or becomes illegal under or otherwise violates the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such obligor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty or liability of such obligor becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or liability is or becomes illegal.

“**Existing Loan**” shall have the meaning attributed to such term in the recitals to this Agreement.

“**Existing Loan Agreement**” shall have the meaning attributed to such term in the recitals to this Agreement.

“**Facility**” or “**Facilities**” shall mean the Revolving Facility, the Term Facility, or the Swing Line Facility, individually or collectively, as the context may require.

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

“**Federal Funds Rate**” shall mean, for any day, the rate per annum (rounded upward to the nearest 1/8 of 1%) determined by the Administrative Agent to be the rate per annum announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight Federal Funds transactions on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the “Federal Funds Effective Rate” as of the date hereof; provided that if such Federal Reserve

Bank (or its successor) does not announce such rate on any day, the “Federal Funds Effective Rate” for such day shall be the Federal Funds Rate for the last day on which such rate was announced.

“**Fee Letter**” shall mean that certain letter dated November 1, 2017 from the Administrative Agent to the Primary Operating Company relating to the Loan, which shall specifically survive and not be superseded by the execution and delivery of this Agreement.

“**Financial Product Provider**” shall mean any Lender party to this Agreement who, as of any applicable date of determination, is owed Permitted Financial Product Obligations.

“**First Amendment**” shall mean that certain First Amendment to Credit Agreement, dated as of the First Amendment Effective Date, by and among the Borrowers, the Lenders party thereto and the Administrative Agent.

“**First Amendment Effective Date**” shall mean November 26, 2019.

“**First Amendment Term Loans**” shall have the meaning set forth in Section 1.1.

“**First Choice Earn-outs**” shall mean the earn-out obligations required to be paid by the VSE Entities pursuant to the acquisition of 1st Choice Aerospace Inc, a Florida corporation and 1st Choice Aerospace Inc., an Ohio corporation, in an aggregate amount not to exceed (a) \$40,000,000 during the Fiscal Year ending December 31, 2020 and (b) during the Fiscal Year ending December 31, 2021, an amount equal to \$40,000,000 less the amount of any such earn-out payments paid in the Fiscal Year ending December 31, 2020.

“**Fiscal Quarter**” shall mean any quarterly period designated by the VSE Entities as a fiscal quarter for financial accounting purposes.

“**Fiscal Year**” shall mean any annual period designated by the VSE Entities as a fiscal year for financial accounting purposes.

“**Fixed Charge Coverage Ratio**” shall have the meaning attributed to such term in Section 6.15(b) of this Agreement.

“**Floor**” shall mean the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to the LIBOR Lending Rate

“**Foreign Borrower**” and “**Foreign Borrowers**” shall mean, as of any date of determination and individually or collectively (as the context may require), any Borrower not incorporated, formed or organized within the United States, and listed on Schedule A-2 attached hereto.

“**Foreign Borrower Loan Request**” shall have the meaning attributed to such term in Section 1.3 of this Agreement.

“**Foreign Subsidiary**” and “**Foreign Subsidiaries**” shall mean, as of any date of determination and individually or collectively (as the context may require), each and every Subsidiary of a VSE Entity that is not (a) incorporated, formed or organized within the United States, or (b) a Foreign Borrower.

“**GAAP**” shall mean generally accepted accounting principles.

“**General Intangibles**” shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: all right, title and interest in, to or under any contract, all “payment intangibles”, as such term is defined by the UCC, customer lists, licenses, copyrights,

trademarks, patents, and all applications therefor and reissues, extensions or renewals thereof, rights in intellectual property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any trademark or trademark license), all rights and claims in, to or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged stock and investment property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including all tapes, cards, computer runs and other papers and documents.

“Goods” shall have the meaning attributed to such term by the UCC, and shall include any and all Goods whether now or hereafter existing.

“Governmental Authority” shall mean the government of the United States of America 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).

“Government” shall mean the United States government, any state government, any local government, any department, instrumentality or any agency of the United States government, any state government or any local government.

“Government Contract Assignments” shall have the meaning attributed to such term in Section 6.11 of this Agreement.

“Government Contract” and **“Government Contracts”** shall mean, individually or collectively as the context may require, (a) written contracts between any VSE Entity and the Government and (b) written subcontracts between any VSE Entity and a Prime Contractor which is providing goods or services to the Government pursuant to a written contract with the Government if the subcontract relates only to the scope of work being provided to the Government pursuant to the above-referenced written contract with the Government (a **“Government Subcontract”**).

“Government Subcontract” shall have the meaning attributed to such term under the definition of **“Government Contract”**.

“Hazardous Substance” shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, pollutants or contaminants as defined in CERCLA, HMTA, RCRA or any other applicable environmental law, rule, order or regulation.

“Hazardous Wastes” shall mean, without limitation, all waste materials subject to regulation under CERCLA, RCRA or analogous state law, or any other applicable federal and/or state law now in force or hereafter enacted relating to hazardous waste treatment or disposal.

“Healthcare and Dependent Care Accounts” shall mean those accounts listed on Schedule E attached hereto (and any future accounts meeting the following criteria) which: (i) are used by the VSE Entities solely for purposes of deposits and distributions for healthcare and dependent care benefits payable to employees of such VSE Entities in the ordinary course of business; and (ii) are not subject to any liens or encumbrances (other than Permitted Liens).

“Hedging Contracts” shall mean interest rate swap agreements (as defined in 11 U.S.C. Section 101), interest rate cap agreements and interest rate collar agreements, or any other agreements or arrangements entered into between any Borrower and the Administrative Agent, a Lender or an Affiliate thereof from time to time and designed to protect such Borrower against fluctuations in interest rates or currency exchange rates.

“Hedging Obligations” shall mean all present and future liabilities, repayment obligations and other obligations of any and all of the Borrowers to the Administrative Agent, a Lender or an Affiliate thereof under Hedging Contracts.

“HMTA” shall mean the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 5101 et seq.).

“Incremental Facility Assumption Agreement” shall mean an Incremental Facility Assumption Agreement in the form and substance of Exhibit 9 attached hereto.

“Incremental Revolving Facility Commitment” shall mean the commitment of any Lender, established pursuant to Section 1.8 of this Agreement, to make additional Revolving Loans available to the Borrowers after the Restatement Date.

“Incremental Revolving Facility Commitment Amount” shall mean, as of any date of determination, (a) with respect to any Incremental Revolving Facility Lender, the aggregate maximum amount of all Incremental Revolving Facility Commitments of such Incremental Revolving Facility Lender then in effect, and (b) with respect to all Incremental Revolving Facility Lenders, the aggregate maximum amount of all Incremental Revolving Facility Commitments of such Incremental Revolving Facility Lenders then in effect.

“Incremental Revolving Facility Lender” shall mean, as of any date of determination, a Lender with an Incremental Revolving Facility Commitment then in effect.

“Incremental Revolving Facility Upfront Fee” shall have the meaning attributed to such term in Section 1.7(a) of this Agreement.

“Incremental Term Facility Commitment” shall mean the commitment of any Lender, established pursuant to Section 1.9 of this Agreement, to make additional Term Loans available to the Borrowers after the Restatement Date.

“Incremental Term Facility Commitment Amount” shall mean, as of any date of determination, (a) with respect to any Incremental Term Facility Lender, the aggregate maximum amount of all Incremental Term Facility Commitments of such Incremental Term Facility Lender then in effect, and (b) with respect to all Incremental Term Facility Lenders, the aggregate maximum amount of all Incremental Term Facility Commitments of such Incremental Term Facility Lenders then in effect. The Incremental Term Facility Commitment Amount of each Incremental Term Facility Lender will be reduced to Zero Dollars (\$0) and the Incremental Term Facility Commitment of any such Lender will no longer be in effect from and after the funding of the additional Term Loans reflected by such outstanding Incremental Term Facility Commitments.

“Incremental Term Facility Lender” shall mean, as of any date of determination, a Lender with an Incremental Term Facility Commitment then in effect.

“Incremental Term Facility Upfront Fee” shall have the meaning attributed to such term in Section 1.7(a) of this Agreement.

“Indebtedness” shall mean, without duplication, and as of the date on which Indebtedness is to be determined, (a) Indebtedness for borrowed money or for the deferred purchase price of property or services, (b) any obligations in respect of letters of credit, banker’s or other acceptances or similar obligations, (c) Lease Obligations

with respect to Capital Lease Obligations, (d) all liabilities secured by any lien on any property owned by a Person, to the extent attached to such Person's interest in such property, even though such Person has not assumed or become personally liable for the payment thereof, (e) obligations of third parties which are being guaranteed or indemnified against by a Person or which are secured by the property of a Person, (f) any obligation under an employee stock ownership plan or other similar employee benefit plan, (g) any obligation to a multi-employer plan, and (h) any obligations, liabilities or indebtedness, contingent or otherwise, under or in connection with, any Hedging Obligations; but excluding trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue (as determined in accordance with customary trade practices) or which are being disputed in good faith and for which adequate reserves are being provided in accordance with GAAP.

"Initial Term Loans" shall mean the term loans originally made to the Borrowers on the Restatement Date in an initial aggregate amount of \$100,000,000.

"Instrument" shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: all certificates of deposit, and all "promissory notes," as such term is defined by the UCC, and other evidences of indebtedness (other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper).

"Interest Payment Date" shall mean, (a) as to any Loan other than a Base 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 a LIBOR Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (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.

"Interest Period" shall mean, relative to any LIBOR Rate Loans (other than Swing Line Loans), (a) initially, the period beginning on (and including) the date on which such LIBOR Rate Loan is made or continued as, or converted into, a LIBOR Rate Loan pursuant to this Agreement (including Exhibit 3 attached hereto) and the Notes and ending on (but excluding) the day which numerically corresponds to such date one (1), two (2), three (3) or six (6) months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in each case as the Borrowers may select in its notice pursuant to this Agreement (including Exhibit 3 attached hereto) and the Notes; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Rate Loan and ending one (1), two (2), three (3) or six (6) months thereafter, as selected by the Borrowers by irrevocable notice to the Administrative Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto. 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.

"Inventory" shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: all inventory, merchandise, goods and other personal property for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, or materials or supplies of any kind, nature or description used or consumed or to be used or consumed or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software.

"Investment Property" shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: (a) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, United States Treasury obligations, certificates of deposit, and mutual fund shares; (b) all Security Entitlements, including the rights to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (c) all securities accounts; (d) all commodity contracts; and (e) all commodity accounts.

“ISDA Definitions” shall mean the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

“Joinder Agreement” shall have the meaning attributed to such term in Section 1.11 of this Agreement.

“LC Issuer” shall mean Citizens Bank or any additional or successor LC Issuer which has been appointed by Citizens Bank and has accepted such appointment. The LC Issuer may resign at any time by giving thirty (30) days prior written notice thereof to the Administrative Agent, subject to appointment of a successor LC Issuer (and such appointees acceptance of appointment) as above provided.

“Lead Arranger” shall mean Citizens Bank, National Association, as sole and exclusive lead arranger and sole and exclusive book running manager.

“Lease Obligations” of any Person shall mean all 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.

“Lender” and **“Lenders”** shall mean, respectively, each and all of the banking or financial institutions which, as of any date of determination, have (a) extended credit or agreed to extend credit to the Borrowers pursuant to this Agreement, or (b) agreed in writing to be bound by the terms and conditions of this Agreement. With respect to any security interest granted by any Borrower to the Administrative Agent for the benefit of the Lenders, the term “Lender” or “Lenders” shall also include any Affiliate of a Lender that is, as of any particular date of determination, a counterparty with a Borrower under a Hedging Contract.

“Letter of Credit” and **“Letters of Credit”** shall mean, respectively, each and all of the commercial or standby letters of credit issued pursuant to this Agreement.

“Letter of Credit Administration Fee” shall have the meaning attributed to such term in Section 2.3 of this Agreement.

“Letter of Credit Application” shall have the meaning attributed to such term in Section 2.1 of this Agreement.

“Letter of Credit Fee” shall have the meaning attributed to such term in Section 2.3 of this Agreement.

“Letter of Credit Rights” shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: any right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, but specifically excludes any right of a beneficiary to demand payment or performance under a letter of credit.

“LIBOR” or **“LIBOR Rate”** shall mean, relative to any LIBOR Interest Period, the rate per annum determined by the Administrative Agent to be the arithmetic average of the London Interbank Offered Rates administered by the ICE Benchmark Administration (or any Person that takes over administration of such rate) for deposits in Dollars for a duration equal to or comparable to the duration of such Interest Period which appear on the relevant Bloomberg page (or such other commercially available source providing quotations of the London Interbank Offered Rates for deposits in Dollars as may be designated by the Administrative Agent from time to time) at or about 11:00 a.m. (London time) on the Quotation Day for such Interest Period; provided that if such rate is not available at such time for any reason, then the “LIBOR Rate” with respect to such Loan for such period shall

be the Interpolated Screen Rate, where applicable. Each calculation by the Administrative Agent of the LIBOR Rate hereunder shall be conclusive and binding on the parties hereto for all purposes, absent clearly manifest error. Notwithstanding the foregoing, for purposes of this Agreement, the LIBOR Rate shall at no time be less than 0.50% per annum. Any loan bearing interest at LIBOR (other than a Base Rate Loan for which interest is determined by reference to LIBOR) is referred to herein as a “LIBOR Rate Loan”.

“**LIBOR Election Form and Certification**” shall mean the form of Exhibit 2 attached hereto.

“**LIBOR Lending Rate**” shall mean, relative to any LIBOR Rate Loan to be made, continued or maintained as, or converted into, a LIBOR Rate Loan for any Interest Period, a rate per annum determined pursuant to the following formula:

$$\text{LIBOR Lending Rate} = \frac{\text{LIBOR Rate}}{(1.00 - \text{LIBOR Reserve Percentage})}$$

“**LIBOR Rate Loan**” shall have the meaning attributed to such term in the definition of “LIBOR”; *provided*, that (i) LIBOR Rate Loans may be denominated in Dollars or in an Alternative Currency and (ii) all Loans denominated in an Alternative Currency must be LIBOR Rate Loans.

“**LIBOR Reserve Percentage**” shall mean, relative to any day of any Interest Period for LIBOR Rate Loans, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board or other Government having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of “Eurocurrency Liabilities”, as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such Interest Period.

“**LIBOR Tranche**” shall mean the collective reference to LIBOR Rate Loans whose Interest Periods begin and end on the same day.

“**Loan**” and “**Loans**” shall mean, individually or collectively as the context may require, the loan and loans made by the Lenders to the Borrowers (including any loans made pursuant to an Incremental Revolving Facility Commitment and/or Incremental Term Facility Commitment) pursuant to the terms of this Agreement, that are represented by the Facilities and are evidenced by, bear interest and are payable in accordance with the terms and conditions of the Notes and this Agreement.

“**Loan Document**” and “**Loan Documents**” shall mean, respectively, each and all of this Agreement, the Notes, the Stock Security Agreement, the Membership Interest Assignment, the Fee Letter, any intellectual property security agreement, any mortgage, any aircraft security agreements and each other document, instrument, agreement or certificate heretofore, now or hereafter executed and delivered by any VSE Entity evidencing an Obligation or otherwise in connection with the Loan or this Agreement.

“**London Banking Day**” shall mean a day on which dealings in US dollar deposits are transacted in the London interbank market.

“**Losses**” shall have the meaning attributed to such term in Section 12.21 of this Agreement.

“**Mandatory Payment**” and “**Mandatory Payments**” shall mean, individually or collectively as the context may require, any and all mandatory payments required to be made on the Loan pursuant to Section 1.5 of this Agreement.

“**Material Adverse Effect**” shall mean (a) a material adverse change in, or a material adverse effect upon, the condition (financial or otherwise), operations, assets, business or properties of the VSE Entities taken as a

whole, (b) the effect of any action that would reasonably be expected to give rise to a material liability (direct or contingent) of the VSE Entities, taken as a whole, (c) a material impairment of the ability of the VSE Entities taken as a whole to perform their Obligations under this Agreement or any other Loan Document, or (d) a material adverse effect upon the Administrative Agent's or any Lender's rights and remedies under this Agreement or any other Loan Document or with respect to all or a substantial portion of the Collateral.

"Material Contract" and **"Material Contracts"** shall mean, as of any date of determination and individually or collectively as the context may require, any and all contracts or agreements to which a VSE Entity is a party and pursuant to which such VSE Entity (a) is or may be entitled to receive payment(s) in excess of Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00), in the aggregate, per annum, or (b) is obligated to make payment(s) or have any other obligation or liability thereunder in excess of Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00), in the aggregate, per annum.

"Material Foreign Subsidiary" shall mean, as of any date of determination, any Foreign Subsidiary which owns more than five percent (5%) of the consolidated assets of the VSE Entities, taken as a whole, or generates more than five percent (5%) of the consolidated revenues of the VSE Entities, taken as a whole. Any Foreign Subsidiary which does not, as of the Restatement Date, meet either of the foregoing thresholds, but subsequently meets either of the foregoing thresholds after the Restatement Date shall be deemed a "Material Foreign Subsidiary".

"Maturity Date" shall mean (a) with respect to the Revolving Facility and the Swing Line Facility, the earlier of July 23, 2024, or the date that all Loans outstanding under the Revolving Facility and/or the Swing Line Facility shall become due and payable in full hereunder, whether by acceleration or otherwise, (b) with respect to the Term Facility, July 23, 2024, or the date that all Loans outstanding under the Term Facility shall become due and payable in full hereunder, whether by acceleration or otherwise, or (c) such other date as may be agreed to by the Administrative Agent, the Lenders and the Borrowers in writing.

"Membership Interest Assignment" shall mean that certain Third Amended and Restated Assignment of Membership Interests as Collateral dated of even date herewith, entered into by the Primary Operating Company and certain of the other VSE Entities in favor of the Administrative Agent for the benefit of the Lenders ratably, as the same may be modified, amended or restated from time to time.

"Negative Covenants" shall mean any negative or similar restrictive covenant (including, without limitation, under Article 7) made by the Borrowers in this Agreement or in any other Loan Document.

"Net Cash" shall mean the cash proceeds (net of cash taxes paid and reasonable and customary costs paid to unrelated and unaffiliated third parties in connection with a particular transaction) arising from any Excess Cash Event.

"Net Income" shall mean with respect to the VSE Entities for any period of determination, the aggregate sum of all VSE Entities' gross revenues minus total expenses, as determined in accordance with GAAP.

"Non-Borrower Affiliate" shall mean, as of any applicable date of determination and individually or collectively (as the context may require), any Foreign Subsidiary that is not required to be joined as a Foreign Borrower hereto (as listed on Schedule A-3 attached hereto), and specifically excludes any Restricted Non-Borrower Affiliate.

"Non-Consenting Lender" shall have the meaning attributed to such term in Section 10.16 of this Agreement.

"Non-Defaulting Lender" shall mean, at any time, a Lender that is not a Defaulting Lender.

“Note” and **“Notes”** shall mean, respectively, each and all of the Revolver Notes, the Term Facility Notes, Swing Line Note and other promissory notes executed, issued and delivered pursuant to this Agreement, together with all extensions, renewals, modifications, replacements, increases and substitutions thereof and therefor.

“Obligation” and **“Obligations”** shall mean, respectively, any and all obligations or liabilities of any VSE Entity to any Lender or the Administrative Agent in connection with the Loan or this Agreement, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several or joint and several, and no matter how the same may be evidenced or shall arise (including any and all Hedging Obligations (other than Excluded Swap Obligations) and Hedging Contracts (whether provided by a Lender or an Affiliate of a Lender) to the extent they are intended to hedge interest rate or currency risk on the Loans, as well as any and all ACH exposure and other liabilities arising from cash management services provided by the Administrative Agent and/or the Swing Line Lender hereunder). Without limiting the foregoing, the term **“Obligations”** shall also include any and all Permitted Financial Product Obligations owing by any VSE Entity to any Financial Product Provider as of any applicable date of determination and the Erroneous Payment Subrogation Rights.

“OFAC” has the meaning attributed to such term in Section 5.24 of this Agreement.

“Ordinary Course Payments” shall mean payments made directly by any VSE Entity to another VSE Entity; provided that such payments are made (a) in the ordinary course of such VSE Entity’s business, (b) for products actually delivered or services actually performed, and (c) pursuant to an “arm’s length” transaction (i.e., a transaction that would otherwise be made with an unrelated and unaffiliated third party); it being understood and agreed that payments in respect of normal and customary salary, compensation and benefits, including reasonable severance amounts, for employees, officers and directors of a VSE Entity constitute **“Ordinary Course Payments”** except to the extent expressly prohibited or limited pursuant to this Agreement.

“Participant” shall have the meaning attributed to such term in Section 12.11(e) of this Agreement.

“Patriot Act” shall mean the U.S.A. Patriot Act (Title III of Pub. L. 107-56 (signed into law on October 26, 2001)), as amended.

“Payment Recipient” shall have the meaning attributed to such term in Section 10.19(a) of this Agreement.

“Pending Release Bonds” shall mean performance bonds related to bonded work that has been completed, but for which the bond has not yet been released by the Government due to timing differences and not as a result of a claim with respect thereto.

“Pension Plan” or **“Pension Plans”** shall have the meaning attributed to such term in Section 5.13(a) of this Agreement.

“Percentage” shall mean, as of any date of determination and with respect to each Lender, the percentage(s) corresponding to such Lender’s name on Schedule 1 in respect of the Revolving Facility Commitment Amount and/or the Swing Line Commitment Amount (as the context may require), as the same may be modified or amended from time to time, plus, for purposes of making any calculation under this Agreement, the percentage of the aggregate outstanding principal balance of the Term Facility owing to the applicable Lender(s), plus the percentage corresponding to such Lender of the aggregate amount of all Incremental Revolving Facility Commitments and/or Incremental Term Facility Commitments or outstanding Incremental Revolving Loans or Incremental Term Loans established prior to and remaining in effect as of such date of determination.

“Permitted Acquisition” shall mean any merger or acquisition that is (a) permitted pursuant to Section 7.1(e)(ii) of this Agreement, or (b) consummated in accordance with all of the terms and conditions of any

modification or amendment to this Agreement or consent letter specifically issued by the Administrative Agent, acting at the direction of the Required Lenders, for such merger or acquisition.

“Permitted Earn-outs” shall mean the First Choice Earn-outs and any other earn-outs to the extent such earn-outs are unsecured and may only be paid so long as no Event of Default shall have occurred and is continuing, and both before and after giving effect to any such payment, the VSE Entities shall be and remain in pro forma compliance with the financial covenants set forth in this Agreement (and no other default or Event of Default would result from the making of such payments).

“Permitted Financial Product Obligations” shall mean, as of any applicable date of determination, any and all fees, charges, debts, liabilities and obligations owing by any VSE Entity to any and all Financial Product Providers in connection with any cash management service, credit card facility or other bank product in an aggregate amount not to exceed Thirty Million and No/100 Dollars (\$30,000,000.00) outstanding at any time; it being understood and agreed that the aggregate amount of any and all Hedging Obligations and ACH exposure shall not be included in the foregoing calculation.

“Permitted Foreign Bank Accounts” shall mean any and all of the bank accounts described on Schedule B attached hereto, together with any and all other foreign bank accounts from time to time designated by the Borrowers to the Administrative Agent in writing pursuant to Section 6.3(c) of this Agreement; provided that each such bank account (a) has been established by and in the name of a Borrower, Foreign Borrower or Non-Borrower Affiliate, (b) is located outside of the United States of America, (c) is used solely for the collection of Receivables, payment of Ordinary Course Payments and other general operating purposes, (d) is not subject to any lien, claim, charge or encumbrance (other than (i) the security interests granted to the Administrative Agent under this Agreement or any other Loan Document, (ii) normal and customary rights of set off or similar rights (of the financial institution maintaining such account), but only if such rights may be exercised solely for past due fees, charges and expenses arising from the general administration of such bank account), (e) if required by the Administrative Agent, is subject to a control agreement or blocked account agreement, in form and substance reasonably satisfactory to the Administrative Agent, and (f) if not subject to a control agreement or blocked account agreement, in form and substance reasonably satisfactory to the Administrative Agent, does not, for thirty (30) or more consecutive days, contain funds and/or other items of value which, when aggregated with all such other bank accounts, exceed the Dollar Equivalent of Two Million and No/100 Dollars (\$2,000,000.00) as of any applicable date of determination.

“Permitted Investments” shall mean: (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States government (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States government), in each case maturing within one (1) year from the date of acquisition thereof; (b) commercial paper having the highest rating, at the time of acquisition thereof, of Standard and Poor's or Moody's Investors Services and in either case maturing within six (6) months from the date of acquisition thereof; (c) certificates of deposit, bankers' acceptances and time deposits maturing within one hundred eighty (180) days of 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 which has a combined capital and surplus and undivided profits of not less than Five Hundred Million and No/100 Dollars (\$500,000,000.00); (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 described in clause (c) above; (e) mutual funds investing solely in any one or more of the Permitted Investments described in clauses (a) through (d) above and (f) investments in other Persons (not triggering the joinder requirements set forth in Section 1.11 of this Agreement), in an aggregate amount not to exceed the greater of (x) Ten Million and No/100 Dollars (\$10,000,000.00) and (y) 10% of EBITDA (determined as of the most recently ended four (4) fiscal quarter period for which financial statements have been delivered pursuant to Section 6.3), in each case, determined at the time of any such investment during the term of this Agreement.

“Permitted Liens” shall mean with respect to any VSE Entity: (a) liens for taxes that are being contested in good faith and by appropriate proceedings, which (i) such VSE Entity has the financial ability to pay, including penalties and interest, and (ii) the non-payment thereof will not result in the execution of any such tax lien or otherwise jeopardize the interests of the Administrative Agent or the Lenders in, on or to any Collateral; (b) deposits or pledges to secure obligations under workers’ compensation, social security or similar laws, incurred in the ordinary course of business; (c) liens described on Schedule 7.7(a)(vi) attached hereto; (d) cash deposits pledged to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature made in the ordinary course of business; (e) mechanics’, workmen’s, repairmen’s, warehousemen’s, vendors’, lessors’ or carriers’ liens or other similar liens; provided that such liens arise in the ordinary course of the VSE Entity’s business and secure sums that are not past due or are separately secured by cash deposits or pledges in an amount adequate to obtain the release of such liens; (f) except as otherwise provided in this Agreement, statutory or contractual landlord’s liens on the VSE Entity’s tangible personal property located in such VSE Entity’s demised premises; (g) zoning or other similar and customary land use restrictions, that do not materially impair the use or value of any Collateral or property of any VSE Entity; (h) judgment liens that are not prohibited by Section 7.4 of this Agreement; (i) other liens expressly permitted by the terms and conditions of this Agreement; (j) liens to secure the purchase price of Equipment or Inventory in an aggregate amount not to exceed One Million and No/100 Dollars (\$1,000,000.00) at any time, excluding all purchase money Indebtedness and liens referenced on Schedule 7.7(a)(vi); and (k) liens in favor of the Administrative Agent or any Lender with respect to the Obligations.

“Person” shall mean an individual, partnership, corporation, trust, limited liability company, limited liability partnership, unincorporated association or organization, joint venture or any other entity.

“Personal Information” shall mean, with respect to any customer and/or any employee, agent or principal of a customer, such Person’s name, address, telephone number, social security number, driver’s license number, state-issued identification card number, financial account numbers, credit card numbers, debit card numbers, or any security code, access code, personal identification number or password that could permit access to a financial account of such Person.

“Primary Operating Company” shall mean VSE Corporation, a Delaware corporation.

“Prime Contractor” shall mean any Person (other than a VSE Entity) which is a party to any Government Subcontract.

“Prime Rate” shall mean the rate of interest from time to time established and publicly announced by Citizens Bank as its prime rate, in Citizens Bank’s sole discretion, which rate of interest may be greater or less than other interest rates charged by Citizens Bank to other borrowers and which is a rate set based upon various factors, including 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.

“Prior Increase” shall mean any increase to the Revolving Facility Commitment Amount and/or the Term Facility Commitment Amount pursuant to Sections 1.8 and/or 1.9 of this Agreement prior to the date of any subsequent increase of the Revolving Facility Commitment Amount and/or the Term Facility Commitment Amount pursuant to Sections 1.8 and/or 1.9 of this Agreement.

“Proceeds” shall have the meaning attributed to that term by the UCC or under other Applicable Laws, and, in any event, shall include any and all of the following, whether now owned or hereafter acquired: (a) any and all proceeds of, or amounts (in any form whatsoever, whether cash, securities, property or other assets) received under or with respect to, any insurance, indemnity, warranty or guaranty payable from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held with respect to any of the Collateral, (b) any and all payments (in any form whatsoever, whether cash, securities, property or other assets) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Government (or any Person acting under color of any Government), (c) any

claim against third parties (i) for past, present or future infringement of any patent or patent license, or (ii) for past, present or future infringement or dilution of any copyright, copyright license, trademark or trademark license, or for injury to the goodwill associated with any trademark or trademark license, (d) any recoveries against third parties with respect to any litigation or dispute concerning any of the Collateral including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (e) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged stock, and (f) any and all other amounts (in any form whatsoever, whether cash, securities, property or other assets) from time to time paid or payable under or in connection with any of the Collateral (whether or not in connection with the sale, lease, license, exchange or other disposition of the Collateral).

“**QFC**” shall have 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**” shall have the meaning assigned to such term in Section 12.22.

“**Qualified ECP Guarantor**” means, in respect of any Swap Obligation, each guarantor or obligor that has total assets exceeding Ten Million and No/100 Dollars (\$10,000,000.00) at the time the relevant guarantee or liability becomes effective with respect to such Swap Obligation or such other person as constitutes an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“**Qualifying Person**” shall have the meaning attributed to such term in Section 10.10 of this Agreement.

“**RCRA**” shall mean the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901 et. seq.).

“**Receivable**” and “**Receivables**” shall mean, individually or collectively as the context may require, any and all of the VSE Entities’ aggregate present and future accounts, contracts, contract rights, Chattel Paper, General Intangibles, notes, drafts, acceptances, chattel mortgages, conditional sale contracts, bailment leases, security agreements, contribution rights and other forms of obligations now or hereafter arising out of or acquired in the course of or in connection with any business the VSE Entities conduct, together with all liens, guaranties, securities, rights, remedies and privileges pertaining to any of the foregoing, whether now existing or hereafter created or arising, and all rights with respect to returned and repossessed items of Inventory.

“**Reference Time**” with respect to any setting of the then-current Benchmark shall mean (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two (2) London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by the Administrative Agent in its reasonable discretion.

“**Register**” shall have the meaning attributed to such term in Section 12.11(d) of this Agreement.

“**Relevant Governmental Body**” shall mean the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

“**Report**” and “**Reports**” shall have the meaning attributed to such term in Section 10.15(a) of this Agreement.

“**Request for Advance and Certification**” shall mean any Request for Advance and Certification in the form of Exhibit 1.

“Required Lenders” shall mean all of the Lenders who, as of any applicable date of determination, are not Defaulting Lenders, and which hold Loans and unused commitments representing, in the aggregate, at least fifty-one percent (51%) of the aggregate Commitment Amount (excluding the Swing Line Commitment Amount, but including the aggregate Incremental Revolving Facility Commitment Amount and/or Incremental Term Facility Commitment Amount then in effect); provided, however, that “Required Lenders” must include at least two (2) Lenders who, as of such date of determination, are not Defaulting Lenders and who collectively hold Loans and unused commitments representing, in the aggregate, at least fifty-one percent (51%) of the aggregate Commitment Amount (excluding the Swing Line Commitment Amount, but including the aggregate Incremental Revolving Facility Commitment Amount and/or Incremental Term Facility Commitment Amount then in effect).

“Restatement” shall mean the settlement of the transactions contemplated by this Agreement.

“Restatement Date” shall mean the date on which the Restatement shall occur, such date being also the date of initial funding under this Agreement.

“Restricted Non-Borrower Affiliates” shall mean each and all of (i) Integrated Concepts and Research Corporation, a District of Columbia corporation; and (ii) ICRC Qualified Settlement Fund, neither of which shall be required to be joined as Borrowers hereunder.

“Revaluation Date” shall have the meaning attributed to such term in The Interpretive Provisions Section of this Agreement.

“Revolver Notes” shall mean each and all of the promissory notes executed, issued and delivered pursuant to this Agreement in connection with the Revolving Facility, together with all extensions, renewals, modifications, replacements and substitutions thereof and therefor.

“Revolving Facility” shall mean the revolving credit facility being extended pursuant to this Agreement, in the maximum principal amount of the Revolving Facility Commitment Amount, with a sub-limit of Twenty-Five Million and No/100 Dollars (\$25,000,000.00) for Letters of Credit, a sub-limit of Fifteen Million and No/100 Dollars (\$15,000,000.00) for Swing Line Loans and a sub-limit of the Dollar Equivalent of Two Million and No/100 Dollars (\$2,000,000.00) for Alternative Currency Loans; it being understood and agreed that the maximum principal amount of the Revolving Facility shall be subject to increase pursuant to Section 1.8 of this Agreement.

“Revolving Facility Commitment Amount” shall mean an amount equal to the sum of Three Hundred Fifty Million and No/100 Dollars (\$350,000,000.00) plus the aggregate amount of any and all Incremental Revolving Facility Commitments existing as of such date of determination.

“Revolving Facility Commitment Fee” shall have the meaning attributed to such term in Section 1.7(b) of this Agreement.

“Revolving Loan(s)” shall mean any and all Loans made available to the Borrowers pursuant to the Revolving Facility.

“Sanctions” shall have the meaning attributed to such term in Section 5.24 of this Agreement.

“SEC” shall mean the Securities and Exchange Commission of the United States of America.

“SEC Act” shall mean the Securities Exchange Act of 1934, 15 U.S.C.A. §78, as amended.

“Security Entitlements” shall have the meaning attributed to such term by the UCC, and shall include any and all Security Entitlements whether now or hereafter existing.

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

“**SOFR Administrator**” shall mean the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

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

“**Spare Parts**” means all appliances, parts, components, instruments, appurtenances, accessories, furnishings, seats and other equipment of whatever nature that may from time to time be installed or incorporated in or attached or appurtenant to any Aircraft Object or removed therefrom.

“**Spot Rates**” shall have the meaning attributed to such term in The Interpretive Provisions Section of this Agreement.

“**Stock Security Agreement**” shall mean that certain Third Amended and Restated Stock Security Agreement dated of even date herewith, entered into by certain VSE Entities party thereto in favor of the Administrative Agent for the benefit of the Lenders ratably, as the same may be modified, amended or restated from time to time.

“**Subsidiary**” and “**Subsidiaries**” shall mean, individually or collectively as the context may require, any company, partnership, corporation or other entity in which any Person owns or controls, directly or indirectly, more than fifty percent (50%) of the equity thereof as of any date of determination.

