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 MARCH 31, 2017

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

Commission File Number 000—36149

STG Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**46-3134302** **(I.R.S. Employer Identification No.)**
11091 Sunset Hills Road, Suite 200 **Reston, Virginia** **(Address of principal executive offices)**	**20190** **(Zip Code)**

Registrant's telephone number, including area code: (703) 691-2480

Not Applicable
(Former name or former address, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 definition 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	☐ (Do not check if a smaller reporting company)	Smaller Reporting Company	☒
		Emerging growth company	☒

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

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

As of May 5, 2017, there were 16,625,849 shares outstanding of the registrant's common stock.

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STG Group, Inc.

Condensed Consolidated Balance Sheets
March 31, 2017 (Unaudited) and December 31, 2016
(In Thousands, Except Share and Per Share Amounts)

	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 4,002	$ 7,841
Contract receivables, net	28,058	28,784
Investments held in Rabbi Trust	394	332
Prepaid expenses and other current assets	2,812	2,294
Total current assets	35,266	39,251
Property and equipment, net	1,152	1,157
Goodwill	72,313	72,313
Intangible assets, net	30,350	31,984
Other assets	423	423
Total assets	$ 139,504	$ 145,128
Liabilities and Stockholders' Equity		
Current Liabilities		
Long-term debt, current portion	$ 71,513	$ 4,496
Accounts payable and accrued expenses	11,591	11,683
Accrued payroll and related liabilities	6,233	6,391
Billings in excess of revenue recognized	858	688
Deferred compensation plan	394	332
Deferred rent	123	228
Total current liabilities	90,712	23,818
Long-term debt, net of current portion and discount	-	67,694
Deferred income taxes	4,411	6,354
Deferred rent	805	743
Total liabilities	95,928	98,609
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock; $0.0001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock; $0.0001 par value; 100,000,000 shares authorized; 16,603,449 shares issued and outstanding at March 31, 2017 and December 31, 2016	2	2
Additional paid-in capital	103,352	102,920
Accumulated deficit	(59,778)	(56,403)
Total stockholders' equity	43,576	46,519
Total liabilities and stockholders' equity	$ 139,504	$ 145,128

See accompanying notes to the condensed consolidated financial statements.

STG Group, Inc.

Unaudited Condensed Consolidated Statements of Operations
Three Months Ended March 31, 2017 and 2016
(In Thousands, Except Share and Per Share Amounts)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Contract revenue	$ 35,778	$ 40,606
Direct expenses	23,715	27,461
Gross profit	12,063	13,145
Indirect and selling expenses	14,913	12,703
Operating (loss) income	(2,850)	442
Other income (expense)		
Other income (expense), net	18	(398)
Interest expense	(2,425)	(2,162)
	(2,407)	(2,560)
Loss before income taxes	(5,257)	(2,118)
Income tax benefit	(1,882)	(649)
Net loss	$ (3,375)	$ (1,469)
Net loss per share		
Basic and diluted	$ (0.20)	$ (0.09)
Weighted average number of common shares outstanding		
Basic and diluted	16,603,449	16,107,071

See accompanying notes to the condensed consolidated financial statements.