“**Subordinated Indebtedness**” shall mean, any Indebtedness incurred by any Borrower which by its terms is specifically subordinated in right of payment to the prior payment of the Borrowers’ Obligations and contains subordination and other terms acceptable to the Administrative Agent.

“**Supported QFC**” shall have the meaning assigned to such term in Section 12.22.

“**Supporting Obligations**” shall have the meaning attributed to such term by the UCC, and shall include any and all of the following, whether now or hereafter existing: any and all letter of credit rights or secondary obligations that support the payment or performance of an Account, Chattel Paper, Document, General Intangible, Instrument or Investment Property.

“**Swap Obligation**” means, with respect to any Borrower or any guarantor or obligor, 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 Commitment**” shall mean the Swing Line Lender’s obligation to make Swing Line Loans to the Borrowers in an aggregate principal amount not to exceed the Swing Line Commitment Amount.

“**Swing Line Commitment Amount**” shall mean Fifteen Million and No/100 Dollars (\$15,000,000.00).

“**Swing Line Commitment Period**” shall mean the period commencing on the Restatement Date and ending on the Swing Line Termination Date.

“**Swing Line Facility**” shall mean the swing line credit facility being extended pursuant to this Agreement, in the maximum principal amount equal to the Swing Line Commitment Amount.

“Swing Line Lender” shall mean Citizens Bank or any additional or successor Swing Line Lender which has been appointed by Citizens Bank and has accepted such appointment.

“Swing Line Loan” or **“Swing Line Loans”** shall have the meaning attributed to such term in Section 1.1(b) of this Agreement.

“Swing Line Note” shall mean that certain Second Amended and Restated Swing Line Facility Promissory Note dated of even date herewith, made by the Borrowers and payable to the order of the Swing Line Lender, in the maximum principal amount of the Swing Line Commitment Amount, or so much thereof as shall be advanced or readvanced, together with all extensions, renewals, modifications, increases, replacements and substitutions thereof or therefor.

“Swing Line Outstandings” shall mean, as of any date of determination, the aggregate principal amount of all Swing Line Loans then outstanding.

“Swing Line Rate” shall mean with respect to the Swing Line Facility, the Base Rate.

“Swing Line Termination Date” shall mean the fifth (5th) Business Day prior to the Maturity Date, or such earlier date on which the Swing Line Lender shall have elected, in its sole and absolute discretion, to terminate the Swing Line Facility.

“Target” shall have the meaning attributed to such term in Section 7.1(e)(ii) of this Agreement.

“Term Facility” shall mean the term credit facility being extended pursuant to this Agreement in the original principal amount equal to the Term Facility Commitment Amount.

“Term Facility Commitment Amount” shall mean One Hundred Twenty-Three Million Three Hundred Thousand Dollars (\$123,300,000) as of the First Amendment Effective Date, and Zero Dollars (\$0) from and after the initial funding on the First Amendment Effective Date, except as increased by the aggregate amount of all Incremental Term Facility Commitments in effect outstanding (i.e., not yet funded) pursuant to Section 1.9 of this Agreement as of the date of determination.

“Term Facility Notes” shall mean each and all of the promissory notes executed, issued, and delivered pursuant to the Agreement in connection with the Term Facility, together with all extensions, renewals, amendments, modifications, replacements and substitutions thereof and therefor.

“Term Loan(s)” shall mean the First Amendment Term Loan. As of the Third Amendment Effective Date, the aggregate outstanding principal amount of the First Amendment Term Loan is Sixty-Seven Million Six Hundred Seventy Five Thousand Dollars (\$67,675,000.00).

“Term SOFR” shall mean, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Third Amendment Effective Date” shall mean July 23, 2021.

“Total Funded Debt” shall mean, as of any date of determination, the sum of (a) all Indebtedness for borrowed money of the VSE Entities (excluding all outstanding advances under the Revolving Facility, if any), plus (b) any accrued Permitted Earn-outs reasonably required to be paid by the VSE Entities within the next twelve (12) months (net of any cash reserves therefor), and plus (c) the average of all advances under the Revolving Facility made to the Borrowers during the immediately preceding thirty (30) consecutive days prior to such period of determination (including the face amount of all issued and outstanding Letters of Credit).

“Total Funded Debt to EBITDA Ratio” shall have the meaning attributed to such term in Section 6.15(a) of this Agreement.

“Transitional Deposit Account” shall have the meaning attributed to such term in Article 8 of this Agreement.

“UCC” shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the Commonwealth of Virginia; provided, that to the extent that the UCC is used to define any term herein and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern; provided further, that if, by reason of mandatory provisions of Applicable Laws, any or all of the attachment, perfection or priority of, or remedies with respect to, the Administrative Agent’s lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the Commonwealth of Virginia, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

“Unadjusted Benchmark Replacement” shall mean the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“Uncommitted Incremental Increase Limit” shall mean an aggregate of One Hundred Million and No/100 Dollars (\$100,000,000.00), which may be applied by the Borrowers, in their sole discretion, to increase the Revolving Facility Commitment Amount and/or increase the Term Facility Commitment Amount, pursuant to Sections 1.8 and 1.9 of this Agreement, respectively.

“USD LIBOR” shall mean the London interbank offered rate for U.S. dollars as set forth in the definition of “LIBOR Rate”.

“Voting Stock” shall mean the capital stock of any Person having ordinary power to vote in the election of members of the board of directors, managers, trustees or other controlling Persons, of such Person (irrespective of whether, at the time, capital stock of any other class or classes of such entity shall have or might have voting power by reason of the happening of any contingency).

“VSE Entity” and **“VSE Entities”** shall mean, as of any date of determination and individually or collectively (as the context may require), any and all of the Borrowers and the Non-Borrower Affiliates.

“Walker Lane Lease” shall mean the Deed of Lease dated as of November 4, 2009 (as heretofore amended, modified or restated from time to time), by and between MetroPark 7, LLC, a Delaware limited liability company, as the landlord, and the Primary Operating Company, as the tenant, with respect to the premises located at 6348 Walker Lane, Springfield, Virginia.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (b) the then outstanding principal amount of such Indebtedness; provided that for purposes of determining the Weighted Average Life to Maturity of any refinanced Term Loan or any Indebtedness that is being modified, refinanced, refunded, renewed, replaced or extended (the **“Applicable Indebtedness”**), the effects of any prepayments made on such Applicable Indebtedness prior to the date of the applicable modification, refinancing, refunding, renewal, replacement or extension shall be disregarded.

“Write-Down and Conversion Powers” shall mean, 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.

INTERPRETIVE PROVISIONS

(a) Certain Interpretive Provisions.

(i) Unless the context of this Agreement otherwise requires, (A) words of any gender include each other gender; (B) words using the singular or plural number also include the plural or singular number, respectively; (C) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement and not to any particular provision of this Agreement; and (D) the terms “Article,” “Section,” “Subsection,” “Schedule” and “Exhibit” without any reference to a specified document refer to the specified Article, Section, Subsection, Schedule and Exhibit, respectively, of this Agreement.

(ii) The words “including,” “include” and “includes” are not exclusive and shall be deemed to be followed by the words “without limitation”; if exclusion is intended, the word “comprising” is used instead.

(iii) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms and conditions of this Agreement, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(iv) The word “or” shall be construed to mean “and/or” unless the context clearly prohibits that construction.

(v) Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified.

(vi) All accounting terms used herein and not expressly defined herein shall have the meanings given to them under GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrowers or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrowers 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 Borrowers shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding any other provision contained herein, any lease that is treated as an operating lease for purposes of GAAP as of the Restatement Date shall continue to be treated as an operating lease (and any future lease, if it were in effect on the Restatement Date, that would be treated as an operating lease for purposes of GAAP as of the Restatement Date shall be treated as an operating lease), in each case for purposes of this Agreement, notwithstanding any change in GAAP after the Restatement Date.

(vii) The Article, Section and paragraph headings of this Agreement are for convenience of reference only, and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

(viii) This Agreement and the other Loan Documents are the result of negotiations among all parties hereto, and have been reviewed by counsel to the Administrative Agent, the Borrowers and the Lenders, and are the products of all parties. Accordingly, this Agreement and the other Loan Documents shall not be construed

against the Administrative Agent or the Lenders merely because of the Administrative Agent's or Lenders' involvement in their preparation.

(ix) The word "extent" in the phrase "to the extent" as used in this Agreement means the degree to which a subject or other thing extends and such phrase does not simply mean "if."

(x) No provision of this Agreement is to be construed to require, directly or indirectly, any Person to take any action, or to omit to take any action, to the extent such action or omission would violate Applicable Laws.

(b) **Exchange Rates; Currency Equivalents**

(i) The Administrative Agent or the LC Issuer, as applicable, shall determine the Spot Rates as of each Revaluation Date to be used for calculating Dollar Equivalent amounts of any outstanding Loans denominated in Alternative Currencies. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur. Except for purposes of financial statements delivered by the Borrowers 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 LC Issuer, as applicable. For purposes hereof, the term "Spot Rates" means, for a currency, the rate determined by the Administrative Agent or the LC Issuer, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office 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* that the Administrative Agent or the LC Issuer, as applicable, may obtain such spot rate from another financial institution designated by the Administrative Agent or the LC Issuer, as applicable, if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency; and *provided further* that the LC Issuer may use such spot rate quoted on the date as of which the foreign exchange computation is made in the case of any Letter of Credit denominated in an Alternative Currency; it being understood and agreed that the Administrative Agent or the LC Issuer, as applicable, shall endeavor to obtain the most favorable spot buying rate, but it shall have no obligation or liability for its failure to do so; and the term "Revaluation Date" means, with respect to any Letter of Credit, each of the following: (a) each date of issuance of a Letter of Credit denominated in an Alternative Currency, (b) each date of an amendment of any such Letter of Credit having the effect of increasing the amount thereof (solely with respect to the increased amount), (c) each date of any payment by the LC Issuer under any Letter of Credit denominated in an Alternative Currency, (d) in the case of the existing Letters of Credit, such additional dates as the existing LC Issuer shall determine, and (e) such additional dates as the Administrative Agent or the LC Issuer shall determine.

(ii) Wherever in this Agreement an amount is expressed in Dollars, but a calculation may require an Alternative Currency, such amount shall be the equivalent amount thereof in the applicable Alternative Currency, as determined by the Administrative Agent or the LC Issuer, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Alternative Currency with Dollars.

(c) **Additional Alternative Currencies**

(i) The Borrowers may from time to time request that 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 a lawful currency (other than Dollars) that is readily available and freely transferable and convertible into Dollars. 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 LC Issuer (and any Lender participating in such Letter of Credit, if applicable), in their sole discretion.

(ii) Any such request shall be made to the Administrative Agent not later than 11:00 a.m., ten (10) Business Days prior to the date of the desired Letter of Credit issuance (or such other time or date as may be agreed by the Administrative Agent and the LC Issuer, in their sole discretion). In each case, the Administrative Agent shall promptly notify the LC Issuer which shall promptly, in turn, notify each Lender participating in such Letter of Credit thereof. The LC Issuer and each applicable Lender shall notify the Administrative Agent, not later than 11:00 a.m., five (5) Business Days after receipt of such request whether it consents, in its sole discretion, to the issuance of Letters of Credit, as the case may be, in such requested currency.

(iii) Any failure by the LC Issuer and/or any participant Lender to respond to such request within the time period specified in the preceding sentence shall be deemed to be a refusal by the LC Issuer to permit Letters of Credit to be issued in such requested currency. If the Administrative Agent and the LC Issuer (and the applicable participant Lenders, as the case may be) consent to the issuance of Letters of Credit in such requested currency, the Administrative Agent shall so notify the Borrowers and such currency shall thereupon be deemed for all purposes to be an Alternative Currency hereunder for purposes of any Letter of Credit issuances. If the Administrative Agent shall fail to obtain consent to any request for an additional currency required hereunder, the Administrative Agent shall promptly so notify the Borrowers.

(d) Change of Currency.

(i) Each obligation of the Borrowers 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 (in accordance with the legislative measures of the European Council). 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 London 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 Letter of Credit in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Letter of Credit upon the earliest date on which each Letter of Credit is renewed, extended or expired.

(ii) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify 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.

(iii) 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 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.

(e) Interest; LIBOR Notification

(a) . The interest rate on LIBOR Loans is determined by reference to the LIBOR Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. On March 5, 2021, ICE Benchmark Administration (“IBA”), the administrator of the London interbank offered rate, and the Financial Conduct Authority, the regulatory supervisor of IBA, announced in public statements that the final publication or representativeness date for the London interbank offered rate for Dollars for: (a) 1-week and 2-month tenor settings will be December 31, 2021 and (b) overnight, 1-month, 3-month, 6-month and 12-month tenor settings will be June 30, 2023. As a result, it is possible that, in the future, the London interbank offered rate may become unavailable or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on LIBOR Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate is no longer available or in certain other circumstances as set forth in Exhibit 3

attached hereto, an alternative rate of interest may be selected and implemented in accordance with the mechanism contained in such Section. The Administrative Agent will notify the Primary Operating Company, pursuant to Exhibit 3 attached hereto, in advance of any change to the reference rate upon which the interest rate on LIBOR Loans is based. However, 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 the rates in the definition of “LIBOR Rate” or with respect to any comparable or successor rate thereto or replacement rate thereof, including, without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Exhibit 3 attached hereto, will be similar to, or produce the same value or economic equivalence of, the LIBOR Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

ARTICLE 2 COMMITMENT

2.1 Maximum Loan Amount.

(a) First Amendment Term Loan. Subject to the terms and conditions of this Agreement, (i) each Lender severally agrees to make available to the Borrowers on the First Amendment Effective Date such Lender's Percentage of a term loan in Dollars (the “First Amendment Term Loan”) in the aggregate principal equal to the Term Facility Commitment Amount for the purposes hereinafter set forth; (ii) as set forth more fully in Section 1.1(c), the Lenders will make the Revolving Loans to the Borrowers and (iii) as set forth more fully in Section 1.1(b), the Swing Line Lender will make the Swing Line Loan to the Borrowers. Amounts repaid or prepaid on the Term Loan may not be reborrowed. The proceeds of the First Amendment Term Loan shall be used to prepay, in full, the aggregate principal amount of the Initial Term Loan outstanding as of the First Amendment Effective Date. From and after the First Amendment Effective Date, the obligations with respect to the Initial Term Loan shall be reduced to \$0. It is understood and agreed that from and after the First Amendment Effective Date, all references to the Term Loan shall mean the term loan made to the Borrowers on the First Amendment Effective Date. The Loans, including the Swing Line Loan, shall bear interest and be payable in accordance with the terms and conditions of this Agreement and the Notes. The Notes shall be executed and delivered to each respective Lender on the date hereof and thereafter, from time to time, as and when requested by the Administrative Agent, acting at the direction of any Lender.

(b) Swing Line Loans. Subject to the terms and conditions of this Agreement, the Swing Line Lender shall make swing line loans (each, a “Swing Line Loan” and collectively, the “Swing Line Loans”) to the Borrowers from time to time during the Swing Line Commitment Period, in the aggregate principal amount at any one time outstanding not to exceed the Swing Line Commitment Amount; provided, however, that at no time may the aggregate outstanding principal amount of the Swing Line Loans, plus the aggregate outstanding principal amount of the Revolving Facility (including the aggregate face amount of all Letters of Credit outstanding and the outstanding principal balance of any Alternative Currency Loans), exceed the Revolving Facility Commitment Amount. During the Swing Line Commitment Period, the Borrowers may use the Swing Line Commitment by borrowing, repaying Swing Line Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions of this Agreement. At the request of the Swing Line Lender, the Administrative Agent may, at any time, on behalf of the Borrowers (which hereby irrevocably direct the Administrative Agent to act on their behalf) request each Lender having a Percentage of the Revolving Facility, including the Lender then acting as the Swing Line Lender, to make, and each such Lender, including the Lender then acting as the Swing Line Lender, shall make an advance under the Revolving Facility, in an amount equal to such Lender's Percentage of the Revolving Facility, of the amount of the Swing Line Outstandings as of the date such request is made. In such event, each such Lender shall make the requested proceeds available to the Administrative Agent for the account of the Swing Line Lender in accordance with the funding provisions set forth in this Agreement. The proceeds of the Revolving Facility advanced pursuant to this Section 1.1(b) shall be immediately applied to repay the Swing Line Outstandings.

(c) Revolving Loans. Subject to the terms and conditions of this Agreement, each Lender severally agrees to make the Revolving Loans to the Borrowers, with the maximum amount of each Lender's obligation being equal to such Lender's Percentage of the Revolving Facility Commitment Amount.

2.2 Use of Proceeds. The Loans shall be used by the Borrowers only for the following purposes: (a) to refinance certain existing Indebtedness of the Borrowers; (b) to finance any Permitted Acquisitions (including the purchase price, together with customary transaction costs and expenses payable to unrelated and unaffiliated third parties relating thereto); and (c) for working capital support, letters of credit, capital expenditures and general corporate purposes. Each Borrower agrees that it will not use or permit the Loan proceeds to be used for any other purpose without the prior written consent of the Administrative Agent.

2.3 Alternative Currency Loans; Loans to Foreign Borrowers. Subject to the terms and provisions of this Agreement, the Borrowers may at any time, and from time to time, request and obtain Alternative Currency Loans of up to the Dollar Equivalent of Two Million and No/100 Dollars (\$2,000,000.00), in the aggregate, outstanding at any time, pursuant to this Agreement (it being understood and agreed that the amount of any outstanding Alternative Currency Loans will reduce availability under the Revolving Facility); *provided, however*, that with respect to any Loan or Alternative Currency Loan requested to be funded directly to any Foreign Borrower which has not previously been approved to receive a Loan or Alternative Currency Loan pursuant to this Section 1.3, the following conditions precedent shall have first been satisfied: (a) the Borrowers shall have provided to the Administrative Agent written notice of their desire to have a Loan or Alternative Currency Loan made to such Foreign Borrower (each, a "Foreign Borrower Loan Request"), (b) the Administrative Agent shall have promptly notified the Lenders of the Foreign Borrower Loan Request and requested the Lenders' consent therefor, and (c) all of the Lenders shall have consented to such Foreign Borrower Loan Request within ten (10) Business Days of the Lenders' receipt of such Foreign Borrower Loan Request from the Administrative Agent. Without limiting the conditions to obtain Loan advances set forth in Section 1.4 of this Agreement, neither the Administrative Agent nor any Lender shall be obligated to honor any Foreign Borrower Loan Request unless all of the Lenders shall have first consented to such Foreign Borrower receiving the Loan or Alternative Currency Loan pursuant to the applicable Foreign Borrower Loan Request. From and after the date, if any, on which all Lender-consent shall have been issued for a Foreign Borrower to receive a Loan or an Alternative Currency Loan, no further consent shall be necessary for such Foreign Borrower to receive any other Loan or Alternative Currency Loan. Any Lender may, with notice to the Administrative Agent and the Borrowers, fulfill its Commitment hereunder by causing an Affiliate of such Lender to act as the Lender in respect of such Foreign Borrower (and such Lender shall, to the extent of Loans and Alternative Currency Loans made to and participations in Letters of Credit issued for the account of such Foreign Borrower, be deemed for all purposes hereof to have pro tanto assigned such Loans and participations to such Affiliate).

2.4 Advances; Payments.

(a) Agreement to Advance and Readvance; Procedure. So long as no Event of Default shall have occurred and be continuing, or would result therefrom, and no act, event or condition shall have occurred and be continuing which with notice or the lapse of time, or both, shall constitute an Event of Default, and subject to the terms and conditions of this Agreement, the Lenders (and the Swing Line Lender, as the case may be) shall (i) advance and readvance the proceeds of the Revolving Facility and the proceeds of the Swing Line Facility (as applicable) from time to time in accordance with the terms and conditions of this Agreement and (ii) advance all of the proceeds of the Term Facility on the Restatement Date (with no further obligation to advance or readvance any proceeds of the Term Facility after the Restatement Date), each to the Borrowers upon the Borrowers' execution and delivery of this Agreement and all other documents, instruments and agreements required by the Administrative Agent and the Lenders in connection herewith. In addition to any and all other conditions to advances set forth in this Agreement, on the date of each request for an advance and as of the date of advance, the Borrowers shall be deemed to have remade and redated each and all of the representations and warranties set forth in this Agreement, and with respect to those representations and warranties qualified by "materiality", such representations and warranties shall be true and correct in all respects, and with respect to those representations and warranties not qualified by "materiality", such representations and warranties shall be true and correct in all material respects, in each case as of such date,

unless such representation or warranty specifically refers to an earlier date or the Borrowers are unable to remake and redate any such representation or warranty, in which case the Borrowers shall have previously disclosed the same to the Administrative Agent and the Lenders in writing, and such inability does not constitute or give rise to an Event of Default. Except with respect to advances made pursuant to Section 1.4(c)(iii) below, requests for advances with respect to the Revolving Facility shall be in the form of Exhibit 1 attached hereto, and requests for advances with respect to the Swing Line Facility shall be in the form of Exhibit 1(a) attached hereto. Requests for advances of Loan proceeds with respect to the Revolving Facility and the Swing Line Facility may be made via facsimile on any given Business Day if the Borrowers provide the Administrative Agent, in advance, with a written list of the names of the specific officers authorized to request disbursements by facsimile. Upon request by the Administrative Agent, the Borrowers shall confirm, in an original writing, each facsimile request for advance made by any Borrower. Notwithstanding the foregoing, (a) the Lenders shall have no obligation to make any advance with respect to the Revolving Facility after the Maturity Date or any advance with respect to the Term Facility after the Restatement Date, other than pursuant to Section 1.9 of this Agreement (if applicable); and (b) the Swing Line Lender shall have no obligation to make any advance with respect to the Swing Line Facility after the Swing Line Termination Date.

(b) Interest Rate Election; Certain Advance Procedures and Limits. Amounts advanced in connection with the Loans shall bear interest at the Applicable Interest Rate, which shall either be on a Base Rate basis or LIBOR basis, as more fully set forth below, and in the Exhibits attached hereto, except that Swing Line Loans shall only be made available to the Borrowers on a Base Rate basis and Alternative Currency Loans shall only be made available to the Borrowers on a LIBOR Rate basis. Advances bearing interest on a Base Rate basis shall be in minimum and incremental amounts of One Hundred Thousand and No/100 Dollars (\$100,000.00), and shall be made available on a same-day basis, if requested by 12:00 Noon, New York, NY time, on any Business Day. Advances bearing interest on a LIBOR basis shall also be in minimum and incremental amounts of One Hundred Thousand and No/100 Dollars (\$100,000.00), and shall be made available not less than three (3) Business Days, nor more than five (5) Business Days, if requested by 10:00 a.m., New York, NY time. The Borrowers' right to request LIBOR based interest, as well as certain additional terms, conditions and requirements relating thereto, are set forth below and in the Exhibits, and each Borrower expressly acknowledges and consents to such additional terms and conditions. During the period from the Restatement Date until the first day of the first full calendar month after no less than fifteen (15) days have elapsed since the Administrative Agent's receipt of the Quarterly Covenant Compliance Certificate and quarterly financial statements for the calendar quarter ending March 31, 2018, the Additional Base Rate Interest Margin shall be one-half percent (0.50%), and the Additional Libor Interest Margin shall be one and three-quarters percent (1.75%). Thereafter, the applicable Additional Base Rate Interest Margin and the applicable Additional Libor Interest Margin shall be (i) based on the VSE Entities' Total Funded Debt to EBITDA Ratio, calculated in accordance with Section 6.15 of this Agreement, and (ii) determined in accordance with Exhibit 7 attached hereto. Interest rate adjustments shall be applicable hereunder on a prospective basis. The Additional Base Rate Interest Margin and Additional Libor Interest Margin shall be calculated by and become effective on the first day of the first full calendar month after no less than fifteen (15) days have elapsed since the Administrative Agent's receipt of the Quarterly Covenant Compliance Certificate and quarterly financial statements required by this Agreement; it being understood, however, that in the event the Quarterly Covenant Compliance Certificate and quarterly financial statements are not submitted when due, the Borrowers shall not be entitled to any reduction in the Additional Base Rate Interest Margin and/or the Additional Libor Interest Margin for the ensuing period, and at the option of the Administrative Agent, all amounts outstanding shall bear interest on a Base Rate basis or LIBOR basis (as the case may be), plus the highest applicable Additional Base Rate Interest Margin or Additional Libor Interest Margin (as applicable) set forth in Exhibit 7 attached hereto. The Administrative Agent may also, at its option, impose the Default Rate in addition to (and not in lieu of) the increased margins.

(c) Repayment; Interest; Automatic Advances/Payments. All sums advanced in connection with the Loans shall be repaid in accordance with the terms and conditions set forth below and in the other Loan Documents:

(i) Repayment of Loan.

A. Term Facility. The Borrowers shall repay the outstanding principal amount of the Term Facility in quarterly installments on the last day of each fiscal quarter, each in an amount equal to \$3,750,000 (as such installments may hereafter be adjusted as a result of mandatory payments made pursuant to Section 1.5 of this Agreement or prepayments made pursuant to Section 1.4(f) of this Agreement), with the remaining principal balance due on the Maturity Date, unless accelerated sooner pursuant to this Agreement.

B. Revolving Facility. Unless sooner accelerated pursuant to the terms of this Agreement, the Borrowers shall repay on the Maturity Date the aggregate principal amount of the Revolving Facility outstanding on such date.

C. Swing Line Facility. Unless sooner accelerated pursuant to the terms and conditions of this Agreement, the Borrowers shall repay on the Maturity Date the aggregate principal amount of the Swing Line Facility outstanding on such date.

(ii) Interest.

A. So long as no Event of Default or any act, event or condition which with notice or the passage of time, or both, would constitute an Event of Default, has occurred and is continuing, the Borrowers shall have the right to elect that specified amounts advanced under the Revolving Facility or the Term Facility bear interest at the LIBOR Lending Rate, plus the applicable Additional Libor Interest Margin in effect at the commencement of the particular Interest Period. The Borrowers must elect a LIBOR based interest rate in accordance with the specific procedures set forth in this Agreement, and any amounts bearing interest on a LIBOR basis shall be subject to the terms and conditions of the Loan Documents applicable to amounts bearing interest on such basis, including the prepayment limitations and provisions regarding the payment of associated costs, as more fully set forth in Exhibit 3 attached hereto. The Borrowers may not revoke any LIBOR election without the Administrative Agent's written consent. Upon the expiration of an applicable Interest Period, unless the Borrowers are then entitled to again elect a LIBOR based rate and the Administrative Agent has received a LIBOR Election Form and Certification from the Borrowers, the rate of interest applicable to any amounts for which a LIBOR based rate is expiring shall, from and after the end of the applicable Interest Period, bear interest at the Base Rate (other than an Alternative Currency Loan, which may not be converted to a Base Rate Loan), plus the applicable Additional Base Rate Interest Margin; it being understood and agreed, however, that such amount may, at any time thereafter, bear interest at the LIBOR based rate, plus the applicable Additional Libor Interest Margin, provided that (i) the Borrowers are then entitled to elect a LIBOR based rate, and (ii) the Administrative Agent has received an appropriate Libor Election Form and Certification from the Borrowers.

B. Interest accrued on a Base Rate basis shall be payable in quarterly installments, in arrears, commencing on March 31, 2018, and continuing on the last Business Day of each and every calendar quarter thereafter and on the Maturity Date. Base Rate interest shall be calculated on a 365/366-day year basis and the actual number of days elapsed.

C. Interest accrued on a LIBOR basis shall be due and payable on the last Business Day of the applicable Interest Period (whether such last day shall occur by reason of acceleration, declaration, extension or otherwise), and if such applicable Interest Period is longer than three (3) months, also on each Business Day which is three (3) months, or a multiple thereof, after the first day of such applicable Interest Period and the last day of such applicable Interest Period. LIBOR interest shall be calculated on a 360-day basis and the actual number of days elapsed.

(iii) Automatic Advances/Payments. The Borrowers hereby authorize the Administrative Agent, on any Business Day, to transfer funds from the Collateral Account or any other designated

account of the Borrowers to pay down the Obligations and to make Loans or Swing Line Loans available to the Borrowers to cover shortages or overdrafts in the Collateral Account or such other designated account of the Borrowers. All such transfers are subject to the availability of Loan proceeds under the Revolving Facility (with respect to advances) and the availability of funds in the Collateral Account or such other designated account(s) of the Borrowers (with respect to paydowns). The Administrative Agent may, in its discretion, make such transfers (or direct any Lender maintaining a Deposit Account of a Borrower to wire transfer to the Administrative Agent any funds on deposit thereon to facilitate any such transfer by the Administrative Agent), but shall have no liability for its failure to do so. Subject to the terms of any cash management agreement between the Borrowers and the Administrative Agent, the Borrowers may, at any time, terminate the authority granted by the Borrowers to the Administrative Agent herein upon not less than two (2) Business Days prior written notice to the Administrative Agent.

(d) Application of Payments. All payments made or to be made upon any Obligations shall be payable in lawful currency of the United States (or, in the case of Alternative Currency Loans, in the applicable currency) and in immediately available funds. Except as otherwise expressly provided in this Agreement, the Notes or any other Loan Document, if at any time insufficient funds are received by and available to the Administrative Agent to pay in full all amounts of principal, interest, fees and other amounts then due pursuant to this Agreement or any of the other Loan Documents (as the case may be), such funds shall be applied as follows:

(i) first, to expenses and costs of collection, if any, incurred by the Administrative Agent in connection with the Loans, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Administrative Agent hereunder or under any other Loan Document on behalf of the Borrowers and any other reasonable costs or expenses incurred by the Administrative Agent in connection with the exercise of any right or remedy hereunder;

(ii) second, to fees and late charges owing by any Borrower to the Administrative Agent pursuant to this Agreement or any other Loan Document, and then to fees and late charges owing by any Borrower to the Lenders (ratably in accordance with their Percentage) pursuant to this Agreement or any other Loan Document;

(iii) third, to accrued and unpaid interest hereunder (applied first to the Swing Line Facility and then pro rata to the Revolving Facility, Term Facility and scheduled payments that are part of the Hedging Obligations);

(iv) fourth, to the outstanding principal amount of the Obligations and termination payments under Hedging Contracts (applied first to Swing Line Outstandings (if any), then pro rata to the unpaid and outstanding principal amount of the Revolving Facility and the Term Facility and all termination payments that are part of the Hedging Obligations, and then pro rata to Permitted Financial Product Obligations); and

(v) fifth, to any Person lawfully entitled thereto.

(e) Adjustments. If, as a result of any restatement of or other adjustment to the financial statements of the VSE Entities or for any other reason, the Borrowers or the Administrative Agent shall determine that (i) the Total Funded Debt to EBITDA Ratio, as calculated by the Borrowers as of any applicable date, was inaccurate and (ii) a proper calculation of the Total Funded Debt to EBITDA Ratio would have resulted in a higher Additional Libor Interest Margin, Additional Base Rate Interest Margin, Revolving Facility Commitment Fee or Letter of Credit Fee for the applicable period, the Borrowers shall immediately and retroactively be obligated to pay to the Administrative Agent for the account of each Lender (or, after the occurrence of an actual or deemed entry of an order for relief with respect to the Borrowers under the Bankruptcy Code of the United States, automatically and without further action by the Administrative Agent), an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period. This paragraph shall not otherwise limit the rights of the Administrative Agent or any Lender hereunder. The Borrowers'

obligations under this paragraph shall survive the termination of this Agreement and the repayment of all Obligations hereunder.

(f) **Prepayment.** Amounts outstanding which bear interest on a Base Rate basis may be prepaid, in whole or in part, at any time, without penalty or premium; provided such prepayment amounts are in amounts not less than One Hundred Thousand and No/100 Dollars (\$100,000.00) and in increments of One Hundred Thousand and No/100 Dollars (\$100,000.00), or, in each case, such lesser amount as may then be outstanding. Amounts outstanding which bear interest on a LIBOR basis may also be prepaid, in whole or in part, at any time, without penalty or premium, subject, however, to Exhibit 3 attached hereto. Partial prepayments under this clause (f) shall be applied to amounts due under the Loans as the Borrowers shall direct.

(g) **Preference Period.** If, after receipt of any payment hereunder or under any of the other Loan Documents, the Administrative Agent or the Lenders are compelled or reasonably agree, for settlement purposes, to surrender such payment to any Person for any reason (including, without limitation, a determination that such payment is void or voidable as a preference or fraudulent conveyance, an impermissible setoff, or a diversion of trust funds), then this Agreement and the other Loan Documents shall continue in full force and effect or be reinstated, as the case may be, and the Borrowers shall be liable for, and shall indemnify, defend and hold harmless the Administrative Agent and the Lenders with respect to the full amount so surrendered. The provisions of this Section shall survive the cancellation or termination of this Agreement and shall remain effective notwithstanding the payment of the Obligations, the release of any security interest, lien or encumbrance securing the Obligations or any other action which the Administrative Agent or any Lender may have taken in reliance upon its receipt of such payment.

2.5 Additional Mandatory Payments: Reduction of Commitment. In addition to all other sums payable by the Borrowers pursuant to any of the Notes, this Agreement or any other Loan Document, the Borrowers shall also make mandatory payments on the Notes (with such mandatory payments applied first to the Term Facility until the Term Facility shall have been paid and satisfied in full, and then to amounts outstanding under the Revolving Facility, as provided herein below; it being understood and agreed that such mandatory payments shall also be subject to Section 1.4(d) of this Agreement as set forth below, upon the occurrence of any Excess Cash Event. The amount of such mandatory payment shall be equal to the Net Cash arising from such Excess Cash Event(s). All such mandatory prepayments shall be applied to amounts due under the Loans as provided hereinabove in inverse order of maturities and such mandatory prepayments shall not relieve the Borrowers of their obligation to pay periodic installments of principal and/or interest hereunder as and when the same would otherwise be due hereunder. If any Mandatory Payment shall be applied to borrowings under the Revolving Facility in accordance with this Section 1.5(a) of this Agreement (i.e., the Term Facility shall have been paid and satisfied in full), the Revolving Facility Commitment Amount shall, unless waived in writing by the Administrative Agent, be reduced by an amount equal to the amount of such Mandatory Payment, such reduction to become effective simultaneously with the occurrence of the Excess Cash Event. Notwithstanding the foregoing, in the event any mandatory payment required to be paid pursuant to this Section 1.5(a) is not sufficient to pay in full all amounts of principal, interest, fees and other amounts then due pursuant to this Agreement, such payment shall also be subject to the application of payment provisions pursuant to Section 1.4(d) of this Agreement.

2.6 Field Audits. The Administrative Agent has the right at any time and in its discretion to conduct field audits with respect to the Collateral and each VSE Entity's Receivables, inventory, business and operations. All field audits shall be at the cost and expense of the Administrative Agent; provided that, any and all field audits conducted following an Event of Default shall be at the Borrowers' cost and expense.

2.7 Certain Fees. In addition to principal, interest and other sums payable under the Notes, the Borrowers shall pay the following fees:

(a) **Upfront Fee.** The Borrowers shall pay to the Administrative Agent, for the account of each Lender party to this Agreement as of the Restatement Date, an upfront fee in the amounts, and at the times, pursuant to the Fee Letter, and as may be further agreed upon in writing by the Primary Operating Company and the

Administrative Agent from time to time. Additionally, the Borrowers shall pay to the Administrative Agent (i) for the account of each Incremental Revolving Facility Lender, an upfront fee (an “Incremental Revolving Facility Upfront Fee”), for the Incremental Revolving Facility Commitment made by such Incremental Revolving Facility Lender pursuant to this Agreement in an amount to be determined at the time such Incremental Revolving Facility Commitment is accepted by the Borrowers and (ii) for the account of each Incremental Term Facility Lender, an upfront fee (each, an “Incremental Term Facility Upfront Fee”) for the Incremental Term Facility Commitment made by such Incremental Term Facility Lender pursuant to this Agreement in an amount to be determined at the time such Incremental Term Facility Commitment is accepted by the Borrowers. Any Incremental Revolving Facility Upfront Fee and/or Incremental Term Facility Upfront Fee shall be due and payable in full on the effective date of the particular increase to the Revolving Facility Commitment Amount and/or Term Facility Commitment Amount, as applicable.

(b) Commitment Fee. So long as any amounts remain outstanding in connection with the Revolving Facility, or the Lenders have any obligation to make any advance in connection therewith, the Borrowers shall pay to the Administrative Agent for the benefit of the Lenders ratably, a quarterly commitment fee (the “Revolving Facility Commitment Fee”), at an annual rate corresponding to the Total Funded Debt to EBITDA Ratio for the immediately preceding Fiscal Quarter, as set forth on Exhibit 7 attached hereto, calculated on the difference between (i) the Revolving Facility Commitment Amount (including any increases thereto pursuant to Section 1.8 of this Agreement), and (ii) without duplication (i.e., with no consideration for the Swing Line Outstandings if such outstandings have already been included in the outstanding principal balance of the Revolving Facility), the sum of the average daily outstanding principal balance of the Revolving Facility and Swing Line Outstandings during the applicable three (3)-month period, plus the aggregate face amount of all Letters of Credit outstanding at any time during the applicable three (3)-month period. The Revolving Facility Commitment Fee shall be calculated on the basis of the actual number of days elapsed and a three hundred sixty (360)-day year, shall be due for any three (3)-month period during which the Lenders shall have any obligation in connection with the Facility, and shall be payable in arrears, commencing on March 31, 2018, and continuing on the last Business Day of every third (3rd) calendar month thereafter for so long as this Agreement remains in effect, and on the date on which the Obligations have been paid and satisfied in full.

(c) Other Fees. The Borrowers shall pay to the Administrative Agent such other fees in the amounts, and at the times, pursuant to the Fee Letter, and as may be further agreed upon in writing by the Primary Operating Company and the Administrative Agent from time to time.

(d) Letter of Credit Fees. The Borrowers shall pay any and all Letter of Credit fees as and when such fees become due and payable pursuant to this Agreement.

(e) Out-of-Pocket Fees and Expenses. The Borrowers shall be liable for and shall timely pay all out-of-pocket costs and expenses (including reasonable attorneys’ fees and expenses of counsel for the Administrative Agent, and of other special and local counsel and other experts, if any, engaged by the Administrative Agent) from time to time incurred by the Administrative Agent or the Lead Arranger in connection with (i) the syndication of the Loan or (ii) the drafting of, administration of, preservation of rights in and enforcement of this Agreement, the other Loan Documents and the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, the Borrowers shall be liable for all of the Administrative Agent’s out-of-pocket costs and expenses (including reasonable attorneys’ fees and expenses of counsel for the Administrative Agent) associated with any and all amendments, waivers or consents prepared, negotiated, executed, issued or delivered in connection with this Agreement. Notwithstanding any judgment rendered by a court of competent jurisdiction related to the Loans, this section shall not be merged into such judgment, but shall survive the same and shall be binding and conclusive on the parties for all time. Post-judgment attorneys’ fees and costs incurred related to the enforcement of such judgment related to this Agreement or any other Loan Document shall be recoverable hereunder in the same or separate actions.

2.8 Increases to the Revolving Facility Commitment Amount.

(a) The Borrowers may, by written notice to the Administrative Agent from time to time after the Restatement Date, request Incremental Revolving Facility Commitments in an amount not to exceed the Uncommitted Incremental Increase Limit (less the amount of any Prior Increases and Incremental Term Facility Commitments being simultaneously requested) from one or more Incremental Revolving Facility Lenders, which, in the first instance, shall only include existing Lenders; provided that (i) no Lender shall have any obligation to become an Incremental Revolving Facility Lender (and the Lenders shall have no obligation to increase the Revolving Facility Commitments by the amount requested by the Borrowers), and (ii) if the full amount of the Incremental Revolving Facility Commitments being requested are not subscribed for by existing Lenders within ten (10) Business Days of the delivery of such written notice, the Borrowers may offer such remaining Incremental Revolving Facility Commitments to other non-Lender financial institutions; *provided further* that each Incremental Revolving Facility Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent. Each such notice shall set forth (i) the amount of the Incremental Revolving Facility Commitments being requested (which shall be in minimum increments of Five Million and No/100 Dollars (\$5,000,000.00) and a minimum amount of Ten Million and No/100 Dollars (\$10,000,000.00), or equal to the Uncommitted Incremental Increase Limit (less the amount of any Prior Increases and Incremental Term Facility Commitments being simultaneously requested)) and (ii) the date on which such Incremental Revolving Facility Commitments are requested to become effective (which shall not be less than ten (10) Business Days nor more than forty-five (45) days after the date of such notice). Any Loan made or to be made pursuant to an Incremental Revolving Facility Commitment shall (A) constitute a Loan made pursuant to this Agreement, (B) be deemed advanced under the Revolving Facility, (C) bear interest and be repaid in accordance with this Agreement applicable to advances made under the Revolving Facility, without preference or priority, (D) be secured by the Collateral on a pari passu basis, and (E) be subject to all other terms and conditions of this Agreement applicable to Loans and advances thereof.

(b) The Borrowers and each Incremental Revolving Facility Lender shall execute and deliver to the Administrative Agent an Incremental Facility Assumption Agreement and such other documentation as the Administrative Agent shall reasonably specify to evidence the Incremental Revolving Facility Commitment of such Incremental Revolving Facility Lender. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Incremental Facility Assumption Agreement. Each of the parties hereto hereby agrees that, upon the effectiveness of any Incremental Facility Assumption Agreement, this Agreement shall be deemed amended to the extent (but only to the extent) necessary to reflect the existence and terms of the Incremental Revolving Facility Commitment evidenced thereby.

(c) The Administrative Agent may take any and all actions as may be reasonably necessary to ensure that, after giving effect to any Incremental Revolving Facility Commitment pursuant to this Section 1.8, the outstanding Loans under the Revolving Facility (if any) are held by the Lenders in accordance with their new pro rata Percentages. This may be accomplished at the discretion of the Administrative Agent (i) by requiring the outstanding Loans to be prepaid with the proceeds of a new Revolving Facility borrowing, (ii) by causing the existing Lenders to assign portions of their outstanding Loans to Incremental Revolving Facility Lenders, (iii) by permitting the Revolving Facility borrowings outstanding at the time of any increase in the Revolving Facility Commitment Amount pursuant to this Section 1.8 to remain outstanding until the last days of the respective Interest Periods therefor, even though the Lenders would hold such Revolving Facility borrowings other than in accordance with their new pro rata Percentages, or (iv) by any combination of the foregoing. Any prepayment or assignment described in this Subsection (c) shall be subject to indemnification by the Borrowers pursuant to this Agreement, but otherwise be without premium or penalty.

(d) Notwithstanding the foregoing, no Incremental Revolving Facility Commitment shall become effective, unless on the date of such effectiveness, (i) no Event of Default shall have occurred and be continuing, and no act, event or condition shall have occurred or exist which with notice or the lapse of time, or both, would constitute an Event of Default, and (ii) the Administrative Agent shall have received (A) a certificate dated such date and executed by the Chief Financial Officer or other duly authorized officer of the Borrowers, on behalf of the Borrowers, certifying that all of the representations and warranties set forth in Article 5 and in each of the other Loan Documents are true and correct in all respects on and as of the date of the certificate with the same effect as though made on and as of such date (except to the extent that a representation and warranty relates to an earlier date);

(B) a duly executed Note (or an Allonge to an existing Note, as the case may be), in form and substance acceptable to the Administrative Agent, which shall evidence the Loans to be made pursuant to the Incremental Revolving Facility Commitment; (C) UCC, judgment, bankruptcy, pending litigation and tax lien search results for the Borrowers, confirming that no intervening lien, claim or encumbrance (other than Permitted Liens) on any Collateral exists that would affect the legality, validity or priority of the liens in favor of the Administrative Agent for the ratable benefit of the Lenders with respect to such Collateral; (D) the applicable Incremental Facility Assumption Agreement, duly executed by the parties thereto, together with such other documents, instruments and/or agreements reasonably requested by the Administrative Agent, including, without limitation, an opinion of counsel, resolutions and secretary's/officer's certificates with respect to each Borrower, each in form and substance acceptable to the Administrative Agent; and (E) the applicable Incremental Revolving Facility Upfront Fee payable by the Borrowers to and for the account of each Incremental Revolving Facility Lender.

2.9 Increases to the Term Facility Commitment Amount

(a) The Borrowers may, by written notice to the Administrative Agent from time to time after the Restatement Date, request Incremental Term Facility Commitments in an amount not to exceed the Uncommitted Incremental Increase Limit (less the amount of any Prior Increases and Incremental Revolving Facility Commitments being simultaneously requested) from one or more Incremental Term Facility Lenders, which, in the first instance, shall only include existing Lenders; provided that (i) no Lender shall have any obligation to become an Incremental Term Facility Lender (and the Lenders shall have no obligation to increase the Term Facility Commitments by the amount requested by the Borrowers), and (ii) if the full amount of the Incremental Term Facility Commitments being requested are not subscribed for by existing Lenders within ten (10) Business Days of the delivery of such written notice, the Borrowers may offer such remaining Incremental Term Facility Commitments to other non-Lender financial institutions; *provided further* that each Incremental Term Facility Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent. Each such notice shall set forth (i) the amount of the Incremental Term Facility Commitments being requested (which shall be in minimum increments of Five Million and No/100 Dollars (\$5,000,000.00) and a minimum amount of Ten Million and No/100 Dollars (\$10,000,000.00), or equal to the Uncommitted Incremental Increase Limit (less the amount of any Prior Increases and Incremental Revolving Facility Commitments being simultaneously requested)) and (ii) the date on which such Incremental Term Facility Commitments are requested to become effective (which shall not be less than ten (10) Business Days nor more than forty-five (45) days after the date of such notice). Any Loan made or to be made pursuant to an Incremental Term Facility Commitment shall (A) constitute a Loan made pursuant to this Agreement, (B) be deemed advanced under the Term Facility, (C) bear interest and be repaid in accordance with this Agreement applicable to advances made under the Term Facility, without preference or priority, (D) be secured by the Collateral on a *pari passu* basis, and (E) be subject to all other terms and provisions of this Agreement applicable to Loans and advances thereof.

(b) The Borrowers and each Incremental Term Facility Lender shall execute and deliver to the Administrative Agent an Incremental Facility Assumption Agreement and such other documentation as the Administrative Agent shall reasonably specify to evidence the Incremental Term Facility Commitment of such Incremental Term Facility Lender. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Incremental Facility Assumption Agreement. Each of the parties hereto hereby agrees that, upon the effectiveness of any Incremental Facility Assumption Agreement, this Agreement shall be deemed amended to the extent (but only to the extent) necessary to reflect the existence and terms of the Incremental Term Facility Commitment evidenced thereby.

(c) The Term Loans funded by the Incremental Term Facility Lenders shall have a maturity date no earlier than the existing Maturity Date with respect to the Term Facility, and shall have a Weighted Average Life to Maturity no shorter than the original Weighted Average Life to Maturity of the Term Loans made pursuant to Section 1.4(a) of this Agreement, without giving effect to any prepayments. The terms (other than maturity, amortization and pricing) of any Term Loans funded by the Incremental Term Facility Lenders shall be identical to those of the Term Loans made pursuant to Section 1.4(a) of this Agreement, and if the All-In Yield applicable to any such Term Loans exceeds the All-In Yield of the Term Loans existing at such time by more than fifty (50) basis

points, then the interest rate margins for the Term Loans existing at such time shall be increased to the extent necessary so that the All-In Yield of such Term Loans is equal to the All-In Yield of such Term Loans advanced by the Incremental Term Facility Lenders minus fifty (50) basis points.

(d) Notwithstanding the foregoing, no Incremental Term Facility Commitment shall become effective, unless on the date of such effectiveness, (i) no Event of Default shall have occurred and be continuing, and no act, event or condition shall have occurred or exist which with notice or the lapse of time, or both, would constitute an Event of Default, (ii) the Total Funded Debt to EBITDA Ratio (on a pro forma basis after giving effect to the funding of such Incremental Term Facility Commitments) must be (and the Borrowers must provide written evidence thereof), at least 0.25 less than the then applicable level set forth in Section 6.15(a) of this Agreement, and (iii) the Administrative Agent shall have received (A) a certificate dated such date and executed by the Chief Financial Officer or other duly authorized officer of the Borrowers, on behalf of the Borrowers, certifying that all of the representations and warranties set forth in Article 5 and in each of the other Loan Documents are true and correct in all respects on and as of the date of the certificate with the same effect as though made on and as of such date (except to the extent that a representation and warranty relates to an earlier date); (B) a duly executed Note (or an Allonge to an existing Note, as the case may be), in form and substance acceptable to the Administrative Agent, which shall evidence the Loans to be made pursuant to the Incremental Term Facility Commitment; (C) UCC, judgment, bankruptcy, pending litigation and tax lien search results for the Borrowers, confirming that no intervening lien, claim or encumbrance (other than Permitted Liens) on any Collateral exists that would affect the legality, validity or priority of the liens in favor of the Administrative Agent for the ratable benefit of the Lenders with respect to such Collateral; (D) the applicable Incremental Facility Assumption Agreement, duly executed by the parties thereto, together with such other documents, instruments and/or agreements reasonably requested by the Administrative Agent, including, without limitation, an opinion of counsel, resolutions and secretary's/officer's certificates with respect to each Borrower, each in form and substance acceptable to the Administrative Agent; and (E) the applicable Incremental Term Facility Upfront Fee payable by the Borrowers to and for the account of each Incremental Term Facility Lender. Additionally, the Administrative Agent and the Incremental Term Facility Lenders shall have agreed with the Borrowers as to the amortization and funding mechanics of such additional Loans.

2.10 Appointment of the Primary Operating Company. Each Borrower acknowledges that (a) the Lenders have agreed to extend credit to each of the Borrowers on an integrated basis for the purposes herein set forth; (b) it is receiving direct or indirect benefits from each such extension of credit; and (c) the obligations of the Borrower or Borrowers under this Agreement are the joint and several obligations of each Borrower. To facilitate the administration of the Loan, each Borrower hereby irrevocably appoints the Primary Operating Company as its true and lawful agent and attorney-in-fact with full power and authority to execute, deliver and acknowledge on such Borrower's behalf, each Request for Advance and Certification and all other Loan Documents or other materials provided or to be provided to the Administrative Agent or any Lender pursuant to this Agreement or in connection with the Loan. This power-of-attorney is coupled with an interest and cannot be revoked, modified or amended without the prior written consent of the Administrative Agent. Upon request of the Administrative Agent, each Borrower shall execute, acknowledge and deliver to the Administrative Agent a Power of Attorney, in form and substance reasonably satisfactory to the Administrative Agent, confirming and restating the power-of-attorney granted herein.

2.11 Joinder of New Subsidiaries and Affiliates.

(a) Except as otherwise provided in Section 1.11(b) of this Agreement or unless waived in writing by the Administrative Agent, acting at the direction of the Required Lenders, in their sole and absolute discretion, the Borrowers shall cause any present or future Affiliate of any VSE Entity in which such VSE Entity now or hereafter owns, directly or indirectly, an ownership interest of greater than fifty percent (50%) (other than the Restricted Non-Borrower Affiliates) to execute and deliver to the Administrative Agent (a) within forty-five (45) days of the date of formation or acquisition (as applicable) of any domestic entity, and (b) ninety (90) days of the date of formation or acquisition (as applicable) of any foreign entity, or a Foreign Subsidiary exceeding the thresholds set forth in clause (b) below (i) a Joinder Agreement in the form of Exhibit 6 attached hereto (a "Joinder Agreement"), pursuant to which such Affiliate shall (A) join in and become a party to this Agreement and the other Loan

Documents; (B) agree to comply with and be bound by this Agreement and all of the other Loan Documents; and (C) become a “Borrower” and thereafter be jointly and severally liable for the performance of all the past, present and future obligations and liabilities of the Borrowers hereunder and under the Loan Documents; and (ii) such other documents, instruments and agreements as may be reasonably required by the Administrative Agent in connection therewith (including an opinion of counsel and any information required by any Lender (requested by and through the Administrative Agent) to comply with “Know Your Customer” and similar requirements to identify and verify new bank customers), in form and substance acceptable to the Administrative Agent in all respects. The Borrowers acknowledge and agree that the Administrative Agent shall have the right, at the Borrowers’ cost and expense, to perform a field audit of the Receivables, inventory, business and operations of any present or future Affiliate proposed to be joined as a “Borrower” hereunder.

(b) Notwithstanding anything to the contrary contained in clause (a) above, no Foreign Subsidiary shall be required to become a “Borrower” party to this Agreement and/or any of the other Loan Documents, unless such Foreign Subsidiary would be considered a Material Foreign Subsidiary (in which event such entity will be required to be joined (within 90 days of the date of such determination) as a Foreign Borrower pursuant to the terms of clause (a) above). However, irrespective of whether or not any Person is required to be joined as a “Borrower” party to this Agreement and the other Loan Documents, the Borrowers shall undertake, and cause the Non-Borrower Affiliates to undertake, any and all necessary and appropriate procedures to grant in favor of the Administrative Agent, for the ratable benefit of the Lenders, a first priority perfected security interest in and to sixty-five percent (65%) of the equity interests in each Foreign Subsidiary within sixty (60) days of such Person becoming a Foreign Subsidiary. It is expressly understood and agreed that the Administrative Agent and the Lenders have waived the requirement for VSE Aviation, Inc. to pledge sixty-five percent (65%) of the equity interests in VSE Aviation Singapore PTE. LTD., a Singapore private limited liability company, which waiver shall be effective so long as (i) no default or Event of Default is continuing hereunder; and/or (ii) VSE Aviation Singapore PTE. LTD., a Singapore private limited liability company is not a Material Foreign Subsidiary (in which event it shall also be joined as a Foreign Borrower hereunder).

2.12 Division/Series Transactions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.

ARTICLE 3 LETTERS OF CREDIT

3.1 Issuance. The Borrowers and the Lenders acknowledge that from time to time the Borrowers may request that the LC Issuer issue or amend Letter(s) of Credit. Subject to the terms and conditions of this Agreement, and any other requirements for letters of credit normally and customarily imposed by the LC Issuer, the LC Issuer agrees to issue such requested letters of credit, provided that no Event of Default has occurred and is continuing, and no act, event or condition has occurred or exists which with notice or the passage of time, or both, would constitute an Event of Default. If any such Letter(s) of Credit are issued by the LC Issuer, each of the Revolving Facility Lenders shall purchase from the LC Issuer a risk participation with respect to such Letter(s) of Credit in an amount equal to such Revolving Facility Lender’s Percentage of the Revolving Facility Commitment Amount. The LC Issuer shall not have any obligation to issue any Letter of Credit that has an expiration date beyond the date which is three (3) Business Days prior to the Maturity Date, unless the Borrowers shall have deposited with such LC Issuer, concurrent with the issuance or renewal of any such Letter of Credit, cash security therefor in an amount equal to the face amount of the Letter of Credit. Any request for a Letter of Credit shall be made by a Borrower submitting to the LC Issuer (with a copy to the Administrative Agent) an Application and Agreement for Letter of Credit or Amendment to Letter of Credit (each being herein referred to as a “Letter of Credit Application”) on the LC Issuer’s standard form, at least three (3) Business Days prior to the date on which the issuance or amendment of the Letter of Credit shall be required, which Letter of Credit Application shall be executed by a duly authorized officer of a

Borrower, and be accompanied by such other supporting documentation and information as the Administrative Agent or the LC Issuer may from time to time reasonably request. Each Letter of Credit Application shall be deemed to govern the terms of issuance of the subject Letter of Credit, except to the extent inconsistent with the terms of this Agreement. Letters of Credit shall not be issued for durations of longer than one (1) year. Any outstanding Letter of Credit may be renewed from time to time; provided that (a) at least sixty (60) days' prior written notice thereof shall have been given by the Borrowers to the Administrative Agent and the LC Issuer; (b) no Event of Default exists under the terms and conditions of the particular Letter of Credit or this Agreement, and no act, event or condition has occurred or exists which with notice or the passage of time, or both, would constitute an Event of Default under the terms and conditions of the particular Letter of Credit or this Agreement; and (c) if the renewal period would expire later than three (3) Business Days prior to the Maturity Date, the Borrowers shall have deposited with the LC Issuer, concurrent with the renewal of such Letter of Credit, cash security therefor in an amount equal to the face amount of such Letter of Credit. It is expressly understood and agreed that the face amount of any outstanding Letters of Credit will reduce availability under the Revolving Facility.

3.2 **Amounts Advanced Pursuant to Letters of Credit.** Upon the issuance of any Letter(s) of Credit (a) any amounts drawn pursuant thereto shall be deemed advanced ratably under the Revolver Notes, shall bear interest and be payable in accordance with the terms of the Revolver Notes and shall be secured by the Collateral (in the same manner as all other sums advanced under the Revolver Notes); and (b) each Revolving Facility Lender shall purchase from the LC Issuer such risk participations in the Letter(s) of Credit as shall be necessary to cause each Revolving Facility Lender to share the funding obligations with respect thereto ratably in accordance with such Lender's Percentage. All obligations and liabilities of the Borrowers to the LC Issuer in connection with any such Letter(s) of Credit shall be deemed to be "Obligations," and the Administrative Agent shall not be required to release its security interest in the Collateral until (a) all sums due under the Notes and the other Obligations have been paid and satisfied in full, (b) all Letters of Credit have been canceled or expired, and (c) no Lender or the LC Issuer has any further obligation or responsibility to make additional Loan advances or issue additional Letters of Credit. Furthermore, in no event whatsoever shall the LC Issuer have any obligation to issue any Letter of Credit which would cause (a) the face amount of all then outstanding Letters of Credit issued for the account of any or all Borrowers to exceed Twenty-Five Million and No/100 Dollars (\$25,000,000.00), in the aggregate, or (b) the aggregate outstanding principal amount of the Revolving Facility (including the aggregate face amount of all Letters of Credit outstanding, Swing Line Loans outstanding and Alternative Currency Loans outstanding), to exceed the Revolving Facility Commitment Amount.

3.3 **Letter of Credit Fees.** The Borrowers shall be jointly and severally liable for the payment to: (a) the Administrative Agent, for the benefit of the Lenders ratably, of a quarterly fee (the "Letter of Credit Fee") at the annual rate equal to the Additional Libor Interest Margin corresponding to the Total Funded Debt to EBITDA Ratio reported as of the immediately preceding quarter, as set forth on Exhibit 7 attached hereto, which shall be calculated (i) on the face amount of each Letter of Credit as of the date of issuance (or the anniversary or amendment date, as applicable), and (ii) on the basis of the actual number of days elapsed and a three hundred sixty (360)-day year; and (b) the LC Issuer, of an issuance fee in an amount equal to the LC Issuer's standard pricing for such fees, as amended from time to time, and the customary administrative charges (collectively, the "Letter of Credit Administration Fee"). The Letter of Credit Fee shall be due and payable, in advance, on the date the Letter of Credit is issued, amended, extended or renewed and on the same day of every third (3rd) month thereafter during which such Letter of Credit shall remain issued or outstanding. The Letter of Credit Administration Fee shall be due and payable simultaneously with the LC Issuer's issuance, amendment, extension or renewal of the particular Letter of Credit (as the case may be).

3.4 **Documentation.** Each Borrower agrees to be bound by the terms of the applicable Letter of Credit Application and the LC Issuer's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Borrower's own. In the event of a conflict between such Letter of Credit Application and this Agreement, this Agreement shall govern subject to the terms of the International Standby Practices 1998, and any subsequent official revision thereof and the terms of the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600, and any subsequent official revision thereof. Except in the case of gross negligence or willful misconduct,

as finally determined by a court of competent jurisdiction, the LC Issuer shall not be liable for any error, negligence or mistakes, whether of omission or commission, in following any Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto. In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the LC Issuer shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

3.5 Liability for Acts and Omissions. As between any VSE Entity and the LC Issuer, the Borrowers assume all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the LC Issuer shall not be responsible for any of the following, including any losses or damages to any VSE Entity or other Person or property relating therefrom: (a) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any Person in connection with the particular Letter of Credit Application for such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the LC Issuer shall have been notified thereof); (b) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such 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; (c) the failure of the beneficiary of any such Letter of Credit, or any other Person to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any VSE Entity against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any VSE Entity and any beneficiary of any Letter of Credit or any such transferee; (d) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (e) errors in interpretation of technical terms; (f) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (g) the misapplication of the proceeds of any drawing under such Letter of Credit by the beneficiary of any such Letter of Credit; or (h) any consequences arising from causes beyond the control of the LC Issuer, including any act or omission of any Government, and none of the above shall affect or impair, or prevent the vesting of, any of the LC Issuer's rights or powers hereunder. Nothing in the preceding sentence shall relieve the LC Issuer from liability for the LC Issuer's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction, in connection with actions or omissions described in such clauses (a) through (h) of such sentence. In no event shall the LC Issuer be liable to any VSE Entity for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit. Without limiting the generality of the foregoing, the LC Issuer (i) may rely on any oral or other communication believed in good faith by the LC Issuer to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by the LC Issuer; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on the LC Issuer in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document and honor any drawing in connection with any Letter of Credit that is the subject to such order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

ARTICLE 4 SECURITY

4.1 **Security Generally.** As collateral security for the Loan and all other Obligations, the Borrowers hereby grant and convey to the Administrative Agent, for the benefit of the Lenders ratably, a security interest in all of the assets of each Borrower, including, without limitation, the following (collectively, the “Collateral”):

Receivables. All of each Borrower’s present and future right, title and interest in and to any and all Accounts, contracts, contract rights, Chattel Paper, General Intangibles, notes, drafts, acceptances, chattel mortgages, conditional sale contracts, bailment leases, security agreements and other forms of obligations now or hereafter arising out of or acquired in the course of or in connection with any business each Borrower conducts, together with all liens, guaranties, securities, rights, remedies and privileges pertaining to any of the foregoing, whether now existing or hereafter created or arising, and all rights with respect to returned and repossessed items of Inventory;

Inventory. All of each Borrower’s present and future right, title and interest in and to any and all Inventory and Goods, wherever located, and whether held for sale or lease or furnished or to be furnished under contracts of service, and all raw materials, work in process and materials now or hereafter owned by each Borrower, wherever located, and used or consumed in its business, including all returned and repossessed items; and all other property now or hereafter constituting Inventory;

Other Collateral. All of each Borrower’s present and future right, title and interest in and to any and all cash, cash equivalents, Permitted Investments, Deposit Accounts, Documents, Instruments, Investment Property, Letter of Credit Rights and Supporting Obligations, whether any of the foregoing shall be now owned or hereafter acquired by such Borrower, together with all of each Borrower’s present and future furniture, fixtures, Equipment, leasehold improvements, machinery, supplies and other assets (other than certain stock of Foreign Subsidiaries, as below provided) and personal property of every type or nature whatsoever, including all of each Borrower’s present and future inventions, designs, patents, patent applications, patent licenses, trademarks, trademark applications, trade names, trade secrets, goodwill, registrations, copyrights, licenses, franchises, customer lists, tax refunds, tax refund claims, rights of claims against carriers and shippers, leases and rights to indemnification;

Stock or Other Ownership Interests. All of each Borrower’s present and future right, title and interest in and to any and all of the issued and outstanding capital stock, membership interests or other ownership interests in any other Person, whether such interests are now or hereafter issued or outstanding and whether now or hereafter acquired by such Borrower, together with all voting, economic and other rights thereof or appurtenant thereto, pursuant to the Stock Security Agreement, Membership Interest Assignment or such other documents, instruments or agreements as may be reasonably required by the Administrative Agent;

Leases. All of each Borrower’s present and future right, title and interest in and to any and all leases, occupancy agreements, subleases, contracts, licenses, agreements and other understandings of or relating to the use, enjoyment or occupancy of real property or any improvements thereon; provided, however, that if the terms of any such lease or other contract require such Borrower to notify or obtain the prior written consent of a third party for the grant of a security interest in such lease or other contract, the security interest granted hereby in such lease or other contract shall not be effective until such notification is delivered or such consent is obtained;

Records. All of each Borrower’s present and future right, title and interest in and to any and all records, documents and files, in whatever form, pertaining to the Collateral; and

Proceeds, Etc. Any and all Proceeds of the foregoing and all increases, substitutions, replacements or additions to any or all of the foregoing.

The foregoing grant and conveyance of a security interest in the Collateral is in confirmation of (and not replacement of) the grant and conveyance of a security interest in the Collateral that was previously made pursuant to or in accordance with the Existing Loan Agreement and the other Loan Documents; the liens created by such prior grant and conveyance of a security interest in the Collateral remain in full force and effect; and the grant of and conveyance of a security interest in the Collateral pursuant hereto shall be supplemental to such prior grant and conveyance.

Notwithstanding the foregoing, but subject to applicable provisions of Article 9 of the UCC, the above described grant and conveyance shall not be deemed to include the grant and conveyance of (a) any Government Contract, Government Subcontract or Commercial Contract, which by its terms or Applicable Laws may not be conveyed; however, in any such situation(s), the Administrative Agent's security interest shall include (i) the entirety of each Borrower's right, title and interest in and to all Receivables and all other Proceeds directly or indirectly arising from such Government Contract, Government Subcontract or Commercial Contract, and (ii) all other rights and interests which any Borrower may lawfully convey to the Administrative Agent with respect to such Government Contract, Government Subcontract or Commercial Contract (including a conveyance of the applicable Commercial Contract if such prohibition on conveyance is negated by Applicable Laws); (b) any stock or other ownership interests of a Foreign Subsidiary in excess of sixty-five percent (65%) of all of the issued and outstanding stock or other ownership interests of such Foreign Subsidiary; (c) motor vehicles titled in the name of any Borrower and (d) assets in circumstances where the Administrative Agent and the Primary Operating Company agree the cost, burden or consequences of obtaining or perfecting a security interest in such assets is excessive in relation to the practical benefit afforded thereby.

4.2 No Preference or Priority. It is expressly understood and agreed that all Obligations, including Hedging Obligations with a Lender or an Affiliate of a Lender, are and shall be cross-collateralized and cross-defaulted such that the Collateral securing any of the Obligations shall secure repayment of all Obligations, and subject to any applicable notice and cure periods, a default under any Obligation shall be a default under all Obligations. Subject to Section 1.4(d) of this Agreement, each of the Obligations shall be secured without preference or priority; it being the intention of the parties that the Obligations shall be co-equal and coordinate in right of payment of principal, interest, late charges and other sums due under the Loan Documents.

ARTICLE 5

CONDITIONS TO THE LENDERS' OBLIGATIONS

The initial performance of the Lenders' obligations under this Agreement shall be subject to the satisfaction of the following conditions:

5.1 Compliance with Law and Agreements; Third-Party Consents. The Lenders shall be reasonably satisfied with the VSE Entities' capital structure, and that (a) the Loan shall be in full compliance with all legal requirements and bank regulations, (b) all regulatory and third-party consents and approvals required to be obtained have been obtained, and (c) the VSE Entities shall have performed all agreements theretofore to be performed by the VSE Entities.

5.2 Financial Condition. There shall have been no material adverse change in the financial condition of the VSE Entities, taken as a whole, between the date of the most recent financial statement(s) delivered to the Lenders and the Restatement Date.

5.3 Litigation/Bankruptcy. There shall be no pending or threatened litigation by any entity (private or governmental) with respect to the Loan or any documentation executed in connection therewith, nor shall there be any litigation, bankruptcy or other proceedings against any VSE Entity which would reasonably be expected to have a material adverse effect on the condition (financial or otherwise), business, operations, assets or prospects of any

VSE Entity on a going forward basis, or that would reasonably be expected to have a material adverse effect on any VSE Entity's ability to pay and perform the Obligations on a going forward basis.

5.4 **Opinion of Counsel.** The Administrative Agent shall have received an opinion of Borrowers' counsel with respect to each Borrower in form and substance satisfactory to the Administrative Agent and its counsel in all respects.

5.5 **No Default.** There shall exist no Event of Default, and no act, event or condition shall have occurred or exist which with notice or the lapse of time, or both, would constitute an Event of Default.

5.6 **Documentation.** The Administrative Agent shall have received the following: (a) all of the Loan Documents executed by a duly elected officer of each VSE Entity party thereto; (b) such financial statements, projections, certificates of good standing, corporate resolutions, limited liability company consents, UCC financing statements, opinions, certifications, schedules to be attached to this Agreement and such other documents, instruments and agreements as may be reasonably required by the Administrative Agent and the Lenders (including all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act); (c) an Authorization executed by each Lender; (d) evidence of the VSE Entities' pro forma (calculating Fixed Charges assuming debt service was paid for such period at the levels set forth herein for the first year of this Agreement) covenant compliance as of the Restatement Date; and (e) evidence that the VSE Entities do not have any material Indebtedness except as otherwise permitted pursuant to this Agreement. All documentation relating to the Loan and all related transactions must be satisfactory in all respects to the Administrative Agent, the Lenders and their respective counsel.

5.7 **Restatement Costs and Expenses.** The Borrowers shall have paid all fees payable to the Administrative Agent or the Lenders, plus all Restatement costs and expenses incurred by the Administrative Agent in connection with the transactions contemplated hereby, including all filing fees, recording costs, out-of-pocket syndication costs and expenses and the reasonable attorneys' fees and expenses of the Administrative Agent.