STG Group, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows
Three Months Ended March 31, 2017 and 2016
(In Thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash Flows From Operating Activities		
Net loss	$ (3,375)	$ (1,469)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred taxes	(1,943)	(680)
Deferred rent	(43)	128
Amortization of deferred financing costs	345	355
Depreciation and amortization of property and equipment	115	139
Amortization of intangible assets	1,634	1,751
Stock-based compensation	432	39
Changes in assets and liabilities:		
(Increase) decrease in:		
Contract receivables	726	6,747
Prepaid expenses and other current assets	(518)	(1,712)
Other assets	-	9
Increase (decrease) in:		
Accounts payable and accrued expenses	(92)	(1,560)
Accrued payroll and related liabilities	(158)	(752)
Deferred compensation plan	43	(4,006)
Billings in excess of revenue recognized	170	157
Net cash used in operating activities	(2,664)	(854)
Cash Flows From Investing Activities		
Proceeds from sales of investments held in Rabbi Trust	-	4,006
Purchase of investments held in Rabbi Trust	(43)	-
Purchases of property and equipment	(110)	-
Net cash (used in) provided by investing activities	(153)	4,006
Cash Flows From Financing Activities		
Payments on long-term debt	(1,022)	(511)
Net cash used in financing activities	(1,022)	(511)
Net (decrease) increase in cash and cash equivalents	(3,839)	2,641
Cash and Cash Equivalents		
Beginning	7,841	8,503
Ending	$ 4,002	$ 11,144
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 2,284	$ 1,806
Cash paid for income taxes	$ 19	$ 597
Supplemental Disclosures of Non-Cash Investing Activities		
Change in investments held in Rabbi Trust	$ (19)	$ (401)
Change in deferred compensation plan	$ 19	$ 401

See accompanying notes to the condensed consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: STG Group, Inc. (formerly, Global Defense & National Security Systems, Inc. or GDEF) and its subsidiaries (collectively, the Company) was originally incorporated in Delaware on July 3, 2013 as a blank check company, with Global Defense & National Security Holdings LLC ("Global Defense LLC" or the "Sponsor") as Sponsor, formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, exchangeable share transaction or other similar business combination. On November 23, 2015, the Company consummated its business combination with STG Group Holdings, Inc. (formerly, STG Group, Inc. or "STG Group") pursuant to the stock purchase agreement, dated as of June 8, 2015, which provided for the purchase of all the capital stock of STG Group by the Company (the "Business Combination"). In connection with the closing of the Business Combination, the Company ceased to be a shell company in accordance with its Amended and Restated Certificate of Incorporation. The Company also changed its name from Global Defense & National Security Systems, Inc. to STG Group, Inc.. The Company's common stock now trades over-the-counter on the OTCQB exchange, under the symbol "STGG".

The Company provides enterprise engineering, telecommunications, information management and security products and services to the federal government and commercial businesses. Segment information is not presented since all of the Company's revenue is attributed to a single reportable segment.

Basis of presentation: The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For additional information, including the Company's significant accounting policies, refer to the consolidated financial statements and related footnotes in the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2016.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In the opinion of management, all adjustments considered necessary for a fair statement of financial results have been made. Such adjustments consist of only those of a normal recurring nature. Operating results for the three months ended March 31, 2017 and 2016, are not necessarily indicative of the results that may be expected for the entire fiscal year.

Revision of Prior Period Financial Statements

During the first quarter of 2017, the Company identified a typographical error in the long-term debt line reported in the Consolidated Balance Sheets for the year ended December 31, 2016 contained in the Company's Annual Report on Form 10-K for that year. The typographical error had no impact on the Consolidated Statements of Operations, Stockholders' Equity or Cash Flows. The correct long-term debt was reflected in Note 7 to those financial statements. Management has determined that the correction is not material to the previously issued financial statements and footnotes. The Company has corrected the error in this Form 10-Q filing.

The following table summarizes the revision made to the Company's long-term debt as of December 31, 2016 in its Consolidated Balance Sheets for the year ended December 31, 2016 (dollars in thousands):

	Previously Reported	Revised
Long-term debt, net of current portion and discount	72,522	67,694

Use of estimates: The preparation of financial statements requires management 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 condensed consolidated financial statements. Actual results could differ from those estimates.

Significant estimates embedded in the consolidated financial statements for the periods presented include revenue recognition on fixed-price contracts, the allowance for doubtful accounts, the valuation and useful lives of intangible assets, the length of certain customer relationships, useful lives of property, plant and equipment, valuation of assets held in a Rabbi Trust and related deferred compensation liability. Estimates and assumptions are also used when determining the allocation of the purchase price in a business combination to the fair value of assets and liabilities and determining related useful lives.