5.8 **Restatement Matters.** On or before the Restatement Date:

(a) The Administrative Agent shall have received (i) a certificate, dated the Restatement Date and signed by the chief financial officer or other duly authorized officer of each Borrower, certifying (A) that attached thereto is a true, correct, and recently state certified certificate or articles of incorporation or formation (or similar document) of such Borrower and that such certificate or articles have not been modified, rescinded, or amended and are in full force and effect as of the Restatement Date, (B) that attached thereto is a true, correct, and complete copy of the by-laws or operating agreement (or similar document) of such Borrower and that such by-laws or operating agreement (or similar document) has not been modified, rescinded or amended and are in full force and effect as of the Restatement Date, (C) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors or other equivalent body of such Borrower, authorizing the execution, delivery and performance of this Agreement, the Notes and the other Loan Documents to which such Borrower is a party, the undertaking by such Borrower of the Obligations (if applicable), and that such resolutions have not been modified, rescinded or amended and are in full force and effect as of the Restatement Date, and (D) as to the incumbency and specimen signature of each officer executing this Agreement, the Notes or any other Loan Document or any other document delivered in connection therewith on behalf of such Borrower; and (ii) a certificate of another officer as to the incumbency and specimen signature of the chief financial officer or other duly authorized officer executing the certificate pursuant to clause (i) above;

(b) This Agreement, the Notes and all other Loan Documents required to be executed and delivered by any Lender or any VSE Entity shall have been executed and delivered to the Administrative Agent in form and substance acceptable to the Administrative Agent, all such documents shall be in full force and effect, and each such document (including each UCC financing statement) required by Applicable Laws or reasonably requested by the Administrative Agent to be filed, registered or recorded to create or continue in favor of the Administrative

Agent for the benefit of the Lenders, ratably a valid, legal and perfected first-priority (except to the extent otherwise provided therein) security interest in and lien on the Collateral (subject to any Permitted Lien) described therein shall have been prepared and delivered to the Administrative Agent;

(c) All legal matters incident to this Agreement and the Restatement shall be reasonably satisfactory to the Lenders and the Administrative Agent;

(d) The Administrative Agent and the Lenders shall be reasonably satisfied with the condition (financial or otherwise), results of operations, assets, liabilities and prospects of the VSE Entities up to and including the Restatement Date; and

(e) After giving effect to the Restatement, all representations and warranties of the Borrowers set forth in this Agreement and the other Loan Documents shall be, with respect to such representations and warranties not qualified by "materiality," true, accurate and complete in all material respects, and with respect to those representations and warranties qualified by "materiality," true, accurate and complete in all respects.

5.9 **Security Interests.** The Borrowers shall have executed and delivered all documentation that the Administrative Agent deems necessary or appropriate for the perfection of any liens granted to the Administrative Agent for the ratable benefit of the Lenders as may be required pursuant to this Agreement or any other Loan Document.

5.10 **Insurance.** The Borrowers shall have delivered to the Administrative Agent for the ratable benefit of the Lenders evidence of compliance with the insurance requirements set forth in this Agreement and the other Loan Documents.

5.11 **Other Deliveries.** The Borrowers shall have provided, and shall have caused each other VSE Entity to have provided, to the Administrative Agent all other documents, instruments and agreements, and all UCC, judgment, tax lien, pending litigation and bankruptcy searches requested by the Administrative Agent on or prior to the Restatement Date. Additionally, the Administrative Agent shall have received a landlord's lien waiver from the landlord of each and every business premise at which any Borrower (other than any Foreign Borrower) stores its books and records or where Borrower assets valued, individually or in the aggregate, in excess of One Million and No/100 Dollars (\$1,000,000.00) are located.

5.12 **Government Contracts.** Since June 30, 2006, no notice of suspension, debarment, unremedied cure notice, show cause notice or notice of termination for default shall have been issued by the Government to any Borrower, and no Borrower shall have been a party to any pending, or to any Borrower's knowledge threatened, suspension, debarment, termination for default or show cause requirement by the Government or other material adverse Government action or proceeding in connection with any Government Contract, except that for purposes hereof, normal and customary reviews and audits conducted by the Government in the ordinary course of business not involving allegations of fraud, malfeasance, misappropriation, criminal activity or similar wrongdoing shall not be deemed to be adverse Government action(s) or proceeding(s).

ARTICLE 6 REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement or make any advances to the Borrowers pursuant to this Agreement, each Borrower jointly and severally represents, warrants, covenants and agrees as follows:

6.1 **Existence and Qualification.** Each Borrower is a corporation or limited liability company duly organized, validly existing and in good standing (to the extent applicable) under the laws of its jurisdiction of incorporation or organization referenced in Schedule A-1 attached hereto, with all corporate or limited liability company power and authority and all necessary licenses and permits to execute, deliver and perform under the Loan

Documents, and to own, operate and lease its properties and carry on its business as now being conducted, and as may in the future be conducted. Each Borrower has only one jurisdiction of incorporation or organization (as the case may be). Except as set forth in Schedule 5.1 attached hereto, each Borrower is duly qualified and authorized to do business and is in good standing in each jurisdiction in which the nature of its activities or the character of its properties makes qualification necessary.

6.2 Authority; Noncontravention. Except as set forth in Schedule 5.2 attached hereto, the execution, delivery and performance of the obligations of each Borrower set forth in this Agreement, the Notes, the other Loan Documents, and the execution, delivery and performance of the obligations of each Non-Borrower Affiliate set forth in each collateral document to which it is a party (a) have been duly authorized by all necessary corporate, limited liability company, stockholder or member action (as applicable); (b) do not require the consent of any Government; (c) will not violate or result in (and with notice or the lapse of time will not violate or result in) the breach of any provision of any Borrower's or Non-Borrower Affiliate's Articles/Certificate of Incorporation, Articles/Certificate of Organization, By-laws, Operating Agreement, Material Contracts existing as of the Restatement Date, or any order or regulation of any Government or arbitration board or tribunal; and (d) except as permitted by the terms and conditions of this Agreement, will not result in the creation of a lien, charge or encumbrance of any nature upon any of the properties or assets of any Borrower or Non-Borrower Affiliate. When the Loan Documents are executed and delivered, they will constitute legal, valid and binding obligations of each Borrower and, to the extent applicable, each Non-Borrower Affiliate, enforceable against each Borrower, and, to the extent applicable, each Non-Borrower Affiliate, in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights and remedies of creditors and secured parties, and general principles of equity regardless of whether applied in a proceeding in equity or at law.

6.3 Financial Position. The financial statements listed on Schedule 5.3 attached hereto, copies of which have been delivered to the Lenders (a) present fairly the financial condition of the VSE Entities as of the date(s) thereof and the results of the VSE Entities' operations for the periods indicated therein, (b) were prepared in accordance with GAAP, (c) with respect to all historical data, are true and accurate in all material respects, (d) with respect to all projections, are reasonable, and (e) are not misleading in any material respect. Except as set forth on Schedule 5.3 attached hereto, all material liabilities, fixed or contingent (including, without limitation, those fixed or contingent liabilities of Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00) or more), are fully shown or provided for on the referenced financial statements or the notes thereto as of the date(s) thereof. There has been no material adverse change in the business, property or condition (financial or otherwise) of the VSE Entities, taken as a whole, since the date of the most recent balance sheet listed on Schedule 5.3 attached hereto. All filings by the Primary Operating Company required by the SEC or the SEC Act have been filed as and when required (except to the extent appropriate extensions have been obtained and remain in effect), and no VSE Entity has received written notice of any violation of the SEC Act or any other law, rule or regulation of the SEC that has not been disclosed to the Administrative Agent in writing. The Restricted Non-Borrower Affiliates have only nominal (or no) assets, and will be dissolved by the VSE Entities as soon as is commercially feasible.

6.4 Payment of Taxes. Each VSE Entity has filed all tax returns and reports required to be filed by it with the United States Government or with any state or local governments, and has paid in full or made adequate provision on its books as required under GAAP for the payment of all taxes, interest, penalties, assessments or deficiencies shown to be due or claimed to be due on or in respect of such tax returns and reports, except to the extent that the validity or amount thereof is being contested in good faith by appropriate proceedings and the non-payment thereof pending such contest will not result in any lien other than Permitted Liens or otherwise jeopardize the Administrative Agent's or the Lenders' interests in any Collateral, and adequate reserves therefor have been established as required under GAAP.

6.5 Accuracy of Submitted Information; Omissions. As of the date furnished, all documents, certificates, information, materials and financial statements furnished or to be furnished to any Lender or the Administrative Agent pursuant to this Agreement or otherwise in connection with the Loan (a) are true and correct in all material respects; (b) do not contain any untrue statement of a material fact; and (c) do not omit any material

fact necessary to make the statements contained therein or herein not misleading. No VSE Entity is aware of any fact that has not been disclosed to the Administrative Agent in writing which would reasonably be expected to have a Material Adverse Effect.

6.6 **Government Contracts/Government Subcontracts.** Except for the matters set forth on Schedule 5.6(a) attached hereto, since June 30, 2010, no notice of suspension, debarment, unremedied cure notice, show cause notice or notice of termination for default has been issued by the Government to any Borrower, and no Borrower is a party to any pending, or to any Borrower's knowledge threatened, suspension, debarment, termination for default or show cause requirement by the Government or other material adverse Government action or proceeding in connection with any Government Contract; except that for purposes hereof, normal and customary reviews and audits conducted by the Government in the ordinary course of business shall not be deemed adverse Government action(s) or proceeding(s). All Government Contracts existing as of the Restatement Date and having (a) a remaining contract value of One Million and No/100 Dollars (\$1,000,000.00) or more, and (b) a remaining term of twelve (12) months or longer are listed on Schedule 5.6(b) attached hereto.

6.7 **No Defaults or Liabilities.** No VSE Entity is in default of any obligation, covenant or condition contained in any Material Contract that would reasonably be expected to have a Material Adverse Effect. Additionally, except for the matters disclosed on Schedule 5.9 attached hereto, there is no litigation, legal or administrative proceeding or investigation pending against any VSE Entity, and, to the knowledge of any Borrower, no litigation, legal or administrative proceeding or investigation has been threatened against any VSE Entity, that has not been disclosed on Schedule 5.9 attached hereto and which involves amounts in excess of One Million and No/100 Dollars (\$1,000,000.00) or which could prejudice, in any material respect, the Administrative Agent's or any Lender's rights or remedies under any Loan Document, or the priority, perfection or enforceability of the Administrative Agent's security interest in or lien on any Collateral.

6.8 **No Violations of Law.** No VSE Entity is in violation of any Applicable Laws in any material respect; no VSE Entity has failed to obtain any license, permit, franchise or other Government authorization necessary to the ownership of its properties or to the conduct of its business, and each VSE Entity has conducted its business and operations in compliance with all Applicable Laws, except for such non-compliance which, considered in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

6.9 **Litigation and Proceedings.** Except for the matters set forth on Schedule 5.9 attached hereto, as of the Restatement Date, no action, suit or proceeding against or affecting any VSE Entity is presently pending, or to the knowledge of any Borrower, threatened, in any court, before any Government, or before any arbitration board or tribunal, that involves the possibility of any judgment or liability not fully covered by insurance, which, if determined adversely to the interests of any VSE Entity, would reasonably be expected to have a Material Adverse Effect. No VSE Entity is in default with respect to any order, writ, injunction or decree of any court, Government or arbitration board or tribunal.

6.10 **Security Interest in the Collateral.** Each VSE Entity is the sole legal and beneficial owner of the Collateral owned or purported to be owned by it, free and clear of all liens, claims and encumbrances of any nature, except for the Permitted Liens and other liens expressly permitted by the terms and conditions of this Agreement. Except as expressly set forth in this Agreement, the security interests and liens granted by the VSE Entities to the Administrative Agent pursuant to this Agreement constitute valid and enforceable security interests in and liens on each item of the Collateral of the type or nature that may be made subject to a security interest under the UCC, subject to no other liens other than Permitted Liens. Upon execution of this Agreement, and subject to (a) the filing of UCC-1 financing statements containing a description of the Collateral and naming the applicable VSE Entities as debtors in the appropriate jurisdictions as determined by applicable law, or (b) the requirements of any applicable foreign law(s) that dictate an alternative or additional method of perfecting the security interest in the Collateral pursuant to this Agreement, the security interests and liens granted by the VSE Entities to the Administrative Agent, for the benefit of the Lenders ratably, pursuant to this Agreement (i) constitute perfected security interests in all Collateral of the type or nature in which a security interest may be perfected by filing, recording or registering a financing statement in the United States pursuant to the UCC, (ii) shall be superior to and prior to any other lien on

any of such Collateral (but excluding Collateral consisting of capital stock, membership interests or ownership interests in any Foreign Subsidiary), other than Permitted Liens, and no further recordings or filings are or will be required in connection with the creation, perfection or enforcement of such security interests and liens, other than the filing of continuation statements in accordance with Applicable Law, and (iii) in the case of Collateral consisting of capital stock, membership interest(s) or ownership interest(s) in any Borrower or Foreign Subsidiary, subject to (A) having control thereof within the meaning of the UCC, and (B) satisfaction of any requirements of Applicable Laws of a foreign jurisdiction that dictate an alternative or additional method of perfection, shall be superior to and prior to any other lien on any of such Collateral, other than Permitted Liens.

6.11 Principal Place of Business; Location of Books and Records. As of the Restatement Date, each Borrower maintains its principal place of business and the office where it keeps its books and records with respect to Receivables at the locations listed on Schedule 2 attached hereto. Schedule 5.11 attached hereto sets forth all primary business locations of the Borrowers situated within the United States as of the Restatement Date and where Borrower assets valued, individually or in the aggregate, in excess of One Million and No/100 Dollars (\$1,000,000.00) are located as of the Restatement Date.

6.12 Fiscal Year. Each VSE Entity's Fiscal Year ends on December 31st.

6.13 Pension Plans.

(a) Except for the matters set forth on Schedule 5.13(a) attached hereto, the present value of all benefits vested under all "employee pension benefit plans", as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974 ("ERISA"), from time to time maintained by the Borrowers or any ERISA Affiliate (individually, a "Pension Plan" and collectively, the "Pension Plans") did not, as of December 31, 2017, exceed the value of the assets of the Pension Plans allocable to such vested benefits;

(b) Except for the matters set forth on Schedule 5.13(b) attached hereto, no Pension Plan, trust created thereunder or other person dealing with any Pension Plan has engaged in a non-exempt transaction proscribed by ERISA Section 406 or a non-exempt "prohibited transaction," as such term is defined in Code Section 4975;

(c) Except for the matters set forth on Schedule 5.13(c) attached hereto, no Pension Plan or trust created thereunder has been terminated within the last three (3) years, and there have been no "reportable events" (as such term is defined in ERISA Section 4043 and the ERISA regulations) with respect to any pension plan or trust created thereunder after June 30, 1974;

(d) No Pension Plan or trust created thereunder has incurred any "accumulated funding deficiency" (as such term is defined in ERISA Section 302 or Code Section 412) as of the end of any plan year, whether or not waived, since the effective date of ERISA; and

(e) None of the Borrowers, or any of their ERISA Affiliates (i) makes, or is obligated to make, contributions to a multiemployer plan (as defined in ERISA Section 3(37)) or has ever contributed, or been obligated to contribute, to such a plan in the past; (ii) maintains or has ever maintained (A) any plan that has been subject to Title IV of ERISA, or (B) a defined benefit plan (as defined in ERISA Section 3(35)); or (iii) has any liability or would reasonably be expected to have any liability with respect to any plan identified in the immediately preceding clause (ii) above.

6.14 O.S.H.A., ADA and Environmental Compliance.

(a) Each VSE Entity has duly complied in all material respects with, and its facilities, business assets, property, leaseholds and equipment are in compliance in all material respects with, the Federal Occupational Safety and Health Act ("O.S.H.A."), the Americans with Disabilities Act ("ADA"), the Environmental Protection Act, RCRA and all other environmental laws that non-compliance with would reasonably be expected to

have a Material Adverse Effect; and there have been no citations, notices, notifications or orders of any such non-compliance issued to any VSE Entity or relating to its business, assets, property, leaseholds or equipment under any such laws;

(b) each VSE Entity has been issued all required federal, state and local licenses, certificates and permits required in the operation of its facilities, businesses, assets, property, leaseholds and equipment, unless the failure to obtain any such license, certificate or permit would not reasonably be expected to have a Material Adverse Effect; and

(c) (i) there are no visible signs of releases, spills, discharges, leaks or disposals (collectively referred to herein as “Releases”) of Hazardous Substances at, upon, under or within any real property owned, or to the actual knowledge of any Borrower any premises leased, by any VSE Entity; (ii) there are no underground storage tanks or polychlorinated biphenyls on any real property owned, or to the actual knowledge of any Borrower any premises leased, by any VSE Entity; (iii) no real property owned, or to the actual knowledge of any Borrower premises leased, by any VSE Entity has ever been used by any VSE Entity (and to the best of each Borrower’s knowledge, any other person) as a treatment, storage or disposal facility for Hazardous Waste; and (iv) to the best of each Borrower’s knowledge, no Hazardous Substances are present on any real property owned, or to the actual knowledge of any Borrower any premises leased, by any VSE Entity, except for such quantities of Hazardous Substances as are handled in all material respects in accordance with all applicable manufacturer’s instructions and Government regulations, and as are necessary or appropriate for the operation of the business of the VSE Entities.

6.15Intellectual Property. All patents, patent applications, trademarks, trademark applications, copyrights, copyright applications, trade names, trade secrets and licenses necessary for the conduct of the business of each Borrower are (a) owned or utilized by such Borrower, and (b) valid and, except with respect to licenses, trade secrets and certain copyrights, have been duly registered or filed with all appropriate Government offices. Schedule 5.15(a) attached hereto sets forth all patents, patent applications, trademarks, trademark applications, copyrights, copyright applications, trade names, trade secrets and licenses necessary for the conduct of the business of each Borrower as of the Restatement Date, and except as disclosed in Schedule 5.15(a) attached hereto, there is no objection or pending challenge to the validity of any such patent, trademark, copyright, trade name, trade secret or license; no Borrower is aware of any grounds for any such challenge or objection thereto. Except as disclosed in Schedule 5.15(b) attached hereto, as of the Restatement Date, no Borrower pays any royalty to any Person in connection with any patent, trademark, copyright, trade name, trade secret or license; and each Borrower has the right to bring legal action for the infringement of any such patent, trademark, copyright, trade name, trade secret or license.

6.16Existing or Pending Defaults: Material Contracts No Borrower is aware of any pending or threatened litigation, or any other legal or administrative proceeding or investigation pending or threatened, against any VSE Entity arising from or related to any Material Contract.

6.17Leases and Real Property. Except as disclosed on Schedule 5.17 attached hereto, no Borrower owns any real property other than fixtures that may relate to various leaseholds. All leases and other agreements under which any Borrower occupies real property are in full force and effect and constitute legal, valid and binding obligations of, and are legally enforceable against, the Borrower party thereto and, to the Borrowers’ best knowledge, are the binding obligations of and legally enforceable against, the other parties thereto. To the Borrowers’ best knowledge, all necessary Government approvals, if any, have been obtained for each such lease or agreement, and there have been no threatened cancellations thereof or outstanding disputes with respect thereto.

6.18Labor Relations. There are no strikes, work stoppages, material grievance proceedings, union organization efforts or other controversies pending, or to any Borrower’s knowledge, threatened or reasonably anticipated, between any Borrower and (a) any current or former employee of any Borrower or (b) any union or other collective bargaining unit representing any such employee. Each VSE Entity has complied and is in compliance with all Applicable Laws relating to employment or the workplace, including provisions relating to wages, hours, collective bargaining, safety and health, work authorization, equal employment opportunity,

immigration, withholding, unemployment compensation, employee privacy and right to know, except for such non-compliance which would not reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 5.18 attached hereto, as of the Restatement Date, there are no collective bargaining agreements, employment agreements between any Borrower and any of its employees, or professional service agreements not terminable at will relating to the businesses or assets of any Borrower. Except for liabilities and obligations to the Lenders and the Administrative Agent pursuant to this Agreement, the consummation of the transactions contemplated hereby will not cause any VSE Entity to incur or suffer any liability relating to, or obligation to pay, severance, termination or other similar payments to any Person.

6.19 Assignment of Contracts. No existing Government Contract, Government Subcontract or other Material Contract (and no present or future interest of any VSE Entity, in whole or in part, in, to or under any such Government Contract, Government Subcontract or other Material Contract) is currently assigned, pledged, hypothecated or otherwise transferred to any Person (other than in favor of the Administrative Agent for the benefit of the Lenders ratably).

6.20 Contribution Agreement. The Contribution Agreement is in full force and effect, has not been modified, altered or amended in any respect whatsoever (other than to add a new Borrower party thereto from time to time and in connection with this Agreement), and no Borrower is in default thereunder.

6.21 Registered Names. The corporate or company name of each Borrower set forth in this Agreement and the other Loan Documents (including all of the UCC-1 financing statements) is accurate in all respects, and such corporate or company name is identical to the corporate or company name of record with such Borrower's jurisdiction of incorporation or organization (as applicable).

6.22 Ownership of the VSE Entities. All of the issued and outstanding capital stock or other ownership interests of each VSE Entity, other than the Primary Operating Company, is owned directly or indirectly, by the Primary Operating Company, free and clear of any and all liens, claims and encumbrances of any type or nature (other than the security interests granted to the Administrative Agent, for the benefit of the Lenders ratably, pursuant to this Agreement).

6.23 Solvency. Both prior to and after giving effect to the transactions contemplated by the terms and conditions of this Agreement, (a) the Borrowers', taken as a whole, owned and owns property (including the Borrower's rights under the Contribution Agreement) whose fair saleable value is greater than the amount required to pay all of the Borrowers' Indebtedness, (b) the Borrowers, taken as a whole, were and are able to pay all of their Indebtedness as such Indebtedness matures, and (c) the Borrowers, taken as a whole, had and have capital sufficient to carry on their business and transactions and all business and transactions in which they are about to engage.

6.24 Foreign Assets Control Regulations, Etc. No VSE Entity is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§1 *et seq.*), as amended. No VSE Entity is in violation of (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) the Patriot Act. No VSE Entity, any of their Subsidiaries, any director or officer, or any agent, Affiliate or to the knowledge of any VSE Entity, any employee, of the VSE Entities or any of their Subsidiaries is a Person that is, or is owned or controlled by Persons that are, (i) the subject of any sanctions administered or enforced by the US Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the US Department of State, the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom (collectively, "Sanctions"), or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions, including, without limitation, currently, the Crimea Region, Cuba, Iran, North Korea, Sudan and Syria. None of the VSE Entities (a) is a Blocked Person or (b) engages in any dealings or transactions or is otherwise associated, with any such Blocked Person. No VSE Entity is in violation of any Anti-Corruption Laws.

6.25**Federal Reserve Regulations.** No director, executive officer or principal shareholder of any VSE Entity is a director, executive officer or principal shareholder of any Lender. For the purposes hereof the terms “director” “executive officer” and “principal shareholder” (when used with reference to any Lender), have the respective meanings assigned thereto in regulations issued by the Board.

6.26**Commercial Tort Claims.** No Borrower is a party to any Commercial Tort Claims, except as shown on Schedule 5.26 attached hereto.

6.27**Letter of Credit Rights.** No Borrower has any Letter of Credit Rights, except as shown on Schedule 5.27 attached hereto.

6.28**Investment Company Act.** No Borrower is an investment company within the meaning of the Investment Company Act of 1940, as amended, nor is it, directly or indirectly, controlled by or acting on behalf of any Person that is an investment company within the meaning of said Act.

6.29**[Reserved].**

6.30**EEA Financial Institution.** No VSE Entity is an EEA Financial Institution.

6.31**Margin Stocks.** No VSE Entity is engaged and no VSE Entity will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulations U, T or X of the Board), or extending credit for the purpose of purchasing or carrying margin stock. Following the application of the proceeds of each borrowing or drawing under each Letter of Credit, not more than twenty-five percent (25%) of the value of the assets (of any Borrower or of any Borrower together with its Subsidiaries on a consolidated basis) subject to any restriction contained in this Agreement or subject to any restriction contained in any agreement or instrument between the Borrower and any Lender or any Affiliate of any Lender relating to Indebtedness and within the scope of 9.1(k) will be margin stock.

6.32**Survival of Representations and Warranties.** All representations and warranties made herein shall survive the making of the Loan, and shall be deemed remade and redated as of the date of each request for an advance or readvance of any Loan proceeds, unless the Borrowers are unable to remake or redate any such representation or warranty, disclose the same to the Lenders in writing, and such inability does not constitute or give rise to an Event of Default.

6.33**Beneficial Ownership Certification.** The information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

ARTICLE 7 AFFIRMATIVE COVENANTS OF THE BORROWERS

So long as any Obligation remains outstanding or this Agreement remains in effect, each Borrower jointly and severally covenants and agrees with the Administrative Agent and the Lenders that:

7.1 **Payment of Loan Obligations.** Each Borrower will duly and punctually pay all sums to be paid to the Lenders, Affiliates of the Lenders, the Lead Arranger and the Administrative Agent in accordance with the Loan Documents, and will comply with, perform and observe all of the terms and conditions thereof.

7.2 **Payment of Taxes.** Each Borrower will, and will cause each other VSE Entity to, promptly pay and discharge when due all federal, state, foreign and other Government taxes, assessments, fees and charges imposed upon it, or upon any of its properties or assets, except to the extent that the validity or amount thereof is being contested in good faith by appropriate proceedings and the non-payment thereof pending such contest will not result in any lien other than Permitted Liens or otherwise jeopardize the Administrative Agent's or the Lenders' interests in any Collateral, and adequate reserves therefor have been established as required under GAAP.

7.3 Delivery of Financial and Other Statements The Borrowers shall deliver to the Administrative Agent and the Lenders (as applicable) financial and other statements, each of which shall, unless otherwise expressly set forth below to the contrary, be prepared in accordance with GAAP consistently applied, as follows:

(a) (i) on or before the one hundred twentieth (120th) day following the close of each Fiscal Year (commencing with the Fiscal Year ended December 31, 2017), the Borrowers will submit to the Administrative Agent and the Lenders annual audited and unqualified consolidated financial statements, which shall include income statements, balance sheets and cash flow statements, and be accompanied by consolidating schedules and related footnotes and certified by an independent certified public accountant acceptable to the Administrative Agent, and (ii) on or before the thirtieth (30th) day following their issuance, the Borrowers will submit to the Administrative Agent all management letters (if issued, including any management letter stamped “draft” or stamped with similar language) issued as part of, related to, or in conjunction with, the preparation of any financial statements of the VSE Entities;

(b) on or before the forty-fifth (45th) day following the close of each Fiscal Year, the Borrowers will submit to the Administrative Agent and the Lenders annual consolidated and consolidating projections for the VSE Entities for the next Fiscal Year in form and substance reasonably satisfactory to the Administrative Agent and certified by the Chief Financial Officer or another duly authorized executive officer of the Primary Operating Company, on behalf of the Borrowers;

(c) on or before (i) the ninetieth (90th) day following the close of each Fiscal Quarter ending December 31 (commencing with the Fiscal Quarter ended December 31, 2017, other than with respect to the Quarterly Covenant Compliance/Non-Default Certificate, which shall first be due for the Fiscal Quarter ended March 31, 2018), and (ii) the forty-fifth (45th) day following the close of each Fiscal Quarter ending March 31, June 30 and September 30 (commencing with the Fiscal Quarter ended March 31, 2018), the Borrowers will submit to the Administrative Agent and the Lenders (A) an unaudited consolidated and consolidating balance sheet and income statement, reporting the VSE Entities’ current financial position and the results of their operations for the Fiscal Quarter then ended and year-to-date, (B) internally prepared statements of cash flow and system generated contract/status backlog reports, (C) a Quarterly Covenant Compliance/Non-Default Certificate in the form of *Exhibit 5* attached hereto, (D) a detailed listing of all deposit accounts designated by the Borrowers as Permitted Foreign Bank Accounts during the Fiscal Quarter then ended, and (E) a written report listing all office locations of the Borrowers and denoting each office location where the Borrowers maintain their books and records, each of which shall be in form and substance satisfactory to the Administrative Agent in all respects and certified by the Chief Financial Officer or another duly authorized executive officer of the Primary Operating Company, on behalf of the Borrowers;

(d) [reserved];

(e) [reserved];

(f) within ten (10) days of issuance, distribution or filing, as applicable, the Borrowers will submit to the Administrative Agent and the Lenders copies of all public filings, disclosure statements or registration statements that any VSE Entity issues to, distributes to or files with the SEC or any state agency or department regulating securities (or any other Person, pursuant to the rules or regulations of the SEC or any state agency or department regulating securities);

(g) not less than thirty (30) days prior to any change of or addition to any of the locations within the United States where any Collateral (other than Receivables) valued, individually or in the aggregate, in excess of One Million and No/100 Dollars (\$1,000,000.00) is or will be located, or any change of or addition to the location(s) of the books and records used to generate any Receivables, the Borrowers will submit to the Administrative Agent a written notice specifying the new address or location of such Collateral or books and records (as the case may be), and if required pursuant to Section 6.17 of this Agreement, the written notice from the Borrowers shall be accompanied by the landlord lien waiver required thereunder, executed by the landlord for such new location;

(h) [reserved];

(i) promptly upon the request of the Administrative Agent, the Borrowers will provide to the Administrative Agent such other information and reports relating to each VSE Entity's business, operations, properties or prospects as the Administrative Agent may from time to time reasonably request (including all documentation and other information required by bank regulatory authorities from time to time applicable to "know your customer" and anti-money laundering rules and regulations, including the Patriot Act);

(j) to the extent any Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, an updated Beneficial Ownership Certification promptly following any change in the information provided in the Beneficial Ownership Certification delivered to any Lender in relation to such Borrower that would result in a change to the list of beneficial owners identified in such certification; and

(k) from time to time but no less than quarterly at all times while any Obligation remains outstanding or this Agreement remains in effect, the Borrowers will submit to the Administrative Agent an updated Schedule 5.6(b) attached hereto to list the contract numbers, the contracting parties' names and addresses, the contract dates, the contracting officer's and disbursing officer's names and addresses, and a brief description of the scope of work for all Government Contracts of the Borrowers that (i) constitute Material Contracts, and (ii) have a remaining term of twelve (12) months or longer.

The Borrower certifications required under this Section 6.3 shall (a) with respect to historical data, be true and accurate in all material respects, and (b) with respect to projections, be reasonable.

7.4 Maintenance of Records; Review by the Administrative Agent. Each Borrower will, and will cause each other VSE Entity to, maintain at all times proper books of record and account in accordance with GAAP, consistently applied, and, subject to any applicable confidentiality and secrecy requirements imposed by any Government agency, will permit the Administrative Agent's officers or any of the Administrative Agent's authorized representatives or accountants to visit and inspect each VSE Entity's offices and properties, examine its books of account and other records, and discuss its affairs, finances and accounts with the officers of any VSE Entity, all at such reasonable times during normal business hours, and as often as the Administrative Agent may reasonably request.

7.5 Maintenance of Insurance Coverage. Each Borrower will maintain in effect fire and extended coverage insurance, public liability insurance, worker's compensation insurance and insurance on the Collateral and each of its properties, with responsible insurance companies, in such amounts and against such risks as are customary for similar businesses, required by the Government, if any, having jurisdiction over all or part of its operations, or otherwise reasonably required by the Administrative Agent, and will furnish to the Administrative Agent certificates evidencing such continuing insurance. The Administrative Agent, for the benefit of the Lenders ratably, shall be named as lender's loss payee on all hazard and casualty insurance policies and as an additional insured on all liability insurance policies. All insurance policies shall also provide (a) that the insurer shall endeavor to provide not less than thirty (30) days written notice to the Administrative Agent prior to expiration, cancellation or material change in any coverage or otherwise, except where the expiration or cancellation of a policy results from non-payment of premium(s) or non-renewal of the policy (in which case the policy shall provide for not less than ten (10) days prior written notice); and (b) for waiver of subrogation.

7.6 Maintenance of Property/Collateral; Performance of Contracts. Each Borrower will at all times maintain, and cause each other VSE Entity to at all times maintain, the Collateral and its tangible property, both real and personal, in good order and repair (subject to ordinary wear and tear), and will permit the Administrative Agent's officers or authorized representatives to visit and inspect the Collateral and each VSE Entity's tangible property at such reasonable times during normal business hours, as and when the Administrative Agent deems necessary or appropriate. Each Borrower shall perform, and shall cause each other VSE Entity to perform, all obligations under all Material Contracts to which it is a party, including all exhibits and other attachments to such contracts, all modifications thereto and all documents and instruments delivered pursuant

thereto, and will comply with all laws, rules and regulations governing the execution, delivery and performance thereof, except for such non-compliance that would not reasonably be expected to have a Material Adverse Effect.

7.7 **Maintenance of Existence.** Except in connection with a transaction not otherwise prohibited hereunder, each Borrower will maintain, and shall cause each other VSE Entity to maintain, its corporate or company existence (as applicable) in its state of incorporation or organization as of the Restatement Date, and will provide the Administrative Agent with evidence of the same from time to time upon the Administrative Agent's request. Each Borrower will maintain its corporate or company registration or qualification in each other jurisdiction where it is required to register or qualify to do business if the failure to do so in such other jurisdiction would reasonably be expected to have a Material Adverse Effect, and will provide the Administrative Agent with evidence of the same from time to time upon the Administrative Agent's request.

7.8 **Maintenance of Certain Deposit Accounts with the Administrative Agent.** Except for the Transitional Deposit Accounts, the Healthcare and Dependent Care Accounts and any Permitted Foreign Bank Accounts, each Borrower will at all times maintain its primary operating accounts, including all depository accounts (time and demand), disbursement accounts and collection accounts, and all of its other bank accounts, with the Administrative Agent. Each Borrower and each Lender maintaining a Transitional Deposit Account, and/or any Permitted Foreign Bank Account of any Borrower expressly acknowledges and agrees that (a) the Administrative Agent, for the benefit of the Lenders ratably, has been granted a first priority security interest in and to such bank account pursuant to this Agreement, (b) the Lender's possession of such bank account constitutes "control" for purposes of perfecting the Administrative Agent's security interest in and to such bank account under the UCC or otherwise, (c) such Lender's rights and remedies with respect to such bank account (other than rights and remedies necessary to recoup normal and customary account fees and charges imposed from time to time for maintaining and administering such bank account) shall be, and at all times remain, subject and subordinate to the rights and remedies of the Administrative Agent granted pursuant to this Agreement or available pursuant to Applicable Laws, and (d) at no time shall funds in any such bank accounts exceed the limits specified in this Agreement for such accounts.

7.9 **[Reserved].**

7.10 **Disclosure of Defaults, Etc.**

(a) Promptly upon the occurrence thereof, each Borrower will provide the Administrative Agent and the Lenders with written notice of any Event of Default, or any act, event, condition or occurrence that upon the giving of any required notice or the lapse of time, or both, would constitute an Event of Default. In addition, each Borrower will promptly advise the Administrative Agent and the Lenders in writing of any condition, act, event or occurrence which comes to such Borrower's attention that would reasonably be expected to prejudice the Administrative Agent's or any Lender's rights in connection with any Material Contract, any Collateral, this Agreement, any Note, or any other Loan Document, including the details of any pending or threatened suspension, debarment or other Government action or proceeding, any pending or threatened litigation, and any other legal or administrative proceeding or investigation pending or threatened against any VSE Entity, including the entry of any judgment in excess of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) or lien (other than a Permitted Lien) against any VSE Entity, its assets or property. Additionally, the Borrowers agree to provide written notice to the Administrative Agent and the Lenders within five (5) Business Days of the date on which any obligation of a VSE Entity for the payment of borrowed money in excess of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00), whether now existing or hereafter created, incurred or arising, becomes or is declared to be due and payable prior to the expressed maturity thereof.

(b) If, at any time after the Restatement Date, any Borrower shall receive any letter, notice, subpoena, court order, pleading or other document issued, given or delivered by the Government, any Prime Contractor or by any Person acting for or on behalf of the Government or such Prime Contractor with respect to, or in any manner related to any alleged default, fraud, dishonesty, malfeasance or other willful misconduct of a VSE Entity, such Borrower shall deliver a true, correct and complete copy of such letter, notice, subpoena, court order,

pleading or document to the Administrative Agent and each Lender within five (5) Business Days of such Borrower's receipt thereof. Furthermore, if any VSE Entity shall issue, give or deliver to the Government, any Prime Contractor or any Person acting for or on behalf of the Government or such Prime Contractor, any letter, notice, subpoena, court order, pleading or other document with respect to, or in any manner related to, or otherwise in response to any alleged default, fraud, dishonesty, malfeasance or other willful misconduct of a VSE Entity, such Borrower shall deliver a true, correct and complete copy of such letter, notice, subpoena, court order, pleading or other document to the Administrative Agent and each Lender concurrent with the VSE Entity's issuance or delivery thereof to the Government, such Prime Contractor or any Person acting for or on behalf of the Government or such Prime Contractor. If any letter, notice, subpoena, court order, pleading or other document required to be delivered to the Administrative Agent and each Lender pursuant to this Section 6.10 contains any information deemed "classified" by the Government or the dissemination of any such information to the Administrative Agent and each Lender would result in any VSE Entity violating any Applicable Laws or Government Contract, then the Borrowers shall deliver to the Administrative Agent and each Lender a summary of such letter, notice, subpoena, court order, pleading or other document containing a summary thereof, but including as much (but no more) detail as can be included therein without violating such Applicable Laws or Government Contract.

7.11 Security Perfection; Assignment of Claims Act; Payment of Costs. The Borrowers will execute and deliver and pay the costs of recording and filing financing statements, continuation statements, termination statements, assignments and other documents, as the Administrative Agent may from time to time deem necessary or appropriate for the perfection of any liens granted to the Administrative Agent or Lenders pursuant hereto or any other Loan Document. On or before the date which is ninety (90) days from the date of any Government Contract hereafter entered into, extended or renewed by one or more Borrowers, such Borrower(s) shall execute all documents necessary or appropriate to comply with the Assignment of Claims Act of 1940, as amended, 31 U.S.C. Section 3727 and 41 U.S.C. Section 15 (the "Government Contract Assignments") in connection with each such Government Contract; however, (a) no Borrower's failure to execute and deliver any Government Contract Assignment shall constitute a default, breach or violation of the Borrowers' obligation(s) set forth in this Section 6.11, unless the Administrative Agent shall have made written demand upon the Borrowers to fully and faithfully comply with its obligation(s) with respect to Government Contract Assignments set forth in this Section 6.11 above; and (b) no Government Contract Assignment shall be required for any Government Contract that (i) does not constitute a Material Contract (unless such demand shall be made after the occurrence and during the continuation of an Event of Default, in which case Government Contract Assignments can be required by the Administrative Agent for any Government Contract), or (ii) has a remaining term of less than twelve (12) months (with no option to extend). The Borrowers acknowledge that the Administrative Agent and the Lenders will be irreparably harmed if any Borrower fails or refuses to execute and deliver any Government Contract Assignment after the Administrative Agent's demand therefor, as and when required pursuant to this Section 6.11, and that the Administrative Agent and the Lenders have no adequate remedy at law. In such event, the Borrowers agree that the Administrative Agent shall be entitled, in addition to all other rights and remedies available to the Administrative Agent or the Lenders, to injunctive or other equitable relief to compel the Borrowers' full compliance with the requirements of this Section 6.11. All costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, execution, delivery and administration of Government Contract Assignments shall be borne solely by the Borrowers. Additionally, the Borrowers will pay any and all costs incurred in connection with the transactions contemplated hereby, as well as any and all taxes (other than the Lenders' income and franchise taxes), that may be payable as a result of the execution of this Agreement or any agreement supplemental hereto, or as a result of the execution and/or delivery of any Note or other Loan Document.

7.12 Defense of Title to Collateral. The Borrowers will at all times defend the Lenders', the Administrative Agent's and Borrowers' rights in the Collateral, subject to the Permitted Liens, against all Persons and all claims and demands whatsoever, and will, upon request of the Administrative Agent (a) furnish such further assurances of title as may be required by the Administrative Agent, and (b) do any other acts necessary to effectuate the purposes and provisions of this Agreement, or as required by Applicable Laws or otherwise to perfect, preserve, maintain or continue the interests of the Administrative Agent or Lenders in any Collateral.

7.13 Compliance with Law. Each Borrower will, and will cause each other VSE Entity to, conduct its businesses and operations in compliance with (a) all Applicable Laws (including ERISA and environmental regulations) and requirements of all federal, state and local regulatory authorities having jurisdiction, (b) the provisions of its charter documents and other corporate governance documents, (c) all agreements and instruments by which it or any of its properties may be bound, and (d) all applicable decrees, orders and judgments; whenever the noncompliance with or the non-observance of which would reasonably be expected to have a Material Adverse Effect. No VSE Entity will, directly or indirectly, use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Loans, whether as underwriter, advisor, investor or otherwise).

7.14 Other Collateral Covenants.

(a) The Borrowers will, at their own expense, make, execute, endorse, acknowledge, file and/or deliver to the Administrative Agent from time to time such lists, descriptions and designations of Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments, and take such further steps relating to the Collateral and other property or rights covered by the interests hereby granted which the Administrative Agent deems reasonably appropriate or advisable to perfect, preserve or protect its and any Lender's ownership or security interests in any Collateral.

(b) The Borrowers shall promptly notify the Administrative Agent in writing if, at any time, any issuer of uncertificated securities, securities intermediary or commodities intermediary has issued or holds, or will issue or hold, any financial assets or commodities to or for the benefit of any Borrower, and the Borrowers shall obtain authenticated control letters from such issuer or intermediary, in form and substance reasonably satisfactory to the Administrative Agent, within ten (10) days of the Administrative Agent's demand therefor.

(c) If any Borrower is or becomes the beneficiary of a letter of credit, such Borrower shall promptly, and in any event within three (3) Business Days after becoming a beneficiary, notify the Administrative Agent thereof and, following the Administrative Agent's request, enter into a tri-party agreement with the Administrative Agent and the issuer and/or confirmation bank with respect to all Letter of Credit Rights in connection with such letter of credit, assigning such Letter of Credit Rights to the Administrative Agent and directing all payments thereunder to an account designated by the Administrative Agent, which tri-party agreement shall be in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Borrowers shall promptly take all action necessary to grant the Administrative Agent control of all electronic chattel paper in accordance with the UCC and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(e) The Borrowers hereby irrevocably authorize the Administrative Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (i) describe Collateral (A) as all assets of the Borrowers or words of similar effect (other than assets expressly excluded from the description of Collateral herein), regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code in such jurisdiction, or (B) as being of an equal or lesser scope or with greater detail, and (ii) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether any Borrower is an organization, the type of organization and any organization identification number issued to such Borrower, and (B) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. The Borrowers shall furnish any such information to the Administrative Agent promptly upon request. The Borrowers also ratify their authorization for the Administrative Agent to have

filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto or continuations thereof, if filed prior to the Restatement Date.

(f) The Borrowers shall promptly, and in any event within three (3) Business Days after the same is acquired by any Borrower, notify the Administrative Agent of any Commercial Tort Claim acquired by a Borrower and unless otherwise consented to by the Administrative Agent, such Borrower shall enter into a supplement to this Agreement, granting to the Administrative Agent, for the benefit of the Lenders ratably, a perfected security interest in such Commercial Tort Claim.

(g) If any Borrower retains possession of any Chattel Paper or Instruments with the Administrative Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Citizens Bank of Pennsylvania, as Administrative Agent."

(h) No Borrower shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated as of the Restatement Date without the prior written consent of the Administrative Agent.

(i) Each Borrower acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of the Administrative Agent and agrees that it will not do so without the prior written consent of the Administrative Agent, subject to such Borrower's rights under UCC Section 9509(d)(2).

(j) Each Borrower acknowledges that the Administrative Agent reserves the right to require the Borrowers to execute and deliver to the Administrative Agent, in form and substance reasonably acceptable to the Administrative Agent and within thirty (30) days (as such period may be extended in the Administrative Agent's sole discretion, the "Initial Compliance Period") of the Administrative Agent's request, such documents, instruments and agreements (including, without limitation, a mortgage, deed of trust, environmental assessment, title insurance, flood zone certificates, flood insurance (if applicable), surveys and/or other similar and customary real estate documentation) which the Administrative Agent may reasonably request to confirm and/or perfect its security interest in and to all or any portion of any real property interest (other than a leasehold interest) acquired by any Borrower after the Restatement Date with an individual, or with respect to contiguous parcels, an aggregate appraised value in excess of Four Million and No/100 Dollars (\$4,000,000.00). Notwithstanding the foregoing, in the event that the Administrative Agent requires that flood insurance be obtained with respect to any real property that is pledged by any VSE Entity to the Lenders, the Administrative Agent will not accept any mortgage or deed of trust with respect to such property if, prior to the expiration of twenty (20) calendar days after notice to the Lenders of the Administrative Agent's intent to accept such mortgage or deed of trust, a Lender provides written notice to the Administrative Agent stating that such Lender's due diligence has shown that the flood insurance provided does not meet such Lender's standard requirements to such Lender's reasonable satisfaction and provides a detailed description of the reasons why the provided flood insurance does not meet such requirements. The Administrative Agent will promptly provide a copy of such notice to the relevant VSE entity, and such entity will then have thirty (30) calendar days (the "Supplementary Compliance Period") to provide to the Administrative Agent (to be shared with each Lender) flood insurance that meets such requirements. The Administrative Agent shall not enter into the corresponding mortgage or deed of trust unless and until the Administrative Agent receives written confirmation from the relevant Lender that all necessary flood due diligence has been completed to its reasonable satisfaction; provided that in no event shall any VSE Entity be deemed to be in default of its obligation to provide a mortgage or related documentation due to any delay caused by a Lender's additional requirements with respect to flood insurance, as long as such VSE entity has met its obligations under the Initial Compliance Period and the Supplementary Compliance Period.

7.15 Financial Covenants of the Borrowers The Borrowers will comply, and will cause the other VSE Entities to comply, with each of the financial covenants set forth below:

(a) Total Funded Debt to EBITDA Ratio. The VSE Entities will maintain as of the last day of each Fiscal Quarter occurring during the periods set forth below, on a consolidated basis, a Total Funded Debt to EBITDA Ratio of not more than the applicable ratio set forth in the table below:

Testing Period	Maximum Total Funded Debt to EBITDA Ratio
From the Third Amendment Effective Date through and including December 31, 2021	4.50 to 1.00
From January 1, 2022 through and including June 30, 2022	4.25 to 1.00
From July 1, 2022 through and including September 30, 2022	4.00 to 1.00
From October 1, 2022 through and including December 31, 2022	3.75 to 1.00
From January 1, 2023 through and including March 31, 2023	3.50 to 1.00
From April 1, 2023 and thereafter	3.25 to 1.00

For purposes of the foregoing, the “Total Funded Debt to EBITDA Ratio” shall mean, as of any date of determination, (A) the Total Funded Debt as of as of the last day of the most recently ended four (4) fiscal quarter period divided by (B) the VSE Entities’ EBITDA for the four (4) fiscal quarter period most recently ended. The Total Funded Debt to EBITDA Ratio shall be measured on the last day of each Fiscal Quarter throughout the term of the Loan.

(b) Fixed Charge Coverage Ratio. The VSE Entities will maintain as of the last day of each Fiscal Quarter, on a consolidated basis, a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00. For purposes of the foregoing, “Fixed Charge Coverage Ratio” shall mean, as of any date of determination, the sum of (A) (i) the VSE Entities’ EBITDA for the four (4) fiscal quarter period most recently ended, plus (ii) operating lease payments (including rent) made during such period, minus (iii) cash taxes paid during such period, minus (iv) cash dividends paid during such period, minus (v) share repurchases made during such period, minus (vi) maintenance capital expenditures made during such period, divided by (B) Fixed Charges for such period. For purposes hereof, “Fixed Charges” shall mean, for any period of determination thereof on a consolidated basis, the sum of (i) scheduled or required principal payments on all Indebtedness for borrowed money during such period, plus (ii) all operating lease payments (including rent) during such period, plus (iii) cash interest expense for such period, plus (iv) any cash payments of Permitted Earn-outs payable (other than the First Choice Earn-outs) during such period. The Fixed Charge Coverage Ratio shall be measured on the last day of each Fiscal Quarter throughout the term of the Loan.

Except as otherwise expressly provided above, the financial covenants referenced above shall be calculated and tested quarterly on a rolling four (4) Fiscal Quarter basis, and shall include the results of any other Person acquired pursuant to a Permitted Acquisition and consolidated into the VSE Entities’ financial statements within the twelve (12) month period immediately preceding the applicable covenant calculation date (with such calculation being on a pro forma basis assuming debt service for the test period equal to the next year’s debt service, and including EBITDA on a pro forma basis). Unless otherwise defined, all financial terms used in this Section 6.15 shall have the meanings attributed to such terms in accordance with GAAP.

7.16 Interest Rate Contracts. The Borrowers shall have in effect, at all times for a minimum period of three (3) years, commencing not later than the sixtieth (60th) day after January 5, 2018, one or more interest rate swap agreements or hedging agreements reasonably satisfactory to the Administrative Agent covering not less than fifty percent (50%) of that portion of the First Amendment Term Loan that was used to refinance the Initial Term Loan (applying ratably any amortization payment of the First Amendment Term Loan after the First Amendment Effective Date). In order for any such interest rate swap agreement or hedging agreement to be secured by any assets of the Borrowers, it must be purchased from and maintained with a Lender or an Affiliate of a Lender, in

which case the Borrowers' obligations under any Hedging Contract shall be secured by the Collateral on a pari passu basis, and any reference in this Agreement or any other Loan Document to a ratable allocation between the Lenders and Affiliates of the Lenders shall be based on the Commitment Amount (and the respective Lender's Percentage) and the amount due under all Hedging Contracts (including all scheduled payments and hedged termination amounts) (and the respective Lender's Affiliates interest therein), subject, however, to Section 1.4(d) of this Agreement. The Administrative Agent shall be deemed the collateral agent of each Lender and Affiliate of a Lender that is a counterparty under a Hedging Contract. The Borrowers shall determine to their own satisfaction whether each such interest rate swap agreement, hedging agreement or Hedging Contract is sufficient to meet the Borrowers' needs for interest rate protection, and neither the Administrative Agent nor any Lender shall have any obligation or liability with respect thereto.

7.17 Landlord Waivers; Subordination. If, at any time after the Restatement Date, any Borrower (other than any Foreign Borrower) shall move or relocate any of its (a) books and records, or (b) primary business location(s) situated within the United States or locations where Borrower assets valued, individually or in the aggregate, in excess of One Million and No/100 Dollars (\$1,000,000.00) are located, the Borrowers shall use commercially reasonable efforts to provide to the Administrative Agent, prior to any such move or relocation, a landlord lien waiver if, in the Administrative Agent's discretion, such landlord's lien waiver is necessary or desirable. Each such landlord's waiver, shall be, in form and substance, reasonably satisfactory to the Administrative Agent, pursuant to which each landlord shall subordinate any statutory, contractual or other lien the landlord may have in any of the Collateral to the lien, operation and effect of the lien granted to the Administrative Agent pursuant to this Agreement and the other Loan Documents.

7.18 Substitute Notes. Upon request of the Administrative Agent, each Borrower shall execute and deliver to the Administrative Agent substitute promissory notes, in form and substance satisfactory to the Administrative Agent in all respects, payable to the order of such Person as may be designated by the Administrative Agent; provided that the aggregate principal amount of all outstanding promissory notes shall not exceed the Commitment Amount (plus the Swing Line Commitment Amount) as of the date such substitute note(s) are issued.

7.19 Inventory. With respect to the Inventory, the VSE Entities will, during any continuing Event of Default: (a) maintain a perpetual inventory reporting system at all times, (b) keep correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, the VSE Entities' cost therefor and the selling price thereof, all of which records shall be available to the officers, employees or agents of the Administrative Agent upon demand for inspection and copying thereof; (c) not store any Inventory with a bailee, warehouseman or similar Person without the Administrative Agent's prior written consent, which consent may be conditioned on, among other things, delivery by the bailee, warehouseman or similar Person to the Administrative Agent of warehouse receipts or bailee letters, in form acceptable to the Administrative Agent, in the name of the Administrative Agent evidencing the storage of Inventory and the interests of the Administrative Agent and the Lenders therein; (d) permit the Administrative Agent and its agents or representatives to inspect and examine the Inventory and to check and test the same as to quality, quantity, value and condition at any time or times hereafter during the VSE Entities' usual business hours or at other reasonable times and (e) at the Administrative Agent's request, designate the Administrative Agent as the consignee on all bills of lading and other negotiable and non-negotiable documents. Notwithstanding anything herein to the contrary, the VSE Entities shall be permitted to sell their Inventory in the ordinary course of business except while an Event of Default has occurred and is continuing.

7.20 Insurance With Respect to Equipment and Inventory. The Borrowers will (a) maintain and cause each of their Subsidiaries to maintain hazard insurance with fire and extended coverage on the Equipment and Inventory in an amount at least equal to the lesser amount of the outstanding principal amount of the Obligations or the fair market value of the Equipment and Inventory (but in any event sufficient to avoid any co-insurance obligations) and with a specific endorsement to each such insurance policy pursuant to which the insurer provides for lender's loss payee and additional insured endorsements in favor of Administrative Agent in a form acceptable to Administrative Agent, agrees to give the Administrative Agent at least thirty (30) days written notice before any alteration or cancellation of such insurance policy and that no act or default of any of the Borrowers shall affect the right of the Administrative Agent to recover under such policy in the event of loss or damage; (b) file, and cause

each of their Subsidiaries to file, with the Administrative Agent, upon its request, a detailed list of the insurance then in effect and stating the names of the insurance companies, the amounts and rates of the insurance, dates of the expiration thereof and the properties and risks covered thereby; and (c) within thirty (30) days after notice in writing from the Administrative Agent, obtain, and cause each of their Subsidiaries to obtain, such additional insurance as the Administrative Agent may reasonably request.

7.21 Hazardous Substance; Hazardous Waste. Each Borrower, for itself and its successors and assigns, hereby covenants and agrees to indemnify, defend and hold harmless the Administrative Agent, the Lenders and each Affiliate of a Lender that is at any time a counterparty under any Hedging Contract, and their respective officers, employees and agents, from and against any and all liabilities, losses, claims, damages, suits, penalties, costs and expenses of every kind or nature, including reasonable attorneys' fees arising from or in connection with (i) the presence or alleged presence of any Hazardous Substance or Hazardous Waste on, under or about any property of any VSE Entity (including any property or premises now or hereafter owned or leased by any VSE Entity), or which is caused by or results from, directly or indirectly, any act or omission to act by any VSE Entity; and (ii) any VSE Entity's violation of any environmental statute, ordinance, order, rule or regulation of any Government thereof (including any liability arising under CERCLA, RCRA, HMTA or any other Applicable Laws).

7.22 Disaster Recovery and Contingency Program. Each Borrower will, and will cause each other VSE Entity to, implement and maintain at all times (and at least annually review the sufficiency of) a disaster recovery and contingency plan that addresses, in the reasonable business judgment of the VSE Entities, each VSE Entity's plans for continuing operations upon the occurrence of a natural disaster or other event that destroys or prevents the use of or access to such VSE Entity's primary computer systems, information databases, software applications, business records and operations facility. Such contingency plan at all times must be in form and substance reasonably acceptable to the Administrative Agent. Upon request, each Borrower will, and will cause each other VSE Entity to, provide the Administrative Agent with a current copy of such plan.

7.23 Data Security. Each Borrower will, and will cause each VSE Entity to, take in such VSE Entity's reasonable business judgment all appropriate technical and organizational measures to protect against a Data Breach and against accidental loss, alteration or damage or destruction of or damage to Personal Information. Each VSE Entity shall at all times in such VSE Entity's reasonable business judgment have appropriate policies and procedures in place that are designed to: (a) protect the security of Personal Information; (b) protect against any anticipated threats to the security or integrity of Personal Information; (c) protect against Data Breaches; and (d) ensure the proper disposal of such Personal Information. To the extent that a Data Breach occurs (irrespective of cause), each Borrower shall: (i) promptly inform the Administrative Agent in writing; (ii) promptly inform any parties affected by the Data Breach; (iii) promptly comply with Applicable Laws, rules and regulations concerning such Data Breach; and (iv) use diligent efforts to mitigate any damages that have occurred as a result of such Data Breach.

7.24 Further Assurances; Additional Requested Information. Each of the Borrowers will provide to the Administrative Agent such further assurances and additional documents regarding the Collateral and the Administrative Agent's or any Lender's security interest therein as the Administrative Agent may from time to time reasonably request, and each of the Borrowers will promptly provide the Administrative Agent with such additional information, reports and statements respecting the business, operations, properties and financial condition of each of the VSE Entities as the Administrative Agent may from time to time reasonably request. Furthermore, each of the Borrowers agrees to execute, re-execute, use commercially reasonable efforts to cause third parties involved in the Loans to execute and/or re-execute and to deliver to the Administrative Agent or its legal counsel, as may be deemed appropriate, any document or instrument signed in connection with the Loan(s) which was incorrectly drafted and/or signed, as well as any document or instrument which should have been signed at or prior to the Restatement Date, but which was not so signed and delivered. The Borrowers agree to comply with any written request by the Administrative Agent within ten (10) Business Days (or if such compliance requires more than ten (10) Business Days, within a reasonable period of time, not to exceed thirty (30) days (or such longer period of time as agreed in writing by the Administrative Agent), so long as the Borrowers are diligently pursuing such compliance) after receipt by any Borrower of such request.

ARTICLE 8
NEGATIVE COVENANTS OF THE BORROWERS

So long as any Obligation remains outstanding or this Agreement remains in effect, each Borrower jointly and severally covenants and agrees that, without the prior written consent of the Administrative Agent, the Borrowers will not, and unless specified below, will not suffer or permit any other VSE Entity to:

8.1 Change of Control; Disposition of Assets; Merger.

(a) Suffer or permit majority ownership or effective control of any VSE Entity (other than the Primary Operating Company) to be sold, assigned or otherwise transferred, legally or equitably, to any Person, except to another Borrower; or suffer or permit any Change of Control to occur; or

(b) suffer or permit the issuance of any capital stock of any VSE Entity (other than the Primary Operating Company), or alter or amend any VSE Entity's capital structure; or

(c) permit any VSE Entity to sell, assign, loan, deliver, lease, transfer or otherwise dispose of property or assets (including stock, equity or any other type of ownership interests of another VSE Entity), except for (i) transfers of assets between Borrowers in which the Administrative Agent continues to have a perfected first priority security interest in and to all such assets constituting Collateral (after giving effect to such transfer), subject, however, to Permitted Liens; (ii) subleasing of any premises which are not necessary for a VSE Entity's business operations; (iii) dispositions of assets (other than Inventory and Permitted Investments) to non-Borrowers, provided that the fair market value of any and all such asset dispositions, in the aggregate, do not exceed the greater of (x) Ten Million and No/100 Dollars (\$10,000,000.00) and (y) 10% of EBITDA (determined as of the most recently ended four (4) fiscal quarter period for which financial statements have been delivered pursuant to Section 6.3), in each case, determined at the time of such disposition; *provided*, that fair market value of the assets sold pursuant to the CT Aerospace Sale shall be excluded for purposes of calculating the amount available under this clause (iii); or (iv) the sale of Inventory in the ordinary course of business, and the sale of unnecessary or obsolete Equipment; or

(d) permit any Borrower to become a party to any document, instrument or agreement (other than this Agreement and the other Loan Documents) that prohibits, limits or restricts such Borrower from assigning, pledging, hypothecating or otherwise encumbering any of its assets, including any capital stock or other equity interests of another Borrower;

(e) permit any VSE Entity to merge or consolidate with any business, company or enterprise, or liquidate or dissolve, or acquire or purchase any business, company or enterprise or acquire or purchase substantially all of the assets of any business, company or enterprise; provided, however, that the Administrative Agent's prior written consent shall not be required for any of the following:

(i) any merger between Borrowers or by a Non-Borrower Affiliate with and into a Borrower (with the Borrower being the surviving entity) or with and into another Non-Borrower Affiliate; provided that (A) the Borrowers shall have provided not less than fifteen (15) days prior written notice to the Administrative Agent of the proposed merger, and such notice sets forth all of the material terms of such merger (including the purpose for consummating such merger), (B) after giving effect to any such merger with or into a Borrower, the Administrative Agent, for the benefit of the Lenders ratably, shall have a perfected first priority security interest in and to all of the assets of the surviving Borrower constituting Collateral (subject to Permitted Liens), (C) within ten (10) days of the effective date of such merger, true, correct and complete state-certified copies of the articles of merger, plan of merger and all other documents, instruments and agreements relating thereto shall have been provided by the Borrowers to the Administrative Agent, and (D) promptly (but in all events within fifteen (15) days) following the Administrative Agent's request, the Borrowers shall have executed, issued or delivered to the Administrative Agent and/or caused such Non-Borrower Affiliate to have executed, issued and/or delivered to the Administrative Agent, such documents, instruments and agreements as the Administrative Agent may reasonably require in connection with or as a result of such merger;

(ii) any other merger or acquisition (a "Permitted Acquisition") by any Borrower with or of a Person or its assets which is not then a Borrower (a "Target") that satisfies all of the following conditions:

A. the merger or acquisition results in the acquisition by such Borrower of all or substantially all of the assets of the Target or at least eighty-five percent (85%) of all of the issued and outstanding equity or ownership interests in the Target, in either case, free and clear of any and all liens, claims and encumbrances (other than Permitted Liens);

B. the Target is in a substantially similar line or lines of business as that of one or more of the Borrowers;

C. the Target is a going concern, not involved in any material litigation that is not fully covered by reserves or insurance and shall have not suffered any material adverse change in its business, operations, condition or assets at any time after the immediately preceding Fiscal Quarter end and prior to the effective date of the merger or acquisition;

D. the subject transaction does not constitute a hostile acquisition or merger;

E. both prior to and after giving effect to the merger or acquisition, no Event of Default shall exist or have occurred, and no act, event or condition shall have occurred or exist which with notice or the passage of time, or both, would constitute an Event of Default;

F. the Borrowers will be in compliance with all financial covenants set forth in Section 6.15 of this Agreement, and the pro forma Total Funded Debt to EBITDA Ratio after giving effect to the merger or acquisition shall be no greater than the lesser of (i) one-quarter (0.25) less than the then applicable level set forth in Section 6.15(a) and (ii) 3.75 to 1.00;

G. the Target shall have had positive EBITDA for the immediately preceding twelve (12) month period prior to the merger or acquisition;

H. after giving effect to the merger or acquisition, there is at least Twenty Million and No/100 Dollars (\$20,000,000.00) of excess availability under the Revolving Facility;

I. [reserved];

J. [reserved];

K. the Borrowers shall have certified in writing, or concurrent with the consummation of the subject merger or acquisition shall certify in writing, to the Administrative Agent that the subject merger or acquisition satisfies the conditions of a Permitted Acquisition as set forth above;

L. if it is a merger with the Borrower, the Borrower is the surviving Person, and if required pursuant to Section 1.11 of this Agreement, the Target and its subsidiaries shall have been joined as a "Borrower" party to this Agreement and the other Loan Documents pursuant to Section 1.11 of this Agreement; and

M. neither the Target nor its Subsidiaries are foreign entities.

If the Administrative Agent issues its consent to a hostile acquisition, such consent shall be subject to, among other things, the Borrowers' agreement to indemnify, defend and hold the Administrative Agent and the Lenders harmless from and against any and all claims, demands, losses, liabilities, damages, costs and expenses of

every kind and nature, including reasonable attorneys' fees, related to, arising out of or in connection with such acquisition, pursuant to an indemnity agreement satisfactory to the Administrative Agent and the affected Lender in all respects.

(iii) any liquidation or dissolution of a VSE Entity without any active business operations, so long as (i) the Borrowers shall have provided not less than fifteen (15) days prior written notice to the Administrative Agent of the proposed liquidation or dissolution, (ii) the assets of such entity to be liquidated or dissolved (if any) are transferred (x) in the case of the liquidation or dissolution of a Non-Borrower Affiliate, to a Borrower or another Non-Borrower Affiliate or (y) in the case of the liquidation or dissolution of a Borrower, to another Borrower, (iii) after giving effect to any such liquidation or dissolution, if such assets are transferred to a Borrower, the Administrative Agent, for the benefit of the Lenders ratably, shall have a perfected first priority security interest in and to all of the assets so transferred which constitute Collateral (subject to Permitted Liens), (iv) the Lenders' rights in any Collateral, including, without limitation, the existence, perfection and priority of any Lien thereon, are not adversely affected by such dissolution or liquidation and (v) promptly (but in all events within fifteen (15) days) following the Administrative Agent's request, the Borrowers shall have executed, issued or delivered to the Administrative Agent and/or caused such VSE Entity to have executed, issued and/or delivered to the Administrative Agent, such documents, instruments and agreements as the Administrative Agent may reasonably require in connection with or as a result of such liquidation or dissolution.

8.2 **Margin Stocks.** Use all or any part of the proceeds of any advance made hereunder to purchase or carry, or to reduce or retire any loan incurred to purchase or carry, any margin stocks (within the meaning of Regulations U, T or X of the Board) or to extend credit to others for the purpose of purchasing or carrying any such margin stocks.

8.3 **Change of Operations.** Change in any material way the general character of any VSE Entity's business (or fail to maintain the VSE Entities' primary lines of business) as conducted on the Restatement Date, or engage in any type of business not directly related to or compatible with such business as currently and normally conducted, or suffer or permit any change to the Fiscal Year or Fiscal Quarter of any VSE Entity or the accounting methods of any VSE Entity.

8.4 **Judgments; Attachments.** Except for those judgments publicly disclosed in the most recent 10-K, 8-K or 10-Q filed by the VSE Entities prior to the Restatement Date, suffer or permit any judgment (or the aggregate of all judgments to be) in excess of One Million and No/100 Dollars (\$1,000,000.00) against any one or more VSE Entities or any attachment against any one or more VSE Entities' property (for an amount not fully covered by insurance) to remain unpaid, undischarged or undismissed for a period of sixty (60) days, unless enforcement thereof shall be effectively stayed or bonded.

8.5 **Further Assignments; Performance and Modification of Contracts; etc.** Except as may be permitted by the Loan Documents (a) make any further assignment, pledge or disposition of the Collateral or any part thereof; (b) permit any set-off or reduction, delay the timing of any payment under, or otherwise modify any Material Contract, if such set-off, reduction, delay or modification would reasonably be expected to have a Material Adverse Effect; (c) except for Permitted Liens, create, incur or permit to exist any lien or encumbrance on any real property now or hereafter owned by any VSE Entity; or (d) do or permit to be done anything to impair the Administrative Agent's security interest in any Collateral or the payments due to any Borrower thereunder; provided that reasonable and customary compromises and settlements with Account Debtors in the ordinary course of the Borrower's business will not constitute a breach of this Section 7.5.

8.6 **Affect Rights of the Administrative Agent or Lenders.** At any time do or perform any act or permit any act to be performed which would reasonably be expected to have a Material Adverse Effect.

8.7 **Indebtedness; Granting of Security Interests**

- (a) Incur any Indebtedness, whether direct or indirect, contingent or otherwise, except for:

- (i) trade debt and operating leases incurred in the ordinary course of business or in a Permitted Acquisition;
- (ii) Indebtedness outstanding on the Restatement Date and listed on Schedule 7.7(a) attached hereto, but any increase thereof would be subject to Subsection (xiii) below;
- (iii) intercompany Indebtedness (including inter-company guarantees) (A) by and among the Borrowers in which the Administrative Agent, for the benefit of the Lenders ratably, has a perfected security interest in and to all of their assets constituting Collateral, (B) by and among Non-Borrower Affiliates, and (C) to the extent expressly permitted pursuant to Section 7.8 of this Agreement, by and between VSE Entities;
- (iv) performance guarantees issued by any VSE Entity for the benefit of another VSE Entity;
- (v) [reserved];
- (vi) Indebtedness secured by liens listed on Schedule 7.7(a)(vi) attached hereto, or other Indebtedness secured by Permitted Liens, but not any increases thereof;
- (vii) Indebtedness incurred to finance (by purchase or lease) Equipment constituting capital expenditures, provided that such Indebtedness does not violate any other covenant set forth in this Agreement;
- (viii) guarantees permitted by this Agreement;
- (ix) Permitted Earn-outs;
- (x) any Hedging Obligations;
- (xi) any Permitted Financial Product Obligations;
- (xii) performance bonds and/or bid bonds issued on behalf of any and all VSE Entities that meet all of the following criteria: (A) the performance bond and/or bid bond shall be issued in the ordinary course of the VSE Entities' business, (B) before and after giving effect to the performance bond and/or bid bond, the net amount (after subtracting the aggregate amount of any and all Pending Release Bonds) of any and all performance bonds outstanding at any time, together with any and all bid bonds outstanding at any time shall not exceed the Bid and Performance Bond Limit (albeit calculated as of the last day of each Fiscal Quarter), (C) the obligations and liabilities of the VSE Entities with respect to the performance bond and/or bid bond shall be and remain unsecured at all times, (D) the work for which the performance bond and/or bid bond has been issued shall be (I) performed for and/or on behalf of the United States government or any foreign government which is not a Blocked Person, and (II) originally scheduled to be completed within eighteen (18) months of work commencement; and (E) the performance bond and/or bid bond shall not have been issued for or on behalf of Integrated Concepts and Research Corporation;
- (xiii) any other unsecured Indebtedness (not specifically described or pre-approved in this Section 7.7(a)), provided that (A) the aggregate amount of such Indebtedness remaining unpaid and outstanding at any time owing from all VSE Entities does not exceed Ten Million and No/100 Dollars (\$10,000,000.00) and (B) the aggregate amount of any and all such other unsecured Indebtedness remaining unpaid and outstanding at any time with respect to all Non-Borrower Affiliates does not exceed Two Million and No/100 Dollars (\$2,000,000.00).
- (b) mortgage, assign, pledge, hypothecate or otherwise encumber or permit any lien, security interest or other encumbrance, including (i) purchase money liens, whether under conditional or installment sales

arrangements or otherwise to affect the Collateral or any other assets, properties or Aircraft Objects of any VSE Entity and (ii) any International Interests, Prospective International Interests and Prospective Assignments as each is defined in the Cape Town Treaty, unless any Borrower is the "Creditor" and holds the "Right to Discharge" with respect thereto and any filings made with the Federal Aviation Administration to perfect an interest in any Aircraft Object or Spare Part, (except for Permitted Liens and other liens, security interests or encumbrances expressly permitted herein);

(c) without limiting clause (b) above, mortgage, assign, pledge, hypothecate or otherwise encumber or permit any lien, security interest or other encumbrance (other than Permitted Liens) to exist, on any real property interest (i.e., leasehold, fee simple, license or otherwise) that the Borrowers may now have or may hereafter acquire; or

(d) enter into any agreement or understanding with any Person pursuant to which any Borrower agrees to be bound by a covenant not to encumber all or any part of the property or assets of such Borrower, unless such agreement or understanding is entered into in connection with the granting of purchase money security interests permitted pursuant to the terms and conditions of this Agreement.

8.8 Dividends; Loans; Advances; Investments and Similar Events.

(a) (i) Declare or pay any dividends; (ii) purchase, redeem, retire, or otherwise acquire for value any of its capital stock now or hereafter outstanding; make any distribution of assets to its stockholders whether in cash, assets or obligations of a VSE Entity; (iii) allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption, or retirement of, any of its capital stock; (iv) alter or amend any VSE Entity's capital structure; (v) declare or make any payment of principal or interest on, or acquire or anticipate any sinking fund requirement of, any Subordinated Indebtedness; or (vi) make any other distribution by reduction of capital or otherwise in respect of any capital stock of a VSE Entity, except that if there is no Event of Default at such time, no act, event or condition shall have occurred or exist which with the giving of notice or the passage of time, or both, would constitute an Event of Default at such time, and no covenant breach calculated on a pro forma basis would occur after giving effect thereto (A) (1) the Primary Operating Company may pay cash dividends that shall not exceed Six Million and No/100 Dollars (\$6,000,000.00) in the aggregate per Fiscal Year so long as at the time of payment thereof, there is at least Twenty Million and No/100 Dollars (\$20,000,000.00) of excess availability under the Revolving Facility at the time of payment of any such dividend, and (2) except for the Primary Operating Company, each VSE Entity may pay cash dividends to the Primary Operating Company or to another Borrower, (B) each VSE Entity may declare and deliver dividends and make distributions payable solely in its common stock; (C) each VSE Entity may purchase or otherwise acquire its capital stock by exchange for or out of the proceeds received from a substantially concurrent issue of new shares of its capital stock, (D) the Primary Operating Company, during each Fiscal Year, may repurchase its capital stock in amounts not to exceed Ten Million and No/100 Dollars (\$10,000,000.00), provided, that, at the time of each such repurchase, availability under the Revolving Facility (after taking into account the aggregate face amount of all Letters of Credit outstanding, Swing Line Loans outstanding and Alternative Currency Loans outstanding), shall not be less than Twenty Million and No/100 Dollars (\$20,000,000.00) and (E) the VSE Entities may make payments of Subordinated Debt to the extent permitted by the subordination provisions applicable thereto;

(b) make any investments, or make any loans, salary advances, or other extensions of credit to (i) any equity owners of any VSE Entity, unless such equity owner is also a Borrower party to this Agreement in which the Administrative Agent has a perfected security interest in and to all of its assets constituting Collateral at the time such loan, salary advance or other payment is made; (ii) any Affiliate of any VSE Entity, unless such Affiliate is a Borrower party to this Agreement in which the Administrative Agent has a perfected security interest in and to all of its assets constituting Collateral at the time such loan, salary advance or other payment is made; or (iii) any other Person; provided, however, that the VSE Entities may make or continue to have outstanding any or all of the following:

(i) loans or advances to individual officers, current employees or former employees of any VSE Entity, provided, that all such loans and advances to such individuals may not exceed One Million and No/100 Dollars (\$1,000,000.00), in the aggregate, at any time; it being understood that travel advances and employee retention bonuses made in the ordinary course of business shall not be included in calculating the foregoing computation;

(ii) non-cash stock compensation to employees of the VSE Entities that does not represent a loan or advance and loans, advances or payments from one Borrower to another Borrower; provided that the Administrative Agent has a perfected security interest in and to all of each Borrower's assets constituting Collateral;

(iii) loans, advances or payments in the amounts that are unpaid or outstanding as of the Restatement Date and listed on Schedule 7.8(c) attached hereto;

(iv) trade credit extended to customers of the VSE Entities in the ordinary course of business;

(v) Ordinary Course Payments;

(vi) negotiable instruments endorsed for deposit or collection in the ordinary course of business;

(vii) securities or certificates of deposit with maturities of two (2) years or less; provided that, concurrent with such investment, any and all securities or certificates of deposit (other than those acquired in connection with RABBI trusts and deferred compensation plans) shall have been pledged to the Administrative Agent, for the benefit of the Lenders ratably, pursuant to documentation reasonably satisfactory to the Administrative Agent;

(viii) loans, advances or other payments by any Borrower to any and all Non-Borrower Affiliates in an aggregate amount not to exceed Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00), in each case outstanding at any time, calculated on a net basis (i.e., any cash proceeds returned by a Non-Borrower Affiliate, whether through a dividend, distribution, share redemption, payment of principal on debt or otherwise, together with payments received from customers of the Borrowers for work done by a Non-Borrower Affiliate under customer contracts of the Borrowers, to the extent such payments are received in the ordinary course of such Non-Borrower Affiliate's business and the allocated amount thereof is commensurate with amounts ordinarily payable between two unrelated and unaffiliated third parties (i.e., on market terms), shall be added back as availability for the aggregate investment limit; *provided* that such cash proceeds are not subject to revocation, rescission, disgorgement, set off or other claim diminishing the full value thereof);

(ix) Permitted Investments; and

(x) Permitted Acquisitions.

8.9 **Lease Obligations.** Except in the ordinary course of business, (i) enter into any new lease of real or personal property, (ii) modify or amend in any material respect any lease of real or personal property in effect as of the Restatement Date, or (iii) restate or renew any lease of real or personal property in effect as of the Restatement Date. Additionally, except in the ordinary course of business, no VSE Entity shall lease any real or personal property owned by such VSE Entity to any Person (including, without limitation, the Government).

8.10 **Certain Agreements; Etc.** Suffer or permit any modification or amendment to any VSE Entity's corporate governance documents, to the extent such modification or amendment could reasonably be expected to prejudice the Administrative Agent's or any Lender's rights or remedies under any Loan Document, or the priority, perfection or enforceability of the Administrative Agent's security interest in or lien on any Collateral.

8.11 **Lockbox Deposits.** If a lockbox arrangement shall have been required by the Administrative Agent, permit or cause any and all payments required to be made directly to the Administrative Agent, pursuant to Section 11.2 of this Agreement, to be made or directed to any other Person, without the prior approval of the Administrative Agent.

8.12 **Sale and Leaseback Transactions; Other Agreements**

(a) Except in connection with the treatment of the Walker Lane Lease as a sale and leaseback transaction, for accounting purposes only, directly or indirectly, enter into any arrangement with any Person providing for any VSE Entity to lease or rent property that such VSE Entity has sold or will sell or otherwise transfer to such Person; or

(b) directly or indirectly, enter into any Material Contract pursuant to which the execution, delivery or performance of the obligations of any Borrower under this Agreement or under any other Loan Document would breach or constitute a default under such Material Contract.

8.13 **Restricted Non-Borrower Affiliates.** Suffer or permit any Restricted Non-Borrower Affiliate to (i) engage in any business other than the winding down and dissolution of such entities; (ii) incur any indebtedness or obtain any material assets; (iii) modify its organizational documents; or (iv) obtain or use any Loan proceeds. Except for customary costs to dissolve a Restricted non-Borrower Affiliate, no VSE Entity will pay, contribute, invest, lend or otherwise provide to a Restricted Non-Borrower Affiliate any cash, property, assets or otherwise, for any purpose whatsoever, without the Administrative Agent's prior written consent.

8.14 **Anti-Terrorism Laws.** Suffer or permit any VSE Entity to (a) conduct any business or engage in any transaction or dealing with a Blocked Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person; (b) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or the Patriot Act; or (d) violate any Anti-Corruption Law. Each Borrower shall deliver to the Administrative Agent any certification or other evidence reasonably requested from time to time by the Administrative Agent, confirming each VSE Entity's compliance with this Section 7.14.

ARTICLE 9 COLLATERAL AND OTHER DEPOSIT ACCOUNTS

Except for any Borrower or Non-Borrower Affiliate utilizing Permitted Foreign Bank Accounts, the Borrowers will deposit or cause to be deposited into one or more Deposit Accounts maintained by the Administrative Agent, and if required by the Administrative Agent after the Restatement Date, a collateral account designated by the Administrative Agent (the "Collateral Account"), all checks, drafts, cash and other remittances received by the VSE Entities, and shall deposit such items for credit within three (3) Business Days of the receipt thereof and in precisely the form received. Pending such deposit, the Borrowers will not commingle any such items of payment with any of their other funds or property, but will hold them separate and apart. Notwithstanding the foregoing, the VSE Entities shall have the right to maintain certain other Deposit Accounts (each, a "Transitional Deposit Account") in connection with any Permitted Acquisition, but only for a period of one hundred twenty (120) days after such Permitted Acquisition, as applicable, and provided further that (i) a wire transfer arrangement with the financial institution(s) maintaining such account(s) is in place on or prior to the effective date of such Permitted Acquisition, as applicable, and such arrangement remains in place at all times thereafter for so long as the Transitional Deposit Account remains open; and (ii) each Transitional Deposit Account shall (a) be used solely for the deposit/receipt of cash, checks and other remittances owing to the VSE Entities from time to time, and (b) be at all times, free and clear of any and all liens claims and encumbrances (other than the security interest of the Administrative Agent granted hereby and the rights and remedies of the financial institution maintaining such account, but only to the extent that the exercise of such rights and remedies by such financial institution can be

based solely upon claims for reimbursement of normal and customary fees and charges for account maintenance and account administration). Each wire transfer arrangement referenced above must be in form and substance reasonably satisfactory to the Administrative Agent.

The above-referenced Deposit Accounts, the Collateral Account, the Transitional Deposit Account and the Permitted Foreign Bank Accounts shall secure the Obligations and the Borrowers hereby grant, assign and transfer to or at the direction of the Administrative Agent, for the benefit of the Lenders ratably, a continuing security interest in all of the Borrowers' right, title and interest in and to such accounts, whenever created or established. Subject to this Agreement and any other Loan Document, the Administrative Agent may apply funds in such accounts to any of the Obligations, including any principal, interest or other payment(s) not made when due, whether arising under this Agreement or any other Loan Document, or any other Obligation of the Borrowers, without regard to the origin of the deposits in the account, the beneficial ownership of the funds therein or whether such Obligations are owed jointly with another or severally; the order and method of such application to be in the sole discretion of the Administrative Agent. The Administrative Agent's right to deduct sums due under the Loan Documents from the Borrowers' account(s) shall not relieve the Borrowers from their obligation to make all payments required by the Loan Documents as and when required by the Loan Documents, and the Administrative Agent shall not have any obligation to make any such deductions or any liability whatsoever for any failure to do so.

ARTICLE 10 DEFAULT AND REMEDIES

10.1 **Events of Default.** Any one of the following events shall be considered an "Event of Default":

- (a) if any Borrower shall fail to pay any principal, interest or other sum owing on any of the Notes or any other Obligation (including regularly scheduled and termination payments under Hedging Contracts) when the same shall become due and payable, whether by reason of acceleration or otherwise; or
- (b) if any of the VSE Entities shall fail to pay and satisfy in full, within ten (10) days of the rendering thereof, any judgment(s) against one or more of the VSE Entities that individually or in the aggregate are in excess of One Million and No/100 Dollars (\$1,000,000.00), which are not, to the reasonable satisfaction of the Administrative Agent, fully bonded, stayed, covered by insurance or covered by appropriate reserves; or
- (c) if any warranty or representation of any Borrower not qualified by "materiality" set forth in this Agreement or in any other Loan Document shall be misleading or untrue in any material respect when made or remade, or if any warranty or representation of any Borrower qualified by "materiality" set forth in this Agreement or in any other Loan Document shall be misleading or untrue in any respect when made or remade; or
- (d) if there shall be non-compliance with or a breach of any of the Affirmative Covenants contained in this Agreement (other than the financial covenants set forth in Section 6.15 of this Agreement or any other Affirmative Covenant specifically addressed elsewhere in this Section 9.1), and such non-compliance or breach shall continue unremedied after fifteen (15) days written notice from the Administrative Agent; or
- (e) if there shall be non-compliance with or a breach of any of the Negative Covenants contained in this Agreement not otherwise specifically addressed elsewhere in this Section 9.1; or
- (f) if there shall be non-compliance with or a breach of (i) any of the reporting requirements set forth in Section 6.3 of this Agreement, and such non-compliance or breach shall continue unremedied for a period of five (5) Business Days after the date when due, (ii) any of the financial covenants set forth in Section 6.15 of this Agreement, or (iii) any of the notification requirements set forth in Section 6.10 of this Agreement; or
- (g) if a default shall occur under any of the other Loan Documents and such default shall have continued unremedied after the expiration of any applicable notice or cure period; or

(h) if (i) without the prior written consent of the Administrative Agent, any VSE Entity shall be liquidated or dissolved or shall discontinue its business; (ii) a trustee or receiver is appointed for any VSE Entity or for all or a substantial part of its assets; (iii) any VSE Entity makes a general assignment for the benefit of creditors; (iv) any VSE Entity files or is the subject of any insolvency proceeding, petition in bankruptcy or similar proceeding (whether such petition or proceeding shall be pursued in a court of law or equity), which in the case of an involuntary bankruptcy, remains undismissed for sixty (60) days; (v) any VSE Entity shall become insolvent or any VSE Entity shall at any time fail generally to pay its debts as such debts become due; or (vi) any Government agency or bankruptcy court or other court of competent jurisdiction shall assume custody or control of the whole or any part of the assets of any VSE Entity; or

(i) if any VSE Entity's property or assets, including any deposit accounts, are levied upon, attached or subject to any other enforcement proceeding and such levy, attachment or enforcement proceeding (i) involves amounts in excess of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00), and (ii) is not fully bonded or stayed; or

(j) if any VSE Entity shall change its registered name, state of incorporation or state of organization (as applicable), without the prior written consent of the Administrative Agent; or

(k) if a default shall occur with respect to any obligation(s) of one or more VSE Entities for the payment of borrowed money, which involves amounts, individually or in the aggregate, in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), whether now existing or hereafter created, incurred or arising, and such default shall (i) consist of the failure to pay such obligation(s) when due, whether by acceleration or otherwise, or (ii) accelerate the maturity of such obligation(s) or permit the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such obligation(s) to become due and payable (or require any VSE Entity to purchase or redeem such obligation(s) or post cash collateral in respect thereof) prior to its expressed maturity; or

(l) if (i) there shall be a default under any Material Contract that has had or would reasonably be expected to have a Material Adverse Effect; or (ii) a cure notice issued under any Material Contract shall remain uncured beyond (A) the expiration of the time period available to the VSE Entity pursuant to such Material Contract or such cure notice (as the case may be), to cure the noticed default, or (B) the date on which the other contracting party is entitled to exercise its rights and remedies under such Material Contract as a consequence of such default; or

(m) if (i) any Borrower is debarred or suspended from contracting with any part of the Government; (ii) a notice of debarment or suspension shall have been issued to any Borrower; or (iii) a notice of termination for default or the actual termination for default of any federal Government Contract that constitutes a Material Contract shall have been issued to or received by any Borrower; or (iv) a Government investigation or inquiry relating to any VSE Entity and involving fraud, deception, dishonesty, willful misconduct or any allegation thereof shall have been commenced in connection with any federal Government Contract or any VSE Entity's activities; or

(n) if the Required Lenders or the Administrative Agent is not satisfied in its sole discretion with the results of any field audit conducted pursuant to this Agreement; or

(o) if the capital stock of the Primary Operating Company is not listed (or is delisted) on NASDAQ or another national stock exchange for any reason whatsoever; or

(p) (i) the occurrence of (a) a reportable event (under Section 4043 of ERISA and regulations thereunder) with respect to a Pension Plan; (b) a withdrawal by any Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by any Borrower or any ERISA Affiliate from a multiemployer plan or notification that a multiemployer plan is in reorganization; (d) the filing of a notice of intent to terminate, the

treatment of a plan amendment as a termination under Sections 4041(c) or 4041A of ERISA, or the commencement of proceedings by the Pension Benefit Guaranty Corporation to terminate a Pension Plan or multiemployer plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or multiemployer plan; or (f) the imposition of any liability under Title IV of ERISA, other than for Pension Benefit Guaranty Corporation premiums due but not delinquent under Section 4007 of ERISA, upon any Borrower or any ERISA Affiliate, which, in the case of each of (a) through (f), has resulted or could reasonably be expected to result in actual liability of the Borrowers under Title IV of ERISA to the Pension Plan, multiemployer plan or the Pension Benefit Guaranty Corporation, that the Borrowers would be required to pay, in an aggregate amount in excess of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00), or (ii) any Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a multiemployer plan which has resulted or could reasonably be expected to result in actual liability of the Borrowers that the Borrowers would be required to pay in an aggregate amount in excess of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00).

10.2 Remedies. Upon the occurrence of the Event of Default set forth in Section 9.1(h) of this Agreement, all commitments of the Lenders hereunder shall automatically (and without further notice, demand or other action) terminate, and all principal, accrued and unpaid interest and all other Obligations shall automatically (and without further notice, demand or other action) become immediately due and payable in full, and bear interest at the Default Rate until paid in full. Without limiting the foregoing, or any other right or remedy of the Administrative Agent or the Lenders set forth in this Agreement, upon the occurrence of any Event of Default, the Administrative Agent, acting on behalf of the Lenders and, as applicable, their Affiliates, may, and shall, subject to the terms of this Agreement, upon the direction of the Required Lenders, exercise any or all of the following remedies:

(a) Withhold disbursement of all or any part of the Loan proceeds until such time that such Event of Default is cured to the satisfaction of the Administrative Agent and no other Event of Default exists; it being expressly understood and agreed that, notwithstanding the foregoing, no Lender shall have any obligation to make any advance or readvance of Loan proceeds, or issue, amend or renew any Letter of Credit, if any act, event or condition exists or has occurred which with notice or the lapse of time, or both, would constitute an Event of Default (as more fully described in Section 1.4 of this Agreement);

(b) Terminate the Lenders' obligation to make further disbursements of the Loan proceeds;

(c) Declare all principal, interest and other sums owing on the Obligations (including an amount equal to the face amount of all outstanding Letters of Credit) to be immediately due and payable without demand, protest, notice of protest, notice of default, presentment for payment or further notice of any kind;

(d) Without notice, redirect any and all of the Borrowers' deposits to the Collateral Account or any other account under the Administrative Agent's or any Lender's exclusive control;

(e) Without notice, offset and apply against all or any part of the Obligations then owing by any Borrower to any Lender, any and all money, credits, stocks, bonds or other securities or property of any VSE Entity of any kind or nature whatsoever on deposit with, held by or in the possession of Administrative Agent or any Lender in any capacity whatsoever, including any deposits with Administrative Agent or any Lender or any of its Affiliates, to the credit of or for the account of any VSE Entity. The Administrative Agent and the Lenders are authorized at any time to charge the Obligations against any Borrower's account(s), without regard to the origin of deposits to the account or beneficial ownership of the funds. Any and all amounts obtained by the Administrative Agent or any Lender pursuant to this Subsection (e) shall be shared by all of the Lenders (and each Affiliate of a Lender that is then a counterparty under a Hedging Contract) ratably, in accordance with each Lender's Percentage; and each Lender, as well as the Administrative Agent, shall be entitled to exercise the rights of set-off provided in this Subsection (e);

(f) Exercise all rights, powers and remedies of a secured party under the UCC and/or any other Applicable Laws, including the right to (i) require the Borrowers to assemble the Collateral (to the extent that it is movable) and make it available to the Administrative Agent at a place to be designated by the Administrative Agent, and (ii) enter upon any Borrower's premises, peaceably by the Administrative Agent's own means or with legal process, and take possession of, render unusable or dispose of the Collateral on such premises; each Borrower hereby agreeing not to resist or interfere with any such action. The Administrative Agent agrees to give the Borrowers written notice of the time and place of any public sale of the Collateral or any part thereof, and the time after which any private sale or any other intended disposition of the Collateral is to be made, and such notice will be mailed, postage prepaid, pursuant to Section 12.3 of this Agreement, at least ten (10) days before the time of any such sale or disposition. Each Borrower hereby authorizes and appoints the Administrative Agent and its successors and assigns to (i) sell the Collateral, and (ii) declare that each Borrower assents to the passage of a decree by a court of proper jurisdiction for the sale of the Collateral. Any such sale pursuant to clauses (i) or (ii) above is to be made in accordance with the applicable provisions of the laws and rules of procedure of the Commonwealth of Virginia or other Applicable Laws;

(g) Proceed to enforce such other and additional rights and remedies as the Administrative Agent or Lenders may have hereunder and/or under any of the other Loan Documents, or as may be provided by Applicable Laws; or

(h) Impose the Default Rate for the entire principal balance and other sums owing on the Obligations.

The Lenders and the Administrative Agent may exercise their respective rights under this Agreement or under any other Loan Document without exercising the rights or affecting the security afforded by any other Loan Document, and subject to the terms and conditions of this Agreement, the Administrative Agent may (or, at the direction of the Required Lenders, shall) proceed against all or any portion of the Collateral in such order and at such times as the Administrative Agent, in its sole discretion or at the direction of the Required Lenders, sees fit; and each Borrower hereby expressly waives, to the extent permitted by law, all benefit of valuation, appraisal, marshaling of assets and all exemptions under the laws of the Commonwealth of Virginia or any other state, district or territory of the United States. Furthermore, if any Borrower shall default in the performance when due of any of the provisions of this Agreement, the Administrative Agent, without notice to or demand upon the Borrowers (and without any grace or cure period) and without waiving or releasing any of the Obligations or any default hereunder, under the Notes or under any other Loan Document, may (but shall be under no obligation to) perform the same for each Borrower's account, and any monies expended in so doing shall be chargeable to the Borrowers with interest, at the highest rate of interest payable under all of the Notes, plus two percent (2%) per annum, and added to the Indebtedness secured by the Collateral.

All sums paid or advanced by the Administrative Agent (or any Lender to the extent incurred pursuant to this Agreement) in connection with the foregoing or otherwise in connection with the Loan, and all court costs and expenses of collection, including reasonable attorneys' fees and expenses (and fees and expenses resulting from the taking, holding or disposition of the Collateral) incurred in connection therewith shall be paid by the Borrowers upon demand and shall become a part of the Obligations secured by the Collateral. The Borrowers agree to bear the expense of each lien search, property and judgment report or other form of Collateral ownership investigation as the Administrative Agent, in its discretion, shall deem necessary or desirable to assure or further assure to the Lenders or the Administrative Agent their respective interests in the Collateral.

Notwithstanding anything to the contrary set forth in this Agreement or any other Loan Document, in the event that any Collateral proceeds shall have been received by the Administrative Agent or any Lender to pay any of the Obligations, such proceeds shall be applied first to the Obligations relating to, arising from or incurred in connection with the transactions contemplated by this Agreement in accordance with the terms and provisions of this Agreement (including, without limitation, Section 1.4(d) of this Agreement), and then to any other Obligations of the Borrowers. Notwithstanding anything to the contrary in this Agreement or any other Loan Document, in no

circumstances shall proceeds of any Collateral constituting an asset of a guarantor or obligor hereunder which is not a Qualified ECP Guarantor be applied towards the payment of any Obligations under Hedging Contracts.

All Hedging Contracts between any Borrower and any Lender or its Affiliates are independent agreements governed by the written provisions of said Hedging Contracts, which will remain in full force and effect unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of the Loans, except as otherwise expressly provided in said written Hedging Contracts, and any payoff statement from the Administrative Agent or any Lender relating to the Loans shall not apply to said Hedging Contracts, except as otherwise expressly provided in such payoff statement.

ARTICLE 11 THE ADMINISTRATIVE AGENT; AGENCY

11.1 **Appointment.** Each Lender (on behalf of itself and each of its Affiliates that is or becomes a counterparty under a Hedging Contract) hereby affirms its irrevocable appointment of Citizens Bank to act as the Administrative Agent for each such Person pursuant to the provisions of this Agreement and the other Loan Documents, and affirms its irrevocable authorization given to the Administrative Agent to take such action, and exercise such powers and perform such duties as are expressly delegated to or required of the Administrative Agent by the terms hereof or thereof, or are reasonably incidental thereto, including executing documents on behalf of the Lenders, as Administrative Agent. Citizens Bank affirms its agreement to act as the Administrative Agent on behalf of such Persons on the terms and conditions set forth in this Agreement and the other Loan Documents, subject to its right to resign as provided in Section 10.10 of this Agreement. Each Lender agrees that the rights and remedies granted to the Administrative Agent under this Agreement and the other Loan Documents shall be exercised exclusively by the Administrative Agent, and that no Lender shall have the right individually to exercise any such right or remedy, except to the extent expressly provided herein or therein.

11.2 **General Nature of Administrative Agent's Duties.** Notwithstanding anything to the contrary elsewhere in this Agreement or any other Loan Document:

(a) the Administrative Agent shall have no duties or responsibilities other than those expressly set forth in this Agreement and the other Loan Documents, and no implied duties or responsibilities on the part of the Administrative Agent shall be read into this Agreement or any other Loan Document or shall otherwise exist;

(b) the duties and responsibilities of the Administrative Agent under this Agreement and the other Loan Documents shall be mechanical and administrative in nature, and the Administrative Agent shall not have a fiduciary relationship in respect of any Lender;

(c) the Administrative Agent is and shall be solely the agent of the Lenders. The Administrative Agent does not assume, and shall not at any time be deemed to have, any relationship of agency or trust with or for, or any other duty or responsibility to, any VSE Entity or any other Person (except only for its relationship as agent for, its express duties and responsibilities as agent for, and its express duties and responsibilities to, the Lenders as provided in this Agreement and the other Loan Documents); and

(d) the Administrative Agent shall not have any obligation to take any action hereunder or under any other Loan Document if the Administrative Agent believes in good faith that taking such action may (i) conflict with any Applicable Laws, or any provision of this Agreement or any other Loan Document, (ii) may require the Administrative Agent to qualify to do business in any jurisdiction where it is not then so qualified, or (iii) result in any liability of the Administrative Agent or any Lender not fully covered by insurance.

11.3 **Exercise of Powers.**

(a) The Administrative Agent shall have the authority to take any action of the type specified in this Agreement or any other Loan Document as being within the Administrative Agent's rights, powers or discretion, as it determines in its sole discretion, except as provided in Subsection (b) below, and except as provided herein or in any other Loan Document, when such action expressly requires the direction or consent of (i) the Required Lenders, or (ii) all of the Lenders, in either of which circumstances the Administrative Agent shall not take such action absent such direction or consent. Any action or inaction pursuant to such direction or consent shall be binding on all of the Lenders.

(b) Notwithstanding anything set forth in this Agreement to the contrary, the Administrative Agent shall not amend, modify, grant consents or waive any term or provision of this Agreement or any other Loan Document (and such amendment, modification, consent or waiver shall not be effective) without the consent or approval of the Required Lenders or all Lenders as applicable below in this paragraph, or declare an Event of Default, provide formal written notice of default to any Borrower or exercise any rights or remedies against any VSE Entity without the prior consent of the Required Lenders or all Lenders, as applicable below in this paragraph. For the avoidance of doubt, any waiver by the Administrative Agent of the Borrowers' compliance with any Negative Covenant set forth in Article 7, or consent by the Administrative Agent to the Borrowers' non-compliance with any such Negative Covenant, shall require the prior written consent of the Required Lenders. Each Lender agrees that its decision to consent to or reject any request by the Administrative Agent for permission to declare an Event of Default, provide formal notice thereof to any Borrower and/or exercise any rights or remedies arising by virtue of such default, shall be made as soon as reasonably practicable after the Lender has received all relevant information with respect to such request (to the extent such information shall be readily available), but in all events within ten (10) Business Days of the receipt of such information, at which time any Lender who shall have failed to respond to the Administrative Agent with its decision to consent to or reject the particular request prior to the expiration of such ten (10) Business Day period shall be deemed to have consented to the particular request; it being understood and agreed that, unless otherwise provided herein, the Administrative Agent shall exercise any and all rights and responsibilities on behalf of the Lenders in connection with an Event of Default. Additionally, only with the consent or approval of all of the Lenders, the Administrative Agent may (and the following amendments may be effectuated) (a) extend the final maturity of the Loan or any Note, reduce the amount of, or extend the time of payment for, any installment of principal, interest or fees or other amounts payable to a Lender hereunder or under any other Loan Document or otherwise in connection with the Loan other than Mandatory Payments, or issue Letters of Credit (i) having an expiration date beyond the Maturity Date, except as otherwise expressly provided in this Agreement, or (ii) causing the aggregate outstanding amount of all such Letters of Credit issued to exceed Twenty-Five Million and No/100 Dollars (\$25,000,000.00), (b) increase the Percentage of the Commitment Amount of any Lender or increase the Commitment Amount of any Lender, other than pursuant to Section 1.8 and/or Section 1.9 of this Agreement, (c) release (or subordinate the Lien on) all or a substantial portion of the Collateral, except in accordance with the provisions of any applicable Loan Document; provided that the Administrative Agent may release the lien of the Administrative Agent for the benefit of the Lenders in any Collateral to the extent sold by any Borrower in a transaction permitted by this Agreement, (d) amend the definition of "Required Lenders", (e) consent to the release of any Borrower from, or the assignment or transfer by any Borrower of, any of its rights or obligations hereunder, except in accordance with the provisions of any applicable Loan Document, (f) amend, modify or waive any of the provisions set forth in this Section 10.3 or any other provision of this Agreement specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, (g) change the manner of application by the Administrative Agent of payments made under the Loan Documents or otherwise change any provision governing pro rata payments among Lenders, (h) change the method of calculation used in connection with the computation of interest, commissions or fees (which are payable for the ratable benefit of each Lender), or (i) amend, modify or waive any condition precedent set forth in Article 4 of this Agreement. Each Lender agrees that its decision to approve or reject any request for an amendment or waiver with respect to this Agreement shall be made, except as otherwise expressly provided herein, as soon as reasonably practicable after the Lender has received all relevant information with respect to such request.

11.4 General Exculpatory Provisions. Notwithstanding anything to the contrary elsewhere in this Agreement or any other Loan Document:

(a) the Administrative Agent, in its capacity as Administrative Agent (but not as a Lender), shall not be liable for any action taken or omitted to be taken by it in a manner consistent with the terms of this Agreement or any other Loan Document, unless caused by its own gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction;

(b) the Administrative Agent shall not be responsible for (i) the execution, delivery, effectiveness, enforceability, genuineness, validity or adequacy of this Agreement or any other Loan Document, (ii) any recital, representation, warranty, document, certificate, report or statement in this Agreement or any other Loan Document, (iii) any failure of any VSE Entity or any Lender to perform any of their respective obligations under this Agreement or any other Loan Document, (iv) the existence, validity, enforceability, perfection, recordation, priority, adequacy or value, now or hereafter, of any lien or encumbrance or other direct or indirect security afforded or purported to be afforded by any of the Loan Documents, or otherwise from time to time, or (v) caring for, protecting, insuring or paying any taxes, charges or assessments with respect to any Collateral;

(c) the Administrative Agent shall have no obligation to ascertain, inquire or give any notice relating to (i) the performance or observance of any of the terms or conditions of this Agreement or any other Loan Document on the part of any VSE Entity, (ii) the business, operations, condition (financial or otherwise) or prospects of any VSE Entity, or (iii) except as otherwise expressly set forth in this Agreement, the occurrence or existence of any Event of Default; and

(d) the Administrative Agent shall have no obligation, either initially or on a continuing basis, to provide any Lender with any notices, reports or information of any nature, whether in its possession presently or hereafter, except for such notices, reports and other information expressly required by this Agreement or any other Loan Document to be furnished by the Administrative Agent to such Lender.

11.5 Administration by the Administrative Agent.

(a) The Administrative Agent may rely upon any notice or other communication of any nature (written or oral, including telephone conversations, whether or not such notice or other communication is made in a manner permitted or required by this Agreement or any other Loan Document) purportedly made by or on behalf of the proper party or parties, and the Administrative Agent shall not have any duty to verify the identity or authority of any person giving such notice or other communication.

(b) The Administrative Agent may consult with legal counsel (including in-house counsel for the Administrative Agent), independent public accountants and any other experts selected by the Administrative Agent from time to time, and the Administrative Agent shall not be liable for any action reasonably taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts.

(c) The Administrative Agent may conclusively rely upon the truth of the statements and the correctness of the opinions expressed in any certificates or opinions furnished to the Administrative Agent in accordance with the requirements of this Agreement or any other Loan Document. Whenever the Administrative Agent shall deem it necessary or desirable that a matter be proved or established with respect to any VSE Entity or any Lender, such matter may be established by a certificate of such Borrower or such Lender, as the case may be, and the Administrative Agent may conclusively rely upon such certificate.

(d) The Administrative Agent may fail or refuse to take any action unless it shall be indemnified to its satisfaction from time to time against any and all amounts, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of every kind and nature which may be imposed on, incurred by or asserted against the Administrative Agent by reason of taking or continuing to take any such action; provided that no Lender shall be obligated to indemnify the Administrative Agent for any portion of such amounts, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements resulting solely from the gross negligence or willful misconduct of the Administrative Agent, as finally determined by a court of competent jurisdiction.

(e) The Administrative Agent may perform any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(f) The Administrative Agent shall not be deemed to have any knowledge or notice of the occurrence of any Event of Default (other than a default in the payment of regularly scheduled principal or interest), unless the Administrative Agent has received from a Lender or a Borrower a written notice describing the Event of Default. If the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to each Lender, unless such notice shall have been addressed and/or issued to all of the Lenders.

11.6 Lenders Not Relying on the Administrative Agent or Other Lenders Each Lender acknowledges as follows:

(a) neither the Administrative Agent nor any other Lender has made any representations or warranties to it, and no act taken hereafter by the Administrative Agent or any other Lender shall be deemed to constitute any representation or warranty by the Administrative Agent or such other Lender to it;

(b) it has, independently and without reliance upon the Administrative Agent or any other Lender, and based upon such documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to enter into this Agreement and the other Loan Documents; and

(c) it will, independently and without reliance upon the Administrative Agent or any other Lender, and based upon such documents and information as it shall deem appropriate at the time, make its own decisions to take or not take action under or in connection with this Agreement and the other Loan Documents.

11.7 Indemnification. Each Lender agrees to reimburse and indemnify the Administrative Agent, the Lead Arranger (each solely in their capacity as such) and the Administrative Agent's and the Lead Arranger's respective directors, officers, employees and agents (to the extent not reimbursed by the Borrowers, and without limitation of the obligation of the Borrowers to do so), ratably in accordance with each Lender's Percentage, from and against any and all amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs and disbursements of every kind or nature (including the reasonable fees and disbursements of counsel for the Administrative Agent or such other Person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Administrative Agent or such other Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Administrative Agent or such other Person as a result of this Agreement, any other Loan Document, any transaction from time to time contemplated hereby or thereby, or any transaction financed in whole or in part or directly or indirectly with the proceeds of the Loan; provided that no Lender shall be obligated to indemnify the Administrative Agent or such other Person for any portion of such amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements resulting solely from the gross negligence or willful misconduct of the Person seeking indemnity, as finally determined by a court of competent jurisdiction.

11.8 Administrative Agent in its Individual Capacity. With respect to its commitment and the Obligations owing to it, Citizens Bank shall have the same rights and powers under this Agreement and each other Loan Document as any other Lender, and may exercise the same as though it was not the Administrative Agent. The terms "Lender," "holders of Notes" and like terms shall include Citizens Bank in its individual capacity. Citizens Bank and its Affiliates may, without liability to account therefor, make loans to, accept deposits from, acquire debt or equity interests in, act as trustee under indentures of and engage in any other business with any VSE Entity and any Affiliate of any VSE Entity, as though Citizens Bank was not the Administrative Agent hereunder.

11.9 Holders of Notes. Without limiting the requirements of Section 12.11 of this Agreement, the Administrative Agent may deem and treat any Lender which is the payee of a Note as the owner and holder of such Note for all purposes hereof unless and until written notice evidencing such transfer shall have been filed with the Administrative Agent. Any authority, direction or consent of any Person who at the time of giving such authority,

direction or consent was a Lender shall be conclusive and binding on each present and subsequent holder, transferee or assignee of any Note or Notes payable to such Lender or issued in exchange therefor.

11.10 **Successor Administrative Agent.** The Administrative Agent may resign at any time by giving thirty (30) days prior written notice thereof to the Lenders and Borrowers, subject to appointment of a successor Administrative Agent (and such appointees acceptance of appointment) as below provided in this Section 10.10. Additionally, the Administrative Agent may be removed for cause by all of the Lenders (other than the Administrative Agent, if the Administrative Agent is then a Lender), if removal or resignation, as applicable, is requested in writing (which wording must specifically identify the "cause" for removal), and ten (10) days' prior written notice of removal or resignation is provided to the Administrative Agent and Borrowers. Upon any such resignation or removal, the Required Lenders shall, on behalf of the Lenders, immediately appoint, as its successor, another Lender; provided that such Lender is a commercial bank or trust company organized under the laws of the United States of America or any State thereof and has a combined capital and surplus of at least Five Hundred Million and No/100 Dollars (\$500,000,000.00) (a "Qualifying Person"). In such event, the Administrative Agent's resignation or removal shall not be effective until the successor Administrative Agent shall have accepted its appointment, provided that if the Administrative Agent shall notify the Borrowers that no Qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice, and the retiring Administrative Agent, as the case may be, shall be discharged from its duties and obligations under this Agreement. Upon the acceptance by a successor Administrative Agent of its appointment as the Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all of the properties, rights, powers, privileges and duties of the former Administrative Agent, without further act, deed or conveyance. Upon the effective date of resignation or removal of the retiring Administrative Agent and payment of all amounts then due and payable by the Administrative Agent to the Lenders pursuant to this Agreement, such Administrative Agent shall be discharged from its duties under this Agreement and the other Loan Documents. If for any reason, at any time, there is no Administrative Agent hereunder, then during such period, the Required Lenders shall have the right to exercise the Administrative Agent's rights and perform its duties hereunder, except that (a) all notices or other communications required or permitted to be given to the Administrative Agent shall be given to each Lender, and (b) all payments to be made to the Administrative Agent shall be made directly to the Borrowers or the Lender for whose account such payment is made.

11.11 **Additional Agents.** If the Administrative Agent shall from time to time deem it necessary or advisable to engage other agents for its own protection in the performance of its duties hereunder or in the interests of the Lenders, then the Administrative Agent and Borrowers shall execute and deliver a supplemental agreement and all other instruments and agreements necessary or advisable, in the opinion of the Administrative Agent, to constitute another commercial bank or trust company, or one or more other Persons approved by the Administrative Agent, to act as co-Administrative Agent or a separate agent with respect to any part of the Collateral, with such powers as may be provided in such supplemental agreement, and with the power to vest in such bank, trust company or other Person (as such co-Administrative Agent or separate agent, as the case may be), any properties, rights, powers, privileges and duties of the Administrative Agent under this Agreement or any other Loan Document.

11.12 **Calculations.** The Administrative Agent shall not be liable for any calculation, apportionment or distribution of payments made by it in good faith. If such calculation, apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made shall be to recover from the Lenders any payment in excess of the amount to which they are determined to be entitled, with interest thereon at the Federal Funds Rate, or, if the amount due was not paid by any Borrower, to recover such amount from such Borrower (subject to the terms and conditions of this Agreement), with interest thereon at the rate provided in the applicable Note.

11.13 **Funding by the Administrative Agent.**

(a) Except as otherwise provided in this Agreement, the Administrative Agent alone shall be entitled to make all advances in connection with the Loan and shall receive all payments and other receipts relating to

the Loan; it being understood, however, that the Administrative Agent has reserved the right not to advance any amounts to the Borrowers which the Administrative Agent has not received from the Lenders. The Administrative Agent will notify each Lender of the date and amount of any requested advance, and if such notification is received by 1:00 p.m. New York, NY time on any given Business Day, the Lenders shall provide the required funds to the Administrative Agent no later than the close of business (i) on such Business Day in the case of Base Rate Loans and (ii) on the date specified for payments, in the case of LIBOR Rate Loans. At any time as may be requested by the Administrative Agent or the Swing Line Lender, the Administrative Agent and each Lender shall pay to each other such amounts (the “Equalization Payments”) as may be necessary to cause each Lender to own its applicable Percentage of the Loan and otherwise implement the terms and conditions of this Agreement; it being understood that each Lender shall be entitled to receive interest on amounts advanced by it only from the date of such Lender’s advance of funds. The obligation of the Administrative Agent and each Lender to make Equalization Payments shall not be affected by a bankruptcy filing by any VSE Entity, the occurrence of any Event of Default or any other act, occurrence or event whatsoever, whether the same occurs before, on or after the date on which an Equalization Payment is required to be made. All Equalization Payments shall be made by 5:00 p.m. New York, NY time on the date such payment is required, provided that notice of such Equalization Payment shall have been given to the party obligated to make such payment by 1:00 p.m. New York, NY time; otherwise such Equalization Payment shall be made on the next Business Day.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender no later than the close of business on the Business Day before the Business Day on which an advance requested by the Borrowers is to be made, that such Lender will not make its ratable share of such advance, the Administrative Agent may assume that such Lender will make its ratable share of the advance, and in reliance upon such assumption the Administrative Agent may (but in no circumstances shall be required to) make available to the Borrowers a corresponding amount. If and to the extent that any Lender fails to make such payment to the Administrative Agent when required, such Lender shall pay such amount on demand (or, if such Lender fails to pay such amount on demand, the Borrowers shall arrange for the repayment of such amount to the Administrative Agent), together with interest for the Administrative Agent’s own account for each day from and including the date of the Administrative Agent’s payment, to and including the date of repayment to the Administrative Agent (before and after judgment). Interest (i) if paid by such Lender (a) for each day from and including the date of the Administrative Agent’s payment to and including the second Business Day thereafter, shall accrue at the Federal Funds Rate for such day, and (b) for each day thereafter, shall accrue at the rate or rates per annum payable under the Notes; and (ii) if paid by the Borrowers, shall accrue at the rate or rates per annum payable under the Notes. All payments to the Administrative Agent under this Section shall be made to the Administrative Agent at its office set forth in Section 12.3 of this Agreement (or as otherwise directed by the Administrative Agent), in dollars, in immediately available funds, without set-off, withholding, counterclaim or other deduction of any nature.

(c) All borrowings under this Agreement shall be incurred from the Lenders pro rata on the basis of their respective Percentages (except to the extent advanced (i) as a Swing Line Loan, or (ii) by the Administrative Agent on behalf of any Lender as provided in Subsection (a) or (b) above). No Lender shall be responsible for any other Lender’s failure to meet its obligation to make advances hereunder, and each Lender shall be obligated to make advances required to be made by it hereunder regardless of the failure of any other Lender to make its advances hereunder.

(d) Subject to the payment or prepayment of all Hedging Obligations (including all applicable termination payments), each payment and prepayment received by the Administrative Agent for the account of the Lenders shall be distributed first to the Swing Line Lender for application to any Swing Line Outstandings, and then to each Lender entitled to share in such payment, ratably in accordance with each Lender’s Percentage. Notwithstanding Section 9.2(e) of this Agreement, any Lender who has failed to fund its Percentage of any advance under the Loan shall not be entitled to share in any such payment(s) until such time as the funding deficiency caused thereby, together with interest thereon (as provided in Subsection (b) above), has been paid to the Administrative Agent in accordance with the terms and conditions of this Agreement. Payments from the Administrative Agent to the Lenders shall be made by wire transfer in accordance with written instructions provided to the Administrative Agent by the Lenders from time to time. Unless the Administrative Agent shall have received

written notice from the Borrowers prior to the date on which any payment is due to the Lenders hereunder that the Borrowers will not make such payment in full, the Administrative Agent may assume that the Borrowers have made such payment in full on such date and the Administrative Agent, in reliance upon such assumption, may cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrowers shall not have made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent upon its demand therefor such amount distributed to such Lender, together with interest thereon at the overnight Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent.

(e) If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) in excess of such Lender's Percentage of payments, such Lender shall forthwith purchase from the other Lender(s) such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of the other Lender(s); provided, however, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from the other Lender(s) shall be rescinded and each other Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery, together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment, to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount recovered. Each Borrower agrees that any Lender purchasing a participation from another Lender pursuant to this Section 10.13(e), to the fullest extent permitted by law, may exercise all of its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

(f) No Lender nor any Affiliate of any Lender shall collect any separate remuneration (i.e., in addition to any remuneration paid on a pro rata basis to all Lenders) as an inducement for such Lender entering into any waiver or amendment to this Agreement.

11.14 **Benefit of Article.** The provisions of this Article 10 are solely for the benefit of the Administrative Agent and the Lenders. Except as otherwise expressly set forth in this Article 10, no VSE Entity shall have any rights under any of the provisions of this Article 10; it being understood that the provisions of this Article 10 are not in limitation of any right, remedy, power, duty, obligation or liability which the Administrative Agent would have to or against any VSE Entity.

11.15 **Field Audits and Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information** By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that the Administrative Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report (each a "Report" and collectively, "Reports") prepared by or at the request of the Administrative Agent, and the Administrative Agent shall so furnish each Lender with such Reports;

(b) expressly agrees and acknowledges that the Administrative Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Administrative Agent or other party performing any audit or examination will inspect only specific information regarding the VSE Entities and will rely significantly upon the VSE Entities' books and records, as well as on representations of the VSE Entities' personnel;

(d) subject to any applicable reporting and/or disclosure requirements of the Government, agrees to take normal and reasonable precautions to maintain the confidentiality of all Reports and other material, non-public information regarding the VSE Entities and their operations, assets, and existing and contemplated

business plans; it being understood and agreed that such information may be disclosed by any Lender (i) to its Affiliates, authorized representatives, accountants, legal counsel or other advisors who are bound by comparable confidentiality provisions or have agreed to comply with the confidentiality requirements of this Section, (ii) to the extent requested by applicable law, court order or decree or any regulatory agency or authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent such information becomes publicly available other than as a result of a breach of this Section, or which is or becomes available to such Lender on a non-confidential basis from a source other than the Borrowers, (iv) in connection with the exercise of any remedy hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (v) subject to execution by such Person of an agreement containing provisions substantially the same as those of this Section, to (A) any assignee or prospective assignee of any of such Lender's rights or obligations under this Agreement, or (B) any actual or prospective party (or its Affiliates) to any swap or derivative or other transaction under which payments are to be made by reference to the Borrowers and their obligations, this Agreement or payments hereunder, (vi) to any rating agency that requires access to information about a Lender's investment or loan portfolio in connection with ratings issued with respect to such Lender, (vii) to the CUSIP Service Bureau or any similar organization, or (viii) with the prior consent of the Borrowers. Any Person required to maintain the confidentiality of any information as provided for in this Section 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 its own confidential information; and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Administrative Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to the Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of the Borrowers; and (ii) to pay and protect, and indemnify, defend and hold the Administrative Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by the Administrative Agent and any such other Lender preparing a Report as the direct or indirect result of the sharing of such Report with any third parties who might obtain all or part of any Report through the indemnifying Lender; provided that no Lender shall be obligated to indemnify the Administrative Agent or such other Person for any portion of such amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements resulting solely from the gross negligence or willful misconduct of the Person seeking indemnity, as finally determined by a court of competent jurisdiction.

In addition to the foregoing: (i) any Lender may from time to time request of the Administrative Agent in writing that the Administrative Agent provide to such Lender a copy of any report or document provided by the Borrowers to the Administrative Agent that has not been contemporaneously provided by the Borrowers to such Lender, and, upon receipt of such request, the Administrative Agent promptly shall provide a copy of same to such Lender, it being understood and agreed that the items required to be delivered pursuant to Sections 6.3(a) and 6.3(b) of this Agreement shall be posted to Syndtrak upon receipt by the Administrative Agent; and (ii) to the extent that the Administrative Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from the Borrowers, any Lender may, from time to time, reasonably request the Administrative Agent to exercise such right as specified in such Lender's notice to the Administrative Agent, whereupon the Administrative Agent promptly shall request of the Borrowers the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from the Borrowers, the Administrative Agent promptly shall provide a copy of same to such Lender.

11.16 **Replacement of Lenders.** If (a) any Lender requests compensation under Section 12.8 of this Agreement and/or *Exhibit 3* attached hereto (other than a LIBOR Rate Loan Prepayment Fee), (b) the Borrowers are required to pay any additional amount to any Lender or any Government for the account of any Lender pursuant to Section 12.20 of this Agreement, (c) a Lender (a "Non-Consenting Lender") does not consent to a proposed change, waiver, discharge or termination with respect to any Loan Document that has been approved by

the Required Lenders but requires unanimous consent of all Lenders or all Lenders directly affected thereby (as applicable) or (d) any Lender is a Defaulting Lender, then the Borrowers may, at their sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse, all of its interests, rights and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which Eligible Assignee may be another Lender, if a Lender accepts such assignment), provided that: (i) the Borrowers shall have paid, or caused to be paid, to the Administrative Agent the assignment fee; (ii) such Lender shall have received payment of an amount equal to 100% of the outstanding principal of its Loans and Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts); (iii) in the case of any such assignment resulting from a claim for compensation under Exhibit 3 attached hereto or payments required to be made pursuant to Exhibit 3 attached hereto, 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 Non-Consenting Lender's failure to consent to a proposed change, waiver, discharge or termination with respect to any Loan Document, the applicable assignee consents to the proposed change, waiver, discharge or termination; provided that the failure by such Non-Consenting Lender to execute and deliver an assignment shall not impair the validity of the removal of such Non-Consenting Lender and the mandatory assignment of such Non-Consenting Lender's Commitments and outstanding Loans and participations in Letters of Credit and Swing Line Loans pursuant to this Section shall nevertheless be effective without the execution by such Non-Consenting Lender of an assignment. 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 Borrowers to require such assignment and delegation cease to apply.

11.17 **Defaulting Lender Provisions.** Notwithstanding anything to the contrary in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law,

(a) Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of any Defaulting Lender under this Agreement (whether voluntary or mandatory, at maturity or otherwise) from the Borrowers for the account of a Defaulting Lender under this Agreement will not be required to be paid or distributed to such Defaulting Lender, but will instead 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 under this Agreement; *second*, to the funding of any Loan advance 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; and *third*, if so determined by the Administrative Agent and the Borrowers, held in an account as cash collateral for future funding obligations of the Defaulting Lender in respect of any Loan advances under this Agreement. If such Lender is still a Defaulting Lender and any amounts remain in such account on the date that the Loan commitments are terminated and all payment obligations of the Borrowers hereunder are paid in full, then such amounts will be applied by the Administrative Agent to the making of payments in the following order of priority: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, with respect to the Revolving Facility, to the payment of any amounts owing by such Defaulting Lender to the Swing Line Lender hereunder; *third*, to the funding of any Loan advance 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; *fourth*, to the payment of any amounts owing to the Lenders or the Swing Line Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Swing Line Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth*, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to pay amounts owing under this Agreement to such Defaulting Lender or as a court of competent jurisdiction may otherwise direct; provided that any amounts held as cash collateral for funding obligations of a Defaulting Lender shall be returned to such Defaulting Lender upon the termination of this Agreement and the satisfaction of such Defaulting Lender's obligations hereunder. 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 10.17 shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) No Commitment Amount of any Lender shall be increased or otherwise affected, and, except as otherwise expressly provided in this Section 10.17, performance by the Borrowers of their obligations shall not be excused or otherwise modified as a result of the operation of this Section 10.17. The rights and remedies against a Defaulting Lender under this Section 10.17 are in addition to any other rights and remedies which the Borrowers, the Administrative Agent or any Lender (including the Swing Line Lender) may have against such Defaulting Lender.

(c) In the case of a Defaulting Lender that is a Revolving Facility Lender, all or any part of such Defaulting Lender's participation in Swing Line Loan advances shall be reallocated among the Non-Defaulting Lenders under the Revolving Facility in accordance with their respective Percentages (calculated without regard to such Defaulting Lender's Revolving Facility Commitment Amount) but only to the extent that (x) no default or Event of Default exists at the time of such reallocation (and, unless the Borrowers shall have otherwise notified the Administrative Agent at such time, the Borrowers shall be deemed to have represented and warranted that such condition is satisfied at such time), and (y) such reallocated participation does not, as to any Revolving Facility Lender, exceed such Lender's unused Revolving Facility Commitment Amount. 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.

(d) If the reallocation described in clause (c) above cannot, or can only partially, be effected, the Borrowers shall, without prejudice to any right or remedy available to it hereunder or under law, prepay Swing Line Facility advances in an amount equal to the amount of the participation of the Defaulting Lenders.

If the Borrowers and the Administrative Agent agree in writing in their reasonable determination that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the applicable parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase that portion of outstanding advances of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the advances to be funded and held on a pro rata basis by the Lenders in accordance with their Percentages of the applicable Facility or Facilities, 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 Borrowers 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 such Lender's having been a Defaulting Lender.

So long as any Revolving Facility Lender is a Defaulting Lender, no Swing Line Lender shall be required to fund any Swing Line Loan advances unless the participations of Defaulting Lenders in such Swing Line Loan advances have been fully reallocated in accordance with Section 10.17(c).

11.18 **Certain ERISA Matters.**

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, 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 and the Lead Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of any Borrower, that at least one of the following is and will be true:

(i) such Lender is not using “plan assets” (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with such Lender’s Loan advances or Loan commitments hereunder,

(ii) 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 such Lender’s Loan advances, Loan commitments and this Agreement,

(iii) (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 such Lender’s Loan advances, Loan commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of such Lender’s Loan advances, Loan 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 such Lender’s Loan advances, Loan commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (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 sub-clause (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, the Lead Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrowers, that none of the Administrative Agent, the Lead Arranger and 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 hereto or thereto).

(c) For purposes hereof, the term (i) “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 Section 4975 of the 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 Code) the assets of any such “employee benefit plan” or “plan” and (ii) “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.

1.19 Erroneous Payments

(a) If the Administrative Agent notifies a Lender or LC Issuer, or any Person who has received funds on behalf of a Lender or LC Issuer (any such Lender, LC Issuer or other recipient, a “Payment Recipient”) that Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under Section 10.19(b) of this Agreement) that any funds received by such Payment Recipient from the Administrative Agent or any of its Affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Lender, LC Issuer or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees,

distribution or otherwise, individually and collectively, an “Erroneous Payment”) and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and such Lender or LC Issuer shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than two (2) Business Days thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds 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 from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this Section shall be conclusive, absent manifest error.

(b) Without limiting the provisions of Section 10.19 of this Agreement, each Payment Recipient hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its Affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its Affiliates), or (z) that such Payment Recipient otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part), in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B) in the case of immediately preceding clause (z), an error has been made, in each case, with respect to such payment, prepayment or repayment; and

(ii) such Lender or LC Issuer shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one (1) Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section.

(c) Each Lender or LC Issuer hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Lender or LC Issuer under any Loan Document, or otherwise payable or distributable by the Administrative Agent to such Lender or LC Issuer from any source, against any amount due to the Administrative Agent under Section 10.19(a) of this Agreement or under the indemnification provisions of this Agreement.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with Section 10.19(a) of this Agreement, from any Lender or LC Issuer that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an “Erroneous Payment Return Deficiency”), upon the Administrative Agent’s notice to such Lender or LC Issuer at any time, (i) such Lender or LC Issuer shall be deemed to have assigned its Loans (but not its Commitments) with respect to which such Erroneous Payment was made (the “Erroneous Payment Impacted Class”) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments) of the Erroneous Payment Impacted Class, the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Primary Operating Company) deemed to execute and deliver an Assignment and Acceptance with respect to such Erroneous Payment Deficiency Assignment, and such Lender or LC Issuer shall deliver any Notes evidencing such Loans to the Primary Operating Company or the Administrative Agent, (ii) the Administrative Agent as the assignee Lender shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such

deemed acquisition, the Administrative Agent as the assignee Lender shall become a Lender or LC Issuer, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Lender or assigning LC Issuer shall cease to be a Lender or LC Issuer, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Commitments which shall survive as to such assigning Lender or assigning LC Issuer and (iv) the Administrative Agent may reflect in the Register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent may, in its discretion, but subject to Section 12.11, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Lender or LC Issuer shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Lender or LC Issuer (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Lender or LC Issuer and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Lender or LC Issuer under the Loan Documents with respect to each Erroneous Payment Return Deficiency (the “Erroneous Payment Subrogation Rights”).

(e) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by any Borrower or any other VSE Entity, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from any Borrower or any other VSE Entity for the purpose of making such Erroneous Payment.

(f) To the extent permitted by applicable law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

Each party’s obligations, agreements and waivers under this Section 10.19 of this Agreement shall survive the resignation or replacement of the Administrative Agent, any transfer of rights or obligations by, or the replacement of, a Lender or LC Issuer, the termination of the Commitments and/or the repayment, satisfaction or discharge of all Obligations (or any portion thereof).

ARTICLE 12

CERTAIN ADDITIONAL RIGHTS AND OBLIGATIONS REGARDING THE COLLATERAL

12.1 Power of Attorney. Each Borrower hereby reaffirms its irrevocable appointment of the Administrative Agent, as its agent and attorney-in-fact, with power of substitution, having full power and authority, in its own name, in the name of any Lender(s), in the name of any VSE Entity or otherwise (but at the cost and expense of the Borrowers and without notice to any VSE Entity), to (a) upon an Event of Default, notify Account Debtors obligated on any of the Receivables to make payments thereon directly to the lockbox referenced in Section 11.2 of this Agreement, and to take control of the cash and non-cash proceeds of any such Receivables, which right the Administrative Agent may exercise at any time whether or not an Event of Default shall have occurred and be continuing hereunder or was theretofore making collections thereon; (b) upon an Event of Default, compromise, extend or renew any of the Collateral constituting Receivables or deal with any of the Collateral as the Administrative Agent may deem advisable; (c) upon an Event of Default, release its interest in, make exchanges or substitutions for and/or surrender, all or any part of any Borrower’s interest in all or any part of the Collateral; (d) upon an Event of Default, remove from any VSE Entity’s place(s) of business all books, records, ledger sheets,

correspondence, invoices and documents relating to or evidencing any of the Collateral, or without cost or expense to the Administrative Agent, make such use of any VSE Entity's place(s) of business as may be reasonably necessary to administer, control and/or collect the Collateral; (e) upon an Event of Default, repair, alter or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any Account Debtor; (f) demand, collect receipt for and upon an Event of Default, give renewals, extensions, discharges and releases of all or any part of the Collateral; (g) upon an Event of Default, institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, all or any part of the Collateral; (h) upon an Event of Default, settle, renew, extend, compromise, compound, exchange or adjust claims with respect to all or any part of the Collateral or any legal proceedings brought with respect thereto; and (i) upon an Event of Default, receive and open all mail addressed to any VSE Entity (other than mail sent to any lockbox established pursuant to Section 11.2 of this Agreement which may be received and opened in the ordinary course of such lockbox procedures irrespective of whether any Event of Default has occurred), and if an Event of Default exists hereunder, notify the Post Office authorities to change the address for the delivery of mail to any VSE Entity to such address as the Administrative Agent may designate; it being understood that the rights granted to the Administrative Agent in this clause (i), which are operative on the occurrence of an Event of Default, shall not in any way limit or impair the other rights provided to the Administrative Agent or Lenders in this Agreement or any other Loan Document, including their rights with respect to the Collateral Account and the below-referenced lockbox. Furthermore, each Borrower hereby reaffirms its irrevocable appointment of the Administrative Agent, as its agent and attorney-in-fact, with power of substitution, having full power and authority, in its own name, in the name of any Lender(s), in the name of any Borrower or otherwise (but at the cost and expense of the Borrowers and without notice to any Borrower) and regardless of whether an Event of Default has occurred or any act, event or condition which with notice or the lapse of time, or both, would constitute an Event of Default has occurred, to (a) file financing statements and continuation statements covering the Collateral and execute the same on behalf of any Borrower; (b) charge against any banking account of any VSE Entity any item of payment credited to any VSE Entity's account which is dishonored by the drawee or maker thereof; or (c) endorse the name of any VSE Entity upon any items of payment relating to the Collateral or upon any proof of claim in bankruptcy against any Account Debtor.

12.2 Lockbox. Each Borrower hereby authorizes the Administrative Agent to receive and collect any amount or amounts due or to become due on account of any Receivables and, at its discretion, to apply the same to the repayment of the Notes, and each Borrower represents, warrants, acknowledges and agrees that, except where a Permitted Foreign Bank Account or Transitional Deposit Account is being used, within five (5) Business Days of the Administration Agent's request, it shall establish and shall continually maintain on terms and conditions satisfactory to the Administrative Agent in all respects, one or more lockboxes and one or more blocked accounts (if either or both are required by the Administrative Agent) for the collection of Receivables. Except as otherwise may be approved by the Administrative Agent in writing, any checks or other remittances received by any Borrower in payment of the Receivables shall be held in trust by each Borrower for the Administrative Agent and the Lenders.

12.3 Other Agreements. Except as may otherwise be expressly permitted by the terms of this Agreement, and without limiting any other restrictions or provisions of this Agreement, each Borrower will (a) on demand, subject to any confidentiality and secrecy requirements imposed by any Government agency, make available in form reasonably acceptable to the Administrative Agent, shipping documents and delivery receipts evidencing the shipment of goods which gave rise to the sale or lease of Inventory or of an Account, contract right or Chattel Paper, completion certificates or other proof of the satisfactory performance of services which gave rise to the sale or lease of Inventory or of an Account, contract right or Chattel Paper, and each Borrower's copy of any written contract or order from which a sale or lease of Inventory, an Account, contract right or Chattel Paper arose; and (b) when requested, advise the Administrative Agent when an Account Debtor returns or refuses to retain any goods, the sale or lease of which gave rise to an Account, contract right or Chattel Paper, and of any delay in delivery or performance, or claims made in regard to any sale or lease of Inventory, an Account, contract right or Chattel Paper. Upon reasonable notice, all such records will be available for examination by authorized agents of the Administrative Agent.

It is expressly understood and agreed, however, that the Administrative Agent shall not be required or obligated in any manner to make any inquiries as to the nature or sufficiency of any payment received by it or to

present or file any claims or take any other action to collect or enforce a payment of any amounts which may have been assigned to the Administrative Agent or to which the Administrative Agent or the Lenders may be entitled hereunder at any time or times.

ARTICLE 13 MISCELLANEOUS

13.1 **Remedies Cumulative.** Each right, power and remedy of the Administrative Agent or Lenders (or, as applicable, Affiliates of the Lenders) provided for in this Agreement or in any other Loan Document or now or hereafter existing at law or in equity, by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or in any other Loan Document, or now or hereafter existing at law or in equity, by statute or otherwise, and the exercise or beginning of the exercise by the Administrative Agent or any Lender of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Administrative Agent or any such Lender (or, as applicable, any Affiliate of a Lender) of any or all such other rights, powers or remedies.

13.2 **Waiver.** Time is of the essence of this Agreement. No failure or delay by the Administrative Agent to insist upon the strict performance of any term, condition, covenant or agreement set forth in this Agreement or any other Loan Document, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of such term, condition, covenant or agreement or of any such breach, or preclude the Administrative Agent or any Lender from exercising any such right, power or remedy at any later time or times. By accepting payment after the due date of any of the Obligations, neither the Lenders nor the Administrative Agent shall be deemed to have waived either the right to require prompt payment when due of all other Obligations, or the right to declare a default for failure to make payment of any such other Obligations.

13.3 **Notices.** Notices to either party shall be in writing and shall be delivered personally or by first-class mail or nationally-recognized overnight delivery service or by facsimile or email (as provided below) addressed to the parties at the addresses set forth below or otherwise designated in writing:

If to the Borrowers: c/o VSE Corporation
6348 Walker Lane
Alexandria, Virginia 22310
Attention: Stephen D. Griffin, CFO
Fax: 703-329-4687
Email: SDGriffin@vsecorp.com

and

VSE Corporation
6348 Walker Lane
Alexandria, Virginia 22310
Attention: Tarang Sharma, Treasurer
Fax: 703-960-2688
Email: TSharma@VSECORP.com

with a copy of all notices
to the Borrowers to (which
does not constitute notice
hereunder):

Jones Day
1420 Peachtree Street, N.E., Suite 800
Atlanta, Georgia 30309
Fax: 404-581-8274

Attention: Todd Roach

Email: troach@jonesday.com

If to the Lenders: To the address provided to the Borrowers or the Administrative Agent in writing

If to the Administrative Agent: Citizens Bank, National Association
8614 Westwood Center Drive Suite 250

Vienna, Virginia 22182

Attention: Mr. Dan Darnell, Jr

Fax: 571-633-0105

Email: Daniel.Darnell@citizensbank.com

with a copy of all

notices to any Lender

or the Administrative Agent to:

(which does not constitute King & Spalding LLP

notice hereunder) 300 S. Tryon St, Suite 1700

Charlotte, NC 28202

Attention: Ron Lovelace

Email: rlovelace@kslaw.com

Any notice or other communication hereunder will be deemed given and effective (a) when actually received, in the case of hand delivery or nationally recognized overnight delivery service, (b) three (3) Business days after such notice or communication is deposited in the United States mail or with such courier, in the case of first class mail or overnight delivery, or (c) when completely sent and received, as evidenced by a transmission report from sender's facsimile machine, in the case of facsimile transmission.

Notices and other communications hereunder may also be delivered or furnished by electronic communication (including email and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to the Administrative Agent pursuant to Articles 1 or 2. The Administrative Agent, the Lenders or the Borrowers may, in their 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. The parties acknowledge and agree that no notice of the occurrence of a default or Event of Default shall be sent by e-mail.

Unless the Administrative Agent otherwise prescribes, (a) notices and other communications sent to an electronic mail ("e-mail") address shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent (and received, if the acknowledgment contemplated above has been obtained) at the opening of business on the next business day for the recipient, and (b) 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 (a) of notification that such notice or communication is available and identifying the website address therefor.

13.4 Entire Agreement; Amendment and Restatement; Severability. This Agreement and the other Loan Documents constitute the entire agreement of the parties with respect to the Loan and supersede all prior agreements and understandings; it being expressly understood and agreed that this Agreement is a complete amendment and restatement of the Existing Loan Agreement, the terms and conditions of which have been superseded and replaced in their entirety by the terms and conditions of this Agreement. The parties hereto agree that this Agreement is given as a continuation, modification and extension of the Existing Loan Agreement and shall not constitute a novation of the Existing Loan Agreement. This Agreement and the other Loan Documents shall continue in full force and effect for so long as the Borrowers shall be indebted hereunder or under the Notes (or any Lender has any outstanding commitments to lend hereunder), and thereafter until the Lenders shall have actually

received written notice of the termination hereof from the Borrowers and all Obligations incurred or contracted before receipt of such notice shall have been fully paid. In the event any one or more of the provisions contained in any Loan Document shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Loan Documents, but the Loan Documents shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein.

13.5 Relationship of the Parties. This Agreement provides for the extension of financial accommodations by each Lender, in its capacity as lender, to the Borrowers, in their capacity as borrowers, and for the payment of interest and repayment of the Obligations by the Borrowers. Certain provisions herein, such as those relating to compliance with the financial covenants, delivery to the Administrative Agent of financial statements, and compliance with other affirmative and negative covenants are for the benefit of the Administrative Agent and the Lenders to protect the Administrative Agent's and the Lenders' interests in assuring repayment of the Obligations. Nothing contained in this Agreement shall be construed as permitting or obligating the Lenders or Administrative Agent to act as a financial or business advisor or consultant to any Borrower, as permitting or obligating the Lenders or Administrative Agent to control any Borrower or to conduct any Borrower's operations, as creating any fiduciary obligation on the part of any Lender or the Administrative Agent to any Borrower, or as creating any joint venture, agency or other relationship between the parties other than as explicitly and specifically stated in this Agreement. Each Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and to obtain the advice of such counsel with respect to all matters contained herein, including the provision in this Agreement for waiver of trial by jury. Each Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to request the Obligations and execute and deliver this Agreement.

13.6 Waiver of Jury Trial and Certain Damages. Each Borrower, the Administrative Agent and each Lender hereby (a) covenants and agrees not to elect a trial by jury of any issue triable by a jury, and (b) waives any right to trial by jury and any right to claim consequential, punitive, incidental or special damages fully to the extent that any such right shall now or hereafter exist. This waiver of right to trial by jury and right to claim consequential, punitive, incidental or special damages is separately given by each Borrower, the Administrative Agent and each Lender, knowingly and voluntarily, and this waiver is intended to encompass individually each instance and each issue as to which the right to a jury trial or the right to claim consequential, punitive, incidental or special damages would otherwise accrue. The Borrowers, the Administrative Agent and the Lenders are hereby authorized and requested to submit this Agreement to any court having jurisdiction over the subject matter and the parties hereto, so as to serve as conclusive evidence of each herein contained waiver of the right to jury trial and right to claim consequential, punitive, incidental or special damages. Further, each Borrower hereby certifies that no representative or agent of the Administrative Agent or any Lender (including the Administrative Agent's counsel) has represented, expressly or otherwise, to the undersigned that the Administrative Agent or Lenders will not seek to enforce this provision waiving the right to a trial by jury or any right to claim consequential, punitive, incidental or special damages.

13.7 Submission to Jurisdiction; Service of Process; Venue. Any judicial proceeding brought against any Borrower with respect to this Agreement or any other Loan Document may be brought in any court of competent jurisdiction in the Commonwealth of Virginia, and by execution and delivery of this Agreement, each Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid court, and irrevocably agrees to be bound by any judgment rendered by such court in connection with this Agreement. Each Borrower irrevocably designates and appoints the General Counsel of the Primary Operating Company, whose address is c/o VSE Corporation, 6348 Walker Lane, Alexandria, VA 22310, as its agent to receive on its behalf service of all process in any such proceeding in any court in the Commonwealth of Virginia, such service being hereby acknowledged by each Borrower to be effective and binding on it in every respect. A copy of any such process so served shall be mailed by registered or certified mail to the Borrowers at the address to which notices are to be addressed in accordance with this Agreement, except that any failure to mail such copy shall not affect the validity of service of process. The Borrowers shall at all times maintain an agent for service of process pursuant to this provision. If any Borrower fails to appoint such an agent, or if such agent refuses to

accept service, such Borrower hereby agrees that service upon it by mail shall constitute sufficient notice. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the Administrative Agent or the Lenders to bring proceedings against any Borrower in the courts of any other jurisdiction.

13.8 Changes in Capital Requirements. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, the Dodd-Frank Wall Street Reform and Consumer Protection Act approved by the federal Government on June 30, 2010, Basel III adopted by the Basel Committee on Banking Supervision or any other law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other Government affects or would affect the amount of capital or liquidity required or expected to be maintained by the Administrative Agent or any Lender, or person controlling the Administrative Agent or any Lender, and the Administrative Agent determines (in its sole and absolute discretion) that the rate of return on its, such Lender's or such controlling person's capital as a consequence of its commitments or the loans made by the Administrative Agent or such Lender is reduced to a level below that which the Administrative Agent, such Lender or such controlling person could have achieved but for the occurrence of any such circumstance, then, in any such case upon notice from time to time by the Administrative Agent to the Borrowers, the Borrowers shall immediately pay directly to the Administrative Agent, for its own account or for the account of such Lender (as the case may be), additional amounts sufficient to compensate the Administrative Agent, such Lender or such controlling person for such reduction in rate of return. A statement of the Administrative Agent as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrowers. In determining such amount, the Administrative Agent may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

13.9 Other Agents, Arrangers, Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent", "documentation agent", "co-agent", "book manager", "book running manager", "lead manager", "arranger", "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

13.10 Modification and Waiver. Subject to Section 10.3 of this Agreement, neither this Agreement nor any term, condition, covenant or agreement hereof may be changed, waived, discharged or terminated orally, but that may be accomplished only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

13.11 Transferability.

(a) No Borrower shall assign any of its rights, interests or Obligations under this Agreement or any other Loan Document.

(b) No Lender shall assign its interests under this Agreement or any other Loan Document to any Person, without the prior written consent of both the Administrative Agent and the Borrowers; provided that (i) the Borrowers' consent shall not be required for assignments from one Lender to another Lender or to its affiliates or at any time during which an Event of Default shall have occurred and be continuing or a funded Term Loan to an Eligible Assignee; and (ii) the Borrowers' consent and the Administrative Agent's consent shall not be unreasonably withheld or delayed. Subject to obtaining such consent (as required), any Lender may assign its interest at any time under this Agreement and the other Loan Documents, provided that (a) the purchaser of any such interest is an Eligible Assignee, and if such assignment is an unfunded revolving commitment, whose total assets exceed Five Hundred Million and No/100 Dollars (\$500,000,000.00); (b) prior written notice of such sale or assignment, which notice must identify the name, address and contact person of the Eligible Assignee, shall have been issued by such

transferring Lender to the Administrative Agent and the Borrowers; (c) the dollar equivalent of the Percentage of the transferring Lender being assigned equals or exceeds Five Million and No/100 Dollars (\$5,000,000.00) or such lesser amount as may constitute such transferring Lender's remaining Percentage; (d) the Administrative Agent shall have received a duly executed Assignment and Acceptance Agreement, in the form of Exhibit 8 attached hereto (each, an "Assignment and Acceptance Agreement"); and (e) if the proposed assignee of the transferring Lender is not an Affiliate of the transferring Lender or another Lender hereunder, an assignment fee in the amount of Three Thousand Five Hundred and No/100 Dollars (\$3,500.00) shall have been paid to the Administrative Agent to reimburse the Administrative Agent for costs and expenses incurred in connection with the assignment. No Lender may assign its interests to a Borrower or an Affiliate of a Borrower or to a natural Person.

(c) Subject to the acceptance and recording thereof by the Administrative Agent, from and after the effective date specified in each Assignment and Acceptance Agreement, the Eligible Assignee thereunder shall be a party to this Agreement and shall, to the extent of the interest assigned by such Assignment and Acceptance Agreement, 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 Acceptance Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance Agreement 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 12.20 and 12.21 of this Agreement with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, and the surrender by the assigning Lender of its Note, the Borrowers (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this clause 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 Subsection (e) below.

(d) The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain a copy of each Assignment and Acceptance Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and their Percentage of, and principal amounts (and related interest amounts) of the Loans, participations under Letters of Credit and other amounts due hereunder, or 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 Borrowers, 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, notwithstanding any notice to the contrary. The Register shall be available for inspection by any Lender (with respect to any entry relating to such Lender's Loans or Percentage) or the Borrowers at any reasonable time and from time to time upon reasonable prior notice.

(e) Any Lender may at any time, without the consent of, or notice to, the Borrowers or the Administrative Agent, sell participations to any Person (other than a natural person) (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 Percentage of the Loans (including such Lender's participations in the Letters of Credit 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 Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement 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 the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or the other Loan Documents provided that the participation agreement may permit the participant to vote on issues requiring the consent of all Lenders.

(f) A Participant shall not be entitled to receive any greater payment hereunder than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers' prior written consent (such consent not to be unreasonably withheld or delayed).

(g) 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) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *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.

(h) The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Acceptance Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Record Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

13.12 **Governing Law; Binding Effect.** This Agreement, and any claim, controversy or dispute arising under or related to this Agreement, the relationship of the Borrowers and the Administrative Agent and/or the Lenders and/or the interpretation and enforcement of the rights and duties of the Borrowers, the Administrative Agent and/or the Lenders, shall be governed and construed by the laws of the Commonwealth of Virginia (without regard to conflict of laws principles) and be binding upon each Borrower and inure to the benefit of the parties hereto and their respective successors and assigns.

13.13 **Announcements.** In consideration of the Administrative Agent’s and the Lenders’ agreements hereunder, each Borrower consents to the publication by the Administrative Agent and the Lenders of one or more tombstones or similar advertising material relating to the financing transactions contemplated by this Agreement so long as no economic or financial details are contained therein (but permitting however, a description of the type and purpose of the Loans), and further consents to the reasonable use by the Administrative Agent and the Lenders of each VSE Entity’s name, trademark, logo and other identifying images to identify the Borrowers as customers of the Administrative Agent and the Lenders and/or otherwise to reasonable use by the Administrative Agent and the Lenders in each of their promotional and other marketing campaigns and activities. The Administrative Agent and the Lenders reserve the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements; provided, however, that none of the Administrative Agent nor the Lenders shall provide any information of any financial, confidential or proprietary nature to such industry trade organizations without the prior written consent of the Borrowers.

13.14 **Joint and Several Liability.** Each Borrower shall be jointly and severally liable for the payment and performance of all obligations and liabilities hereunder.

13.15 **Materiality.** Unless the context clearly indicates to the contrary, determinations regarding the materiality of any act, event, condition or circumstance shall be in the reasonable judgment of the Administrative Agent.

13.16 **Allowed Delay.** The due date or end date of anything that would otherwise be due or 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 due date or end date shall be on the next preceding Business Day.

13.17 **Reliance on the Administrative Agent.** Each Borrower shall be entitled to assume that any and all consents, approvals or notices issued or granted by the Administrative Agent pursuant to the terms and conditions of this Agreement were, to the extent necessary, authorized by the Required Lenders or all of the Lenders, as applicable.

13.18 **The Patriot Act.** The Administrative Agent and the Lenders hereby notify the Borrowers that pursuant to the requirements of the Patriot Act, they are required to obtain, verify and record

information that identifies the VSE Entities, which information includes the name and address of the VSE Entities and other information that will allow the Administrative Agent and the Lenders to identify the VSE Entities in accordance with the Patriot Act.

13.19 **Counterparts.** This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same document. Each party hereto hereby agrees to be bound by its facsimile or PDF signature.

13.20 **Taxes.** All payments by the Borrowers of principal of, and interest on, the Loans and all other amounts payable hereunder shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by the Administrative Agent's or any Lender's Net Income or receipts (such non-excluded items being called "**Taxes**"). If any withholding or deduction from any payment to be made by the Borrowers hereunder is required in respect of any Taxes pursuant to any applicable law, rule or regulation, then the Borrowers will:

(A) pay directly to the relevant authority the full amount required to be so withheld or deducted;

(B) promptly forward to the Administrative Agent an official receipt or other documentation satisfactory to the Administrative Agent evidencing such payment to such authority; and

(C) pay to the Administrative Agent, for its own account or for the account of such Lender (as the case may be), such additional amount or amounts as is necessary to ensure that the net amount actually received by the Administrative Agent, for its own account or for the account of such Lender (as the case may be), will equal the full amount the Administrative Agent or such Lender (as applicable) would have received had no such withholding or deduction been required.

Moreover, if any Taxes are directly asserted against the Administrative Agent or any Lender with respect to any payment received by the Administrative Agent or any Lender hereunder, the Administrative Agent or such Lender may pay such Taxes and the Borrowers will promptly pay such additional amount (including any penalties, interest or expenses) as is necessary in order that the net amount received by the Administrative Agent or such Lender (as the case may be) after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount the Administrative Agent or such Lender (as the case may be) would have received had such Taxes not been asserted.

If the Borrowers fail to pay any Taxes when due to the appropriate taxing authority or fail to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrowers shall indemnify the Administrative Agent and the Lenders for any incremental Taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

If a payment made to a Lender under any Loan Document would be subject to US federal withholding tax imposed under FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA, such Lender shall deliver to the Primary Operating Company and to the Administrative Agent, if applicable, at the time or times prescribed by law and at such time or times reasonably requested by the Primary Operating Company or the Administrative Agent such documentation prescribed by applicable law and such additional documentation reasonably requested by the Primary Operating Company or the Administrative Agent as may be necessary for the Primary Operating Company or the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount, if any, to deduct and withhold from such payment. Solely for purposes of this paragraph, "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

13.21 **Indemnity.**

(a) Each Borrower, on its own behalf, and on behalf of each other VSE Entity, releases and shall indemnify, defend and hold harmless the Administrative Agent, each Lender and each Affiliate of a Lender that is at any time a counterparty under a Hedging Contract, and their respective directors, officers, employees and agents (each an "indemnified party"), of and from any claims, demands, liabilities, obligations, judgments, injuries, losses, penalties, damages and costs and expenses (including reasonable legal fees) that may at any time be imposed on, incurred by or asserted against the Administrative Agent or any Lender or any other indemnified party (collectively, "Losses") (i) resulting from, under, pursuant or related to this Agreement and the other Loan Documents, in breach or violation of any representation, warranty, covenant or undertaking contained in this Agreement or the other Loan Documents, or caused by acts or conduct of the VSE Entities (ii) resulting from any VSE Entity's failure to comply with any or all laws, statutes, ordinances, Government rules, regulations or standards, whether federal, state or local, or court or administrative orders or decrees, (including, without limitation, CERCLA, HMTA, RCRA or any other applicable environmental law, rule, order or regulation), (iii) resulting from any claim by any other creditor of any VSE Entity against the Administrative Agent or any Lender arising out of any transaction, whether hereunder or in any way related to the Loan Documents and all costs, expenses, fines, penalties or other damages resulting therefrom, and (iv) resulting from or caused by any third party or any VSE Entity in connection with or as a result of this Agreement, any other Loan Document, any transaction from time to time contemplated hereby or thereby, or any transaction financed in whole or in part, or directly or indirectly, with the proceeds of any Loan made hereunder; provided, however, that no indemnified party hereto shall be entitled to indemnification for Losses to the extent such Losses arise out of such indemnified party's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction.

(b) Promptly after receipt by an indemnified party under Subsection (a) above of notice of the commencement of any action by a third party, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such Subsection, notify the indemnifying party in writing of the commencement thereof. The failure to so notify the indemnifying party shall relieve the indemnifying party from any liability which it may have to any indemnified party under such Subsection only if the indemnifying party is unable to defend such actions as a result of such failure to so notify. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such Subsection for any legal expenses of other counsel, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. The indemnifying party cannot settle any action for which it has assumed the defense without the indemnified party's express written consent.

13.22 **Acknowledgment Regarding any Supported QFCs.** To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Hedging 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 as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the Commonwealth of Virginia and/or of the United States or any other state of the United States): 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.

13.23 **Acknowledgement and Consent to Bail-In of EEA Financial Institutions.** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA 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 an EEA 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 an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-in Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been signed, sealed and delivered as of the date and year first above written.

BORROWERS:

VSE CORPORATION, a Delaware corporation

By: _____

Name:

Title:

ENERGETICS INCORPORATED, a Maryland corporation

By: _____

Name:

Title:

AKIMEKA, LLC, a Hawaii limited liability company

By: _____

Name:

Title:

WHEELER FLEET SOLUTIONS, CO., a Pennsylvania corporation

By: _____

Name:

Title:

VSE INTERNATIONAL CORP., a Delaware corporation

By: _____

Name:

Title:

KANSAS AVIATION OF INDEPENDENCE, L.L.C., a Kansas limited liability company

By: VSE AVIATION, INC., as Managing Member

By: _____

Name:

Title:

CT AEROSPACE LLC, a Texas limited liability company

By: _____

Name:
Title:

VSE AVIATION, INC., a Delaware corporation

By: _____

Name:
Title:

VSE AVIATION, INC., a Florida corporation

By: _____

Name:
Title:

1ST CHOICE AEROSPACE, INC, an Ohio corporation

By: _____

Name:
Title:

1ST CHOICE AEROSPACE, INC, a Florida corporation

By: _____

Name:
Title:

ULTRA SEATING COMPANY, a Texas corporation

By: _____

Name:
Title:

*[Signatures to Fourth Amended and Restated Business Loan and Security Agreement]
(Continued on Next Page)*

ADMINISTRATIVE AGENT AND LENDERS:

CITIZENS BANK, N.A., as Administrative Agent, Swing Line Lender and Lender, on behalf of itself and the other Lender parties to this Agreement
pursuant to an Authorization

By: _____
Name: _____
Title: _____

[Signatures to Fourth Amended and Restated Business Loan and Security Agreement]

EXHIBIT 3

VSE CORPORATION

LIBOR INTEREST ELECTION PROCEDURE AND REQUIREMENTS

The Borrowers' right to obtain LIBOR based interest shall be subject to the following conditions:

(a) **Continuation and Conversion of LIBOR Elections.** By delivering a LIBOR Election Form and Certification to the Administrative Agent on or before 10:00 a.m., New York, NY time, on a Business Day, the Borrowers may from time to time irrevocably elect, on not less than three (3) Business Days nor more than five (5) Business Days notice, that all, or any portion in an aggregate minimum amount of One Hundred Thousand and No/100 Dollars (\$100,000.00) and integral multiples of One Hundred Thousand and No/100 Dollars (\$100,000.00), of any LIBOR Rate Loan be converted on the last day of an Interest Period into a LIBOR Rate Loan with a different Interest Period, or continued on the last day of an Interest Period as a LIBOR Rate Loan with a similar Interest Period, provided, however, that no portion of the outstanding principal amount of any LIBOR Rate Loans may be converted to, or continued as, LIBOR Rate Loans when any Event of Default has occurred and is continuing or when any act, event or condition exists or has occurred which with notice or the lapse of time, or both, would constitute an Event of Default, and no portion of the outstanding principal amount of any LIBOR Rate Loans may be converted to, LIBOR Rate Loans of a different duration if such LIBOR Rate Loans relate to any Hedging Obligations. In the absence of delivery of a LIBOR Election Form and Certification with respect to any LIBOR Rate Loan at least three (3) Business Days before the last day of the then current Interest Period with respect thereto, such LIBOR Rate Loan shall, on such last day, automatically convert to a Loan that accrues interest on a Base Rate basis. No more than six (6) different LIBOR funding segments may be outstanding at any time.

(b) **Repayments, Prepayments and Interest.**

(i) **Repayments, Continuations and Conversions.** Except as otherwise expressly set forth in any Note, LIBOR Rate Loans shall mature and become payable in full on the last day of the Interest Period relating to such LIBOR Rate Loan. Upon maturity, a LIBOR Rate Loan may be continued for an additional Interest Period or may be converted to a Loan that accrues interest on a Base Rate basis.

(ii) **Voluntary Prepayment of LIBOR Rate Loans.** LIBOR Rate Loans may be prepaid upon the terms and conditions set forth herein and in the Notes. For LIBOR Rate Loans in connection with which the Borrowers have or may incur Hedging Obligations, additional obligations may be associated with prepayment, in accordance with the terms and conditions of the applicable Hedging Contracts. The Borrowers shall give the Administrative Agent, no later than 10:00 a.m., New York, NY time, at least three (3) Business Days' notice of any proposed prepayment of any LIBOR Rate Loans, specifying the proposed date of payment of such LIBOR Rate Loans, and the principal amount to be paid. Each partial prepayment of the principal amount of LIBOR Rate Loans shall be in an integral multiple of One Hundred Thousand and No/100 Dollars (\$100,000.00) and be accompanied by the payment of all charges outstanding on such LIBOR Rate Loans and of all accrued interest on the principal repaid to the date of payment. The Borrowers acknowledge that prepayment or acceleration of a LIBOR Rate Loan during an Interest Period shall result in the Administrative Agent and/or the Lenders (as applicable) incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, all full or partial prepayments of LIBOR Rate Loans shall be accompanied by, and the Borrowers hereby promise to pay, on each date a LIBOR Rate Loan is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise, in addition to all other sums then owing, an amount ("LIBOR Rate Loan Prepayment Fee") determined by the Administrative Agent pursuant to the following formula:

(A) the then current rate for United States Treasury securities (bills on a discounted basis shall be converted to a bond equivalent) with a maturity date closest to the end of the Interest Period as to which prepayment is made, subtracted from

(B) the LIBOR Lending Rate, plus the Additional Libor Interest Margin applicable to the LIBOR Rate Loan being prepaid.

If the result of the foregoing calculation is zero or a negative number, then there shall be no LIBOR Rate Loan Prepayment Fee. If the result of the foregoing calculation is a positive number, then the resulting percentage shall be multiplied by the amount of the LIBOR Rate Loan being prepaid. This resulting amount shall be divided by 360 and multiplied by the number of days remaining in the Interest Period as to which the prepayment is being made. Said amount shall be reduced to present value calculated by using the referenced United States Treasury securities rate and the number of days remaining on the Interest Period for the LIBOR Rate Loan being prepaid.

The resulting amount of these calculations shall be the LIBOR Rate Loan Prepayment Fee.

(iii) Interest Provisions. Interest on the outstanding principal amount of each LIBOR Rate Loan shall accrue during the Interest Period applicable thereto at a rate equal to the sum of the LIBOR Lending Rate for such Interest Period plus the applicable Additional Libor Interest Margin thereto and be payable on each Interest Payment Date.

(c) Miscellaneous LIBOR Rate Loan Terms.

(i) Inability to Determine Rates; Temporary Unavailability of LIBOR Rate. Notwithstanding any other provision of this Agreement, if:

A. the Administrative Agent shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that, by reason of circumstances affecting the relevant market, reasonable and adequate means do not exist for ascertaining the LIBOR Rate for such Interest Period, or

B. the Required Lenders shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that the LIBOR Rate does not adequately and fairly reflect the cost to such Lenders of funding LIBOR Rate Loans that the Borrowers have requested be outstanding as a LIBOR Tranche during such Interest Period; then the Administrative Agent shall forthwith give telephone notice of such determination, confirmed in writing, to the Borrowers, and the Lenders at least two (2) Business Days prior to the first day of such Interest Period. Unless the Borrowers shall have notified the Administrative Agent upon receipt of such telephone notice that it wishes to rescind or modify its request regarding such LIBOR Rate Loans, any Loans (other than Alternative Currency Loans) that were requested to be made as LIBOR Rate Loans shall be made as Base Rate Loans and any Loans (other than Alternative Currency Loans) that were requested to be converted into or continued as LIBOR Rate Loans shall remain as or be converted into Base Rate Loans. Until any such notice has been withdrawn by the Administrative Agent, no further Loans shall be made as, continued as, or converted into, LIBOR Rate Loans for the Interest Periods so affected. With respect to Alternative Currency Loans, the Required Lenders may demand that any or all of the outstanding Alternative Currency Loans be prepaid or denominated in Dollars (based on the Dollar Equivalent) on the last day of the current Interest Period with respect thereto.

(ii) Benchmark Replacement Setting.

A. Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of

such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document (other than Benchmark Replacement Conforming Changes made in accordance with clause (b) below) so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

B. Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document.

C. Notices; Standards for Decisions and Determinations. The Administrative Agent will promptly notify the Primary Operating Company and the Lenders of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to clause (d) below and (v) the commencement or conclusion of any Benchmark Unavailability Period, provided that the failure to give such notice under this clause (v) shall not affect the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Loan Document, except, in each case, as expressly required pursuant to this Section.

D. Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Loan Document, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term SOFR or USD LIBOR) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then the Administrative Agent may modify the definition of “Interest Period” for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of “Interest Period” for all Benchmark settings at or after such time to reinstate such previously removed tenor.

E. Benchmark Unavailability Period. Upon the commencement of a Benchmark Unavailability Period, any Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of any Loans to be made, converted or continued with respect to the then-current Benchmark during any Benchmark Unavailability Period and, failing that, such Borrower will be deemed to have converted any such request into a request for a Borrowing of or conversion to ABR Loans. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, (i) the obligation of the Lenders to make or maintain Loans with respect to such Benchmark shall be suspended, (ii) any request for a Borrowing of,

conversion to or continuation of Loans with respect to such Benchmark shall be ineffective and will be deemed to have been a request for a Borrowing of or conversion to Base Rate Loans, and (iii) the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(iii) Indemnities. In addition to the LIBOR Rate Loan Prepayment Fee, the Borrowers jointly and severally agree to reimburse the Administrative Agent and the Lenders (without duplication) for any increase in the cost to the Administrative Agent and/or the Lenders (as applicable), or reduction in the amount of any sum receivable by the Administrative Agent and/or the Lenders (as applicable), in respect, or as a result of:

(A) any conversion or repayment or prepayment of the principal amount of any LIBOR Rate Loans on a date other than the scheduled last day of the Interest Period applicable thereto;

(B) any loans not being made as LIBOR Rate Loans in accordance with the borrowing request thereof;

(C) any LIBOR Rate Loans not being continued as, or converted into, LIBOR Rate Loans in accordance with the applicable LIBOR Election Form and Certification thereof, or

(D) any costs associated with marking to market any Hedging Obligations that (in the reasonable determination of the Administrative Agent) are required to be terminated as a result of any conversion, repayment or prepayment of the principal amount of any LIBOR Rate Loan on a date other than the scheduled last day of the Interest Period applicable thereto;

The Administrative Agent shall promptly notify the Borrowers in writing of the occurrence of any such event, such notice to state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate the Administrative Agent and/or the Lenders (as applicable) for such increased cost or reduced amount. Such additional amounts shall be payable by the Borrowers to the Administrative Agent for its own benefit or for the benefit of the Lenders (as the case may be) within five (5) days of its receipt of such notice, and such notice shall, in the absence of manifest error, be conclusive and binding on the Borrowers. The Borrowers understand, agree and acknowledge the following: (i) neither the Administrative Agent nor any Lender has any obligation to purchase, sell and/or match funds in connection with the use of the LIBOR Rate as a basis for calculating the rate of interest on a LIBOR Rate Loan, (ii) the LIBOR Rate may be used merely as a reference in determining such rate, and (iii) the Borrowers have accepted the LIBOR Rate as a reasonable and fair basis for calculating such rate, the LIBOR Rate Loan Prepayment Fee, and other funding losses incurred by the Administrative Agent and/or the Lenders (as the case may be). The Borrowers further agree to pay the LIBOR Rate Loan Prepayment Fee and other funding losses, if any, whether or not the Administrative Agent and/or the Lenders elect to purchase, sell and/or match funds.

(iv) Increased Costs. Without limiting the provisions of Section 12.8 of this Agreement, if, on or after the date hereof, the Dodd-Frank Wall Street Reform and Consumer Protection Act approved by the federal Government on June 30, 2010, Basel III adopted by the Basel Committee on Banking Supervision, or the adoption of any amendment thereto or any other applicable law, rule or regulation or guideline (whether or not having the force of law), or any change therein, or any change in the interpretation or administration thereof by any Government, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Administrative Agent or any Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall:

(A) subject the Administrative Agent or any Lender to any tax, duty or other charge with respect to its LIBOR Rate Loans or its obligation to make LIBOR Rate Loans, or shall change the basis of taxation of payments to the Administrative Agent or

any Lender of the principal of or interest on its LIBOR Rate Loans or any other amounts due under this Agreement in respect of its LIBOR Rate Loans or its obligation to make LIBOR Rate Loans (except for the introduction of, or change in the rate of, tax on the overall net income of the Administrative Agent or any Lender (as applicable) or franchise taxes, imposed by the jurisdiction (or any political subdivision or taxing authority thereof) under the laws of which the Administrative Agent or such Lender is organized or in which the Administrative Agent's or such Lender's principal executive office is located); or

(B) impose, modify or deem applicable any reserve, special deposit or similar requirement (including any such requirement imposed by the Board) against assets of, deposits with or for the account of, or credit extended by, the Administrative Agent or any Lender or shall impose on the Administrative Agent or any Lender or on the London interbank market any other condition affecting its LIBOR Rate Loans or its obligation to make LIBOR Rate Loans;

and the result of any of the foregoing is to increase the cost to the Administrative Agent or such Lender of making or maintaining any LIBOR Rate Loan, or to reduce the amount of any sum received or receivable by the Administrative Agent or such Lender under this Agreement with respect thereto, by an amount deemed by the Administrative Agent to be material, then, within fifteen (15) days after demand by the Administrative Agent, the Borrowers shall pay to the Administrative Agent, for its own account or for the account of such Lender (as the case may be), such additional amount or amounts as will compensate the Administrative Agent or such Lender for such increased cost or reduction.

(v) Certain Required Information. If a Request for Advance and Certification or LIBOR Election Form and Certification fails to specify an Applicable Interest Rate and/or an Interest Period, or if, after having selected an Applicable Interest Rate and/or an Interest Period, the Borrowers fail or are otherwise not entitled under the provisions of this Agreement to elect or continue any such selection (as applicable), the Borrowers shall be deemed to have selected a Base Rate based interest rate as the Applicable Interest Rate until such time as the Borrowers are entitled to and have selected a different Applicable Interest Rate and specified Interest Period in accordance with the provisions of this Agreement. The Lenders shall not be obligated to act with respect to the provisions of this Exhibit unless the Administrative Agent shall have received a Request for Advance and Certification or LIBOR Election Form and Certification, as applicable, from the Borrowers specifying the following information:

- (A) the amount of the advance subject to the Applicable Interest Rate election;
- (B) the length of the Interest Period; and
- (C) the date on which such election is requested to be effective.

Each Request for Advance and Certification or LIBOR Election Form and Certification, as applicable, shall be made by the Borrowers in accordance with the provisions of this Exhibit, the Notes and Section 1.4 of the Loan Agreement.

(vi) Alternative Currency Loans. Notwithstanding anything to the contrary contained in this Agreement, (a) Alternative Currency Loans shall at all times constitute LIBOR Rate Loans and (b) during the existence of an Event of Default, the Required Lenders may demand that any or all of the 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.

Capitalized terms used and not otherwise defined in this Exhibit 3 shall have the meanings attributed to such terms in the Loan Agreement.

QUARTERLY COVENANT COMPLIANCE/NON-DEFAULT CERTIFICATE

(d) The following represent true and accurate calculations, as of the last day of the Certificate Period:

- (i) The aggregate amount of unsecured Indebtedness (not specifically described or pre-approved in Section 7.7(a)) that is unpaid and outstanding is \$ _____. Requirement is an amount not to exceed \$10,000,000.00 at any time pursuant to Section 7.7(a)(xiii). The aggregate amount of any and all such other unsecured Indebtedness remaining unpaid and outstanding at any time with respect to all Non-Borrower Affiliates that is unpaid and outstanding is \$ _____. Requirement is an amount not to exceed \$2,000,000.00 at any time pursuant to Section 7.7(a)(xiii).
- (ii) The aggregate amount of any and all purchases or redemptions of any Borrower's capital stock or other equity interests made in the previous twelve (12) months is \$ _____. Requirement is a net amount not to exceed \$10,000,000 in the aggregate during the immediately preceding twelve (12) month period pursuant to Section 7.8(a).
- (iii) The aggregate amount of loans or advances to employees that are unpaid and outstanding is \$ _____. Requirement is an amount not to exceed \$1,000,000 in the aggregate at any time pursuant to Section 7.8(b)(i).
- (iv) The aggregate amount of loans, advances or other payments by any Borrower to any and all Non-Borrower Affiliates that are unpaid and outstanding is \$ _____. Requirement is an aggregate amount not to exceed \$2,500,000.00 at any time pursuant to Section 7.8(a)(viii).
- (v) The aggregate amount of performance bonds and bid bonds issued and outstanding is \$ _____. Requirement is an amount not to exceed \$7,500,000, in the aggregate, at any time pursuant to Section 7.7(a)(xii).
- (vi) The aggregate outstanding amount of any and all Permitted Financial Product Obligations is \$ _____. Requirement is an amount not to exceed \$30,000,000.00 in the aggregate at any time pursuant to Section 7.7(a)(xi).
- (vii) The aggregate amount of any and all asset dispositions (other than Inventory sold in the ordinary course of business and obsolete assets) during the immediately preceding twelve (12) month period is \$ _____. Requirement is an amount not to exceed the greater of (x) Ten Million and No/100 Dollars (\$10,000,000.00) and (y) 10% of EBITDA (determined as of the most recently ended four (4) fiscal quarter period for which financial statements have been delivered pursuant to Section 6.3), in each case, determined at the time of such disposition pursuant to Section 7.1(c).
- (viii) If this Quarterly Covenant Compliance Certificate is being delivered in connection with a Permitted Acquisition, the pro forma Total Funded Debt to EBITDA Ratio after giving effect to such Permitted Acquisition is _____ to 1.00. Requirement is a prescribed Total Funded Debt to EBITDA Ratio on a pro forma basis after giving effect to the merger or acquisition, shall be no greater than the lesser of (x) a one-quarter (0.25) cushion below the prescribed ratio pursuant to Section 7.1(e)(ii)(F) and (y) 3.75 to 1.00.
- (ix) If this Quarterly Covenant Compliance Certificate is being delivered in connection with a Permitted Acquisition, availability under the Revolving Facility after giving effect to such

Permitted Acquisition is \$ _____. Requirement is an amount not less than \$20,000,000 pursuant to Section 7.1(e)(ii)(H).

IN WITNESS WHEREOF, the undersigned has executed and delivered this Quarterly Covenant Compliance/Non-Default Certificate on this ____ day of _____, 20 ____.

VSE CORPORATION, a Delaware corporation, acting on its own behalf and as attorney-in-fact for and on behalf of each Borrower

By _____
Name: _____
Title: _____

{page 2 of Quarterly Covenant Compliance/Non-Default Certificate}

SCHEDULE 1
to
QUARTERLY COVENANT COMPLIANCE/
NON-DEFAULT CERTIFICATE

CALCULATION SHEET

CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John A. Cuomo, certify that:

1. I have reviewed this report on Form 10-Q of VSE Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officers 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 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 officers 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 Registrant's Board of Directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ John A. Cuomo

John A. Cuomo

Chief Executive Officer and President

(Principal Executive Officer)

CERTIFICATION PURSUANT TO
 RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
 AS ADOPTED PURSUANT TO
 SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen D. Griffin, certify that:

1. I have reviewed this report on Form 10-Q of VSE Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officers 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 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 officers 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 Registrant's Board of Directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 29, 2021

/s/ Stephen D. Griffin

Stephen D. Griffin

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President, Chief Executive Officer and Chief Operating Officer of VSE Corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

- 1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ John A. Cuomo

John A. Cuomo

Chief Executive Officer and President

(Principal Executive Officer)

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Senior Vice President and Chief Financial Officer of VSE Corporation (the "Company"), does hereby certify that to the best of the undersigned's knowledge:

- 1) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Company's Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2021

/s/ Stephen D. Griffin

Stephen D. Griffin

Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)