Going concern: The accompanying condensed consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company was not in compliance with its financial covenants related to the consolidated EBITDA and the senior secured leverage ratio under the Credit Agreement among the Company, MC Admin Co LLC (the "Lender") and the other lenders party thereto (the "Credit Agreement") at September 30, 2016, December 31, 2016, and March 31, 2017. At September 30, 2016, the non-compliance was cured by raising equity from stockholders' ("Equity Cure") as was allowed by the Credit Agreement. At December 31, 2016 the Company received a forbearance which expired on March 31, 2017. The Company then entered into a Limited Waiver ("the Waiver") from MC Admin Co LLC and other lenders under the Credit Agreement as of March 31, 2017, pursuant to which the lenders waived the Company's non-compliance with the covenants related to the consolidated EBITDA, and the senior secured leverage ratio as of December 31, 2016. Pursuant to the Waiver:

- Loans under the Credit Agreement are subject to additional interest at a rate of 2% per annum until the earliest of (x) the date on which all loans are repaid and all commitments under the Credit Agreement are terminated, (y) the date the Company delivers the financial statements and certificates for the quarter ending March 31, 2017 showing that they are not in default under the Credit Agreement or (z) the date on which default interest is otherwise due under the Credit Agreement;

- The Company must obtain lender consent prior to use of its revolving credit facility; and
- The Company cannot effect a Cure Right with respect to the quarter ending March 31, 2017.

The Company was not in compliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio as of March 31, 2017. The Lender has not granted a waiver for the covenant violations as of March 31, 2017. Without a waiver or other relief under the Credit Agreement, one of the remedies the Lender has available to it, amongst others, is the ability to accelerate repayment of the debt, which the Company would not be able to immediately repay.

The Credit Agreement also provides that the minimum consolidated EBITDA requirement will be increased on June 30, 2017. If the business continues to perform at the current level through that period, the Company does not expect to satisfy that covenant or the senior secured leverage ratio at that time, and it is likely that the Company will be in non-compliance at June 30, 2017. The Company's inability to meet the required covenant levels could have a material adverse impact to the Company, including the need for the Company to effect an additional Cure Right or obtain additional forbearance or an amendment, waiver, or other changes in the Credit Agreement. The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters, more than three fiscal quarters in the aggregate, in more than two of any four fiscal quarters or for the quarter ending March 31, 2017. The amount allowed under the Cure Right may not exceed the lesser of $2.5 million and 20% of consolidated EBITDA. The aggregate of Cure Rights may not exceed $5 million.

The Lender's not having granted a waiver or other relief from the Lender and the potential acceleration of the debt by the Lender resulted in the reclassification of debt from a long-term liability to a current liability as of March 31, 2017.

Even if the Lender does grant forbearance or an amendment to or waiver under the Credit Agreement, any future covenant non-compliance could give rise to an event of default thereunder.

In addition, on May 18, 2017, the Company received a notice of default (the "Default Notice") from MC Admin Co LLC ("MC Admin") that states the Company was in default under the Credit Agreement for failing to deliver an annual budget to the lenders on January 15, 2017 as required by the Credit Agreement (the "Budget Delivery Default"). The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit. The Lender has not granted a waiver or other relief from the Budget Delivery Default.

The potential acceleration of the loan repayment due to the Lender not providing a waiver required the Company to evaluate whether there is substantial doubt regarding the Company's ability to continue as a going concern.

Management's Plan to alleviate this condition is as follows:

1. Complete the PSS Holdings, Inc. ("PSS") transaction including the raising of equity and refinancing of the current Credit Agreement;
2. Identify, qualify, and win new business to increase revenue and profits, or
3. Renegotiate the current Credit Agreement to obtain relief from the existing financial covenants and other terms.

The Company considered the likelihood of completing the PSS acquisition financing which contemplates the negotiation of a new financial agreement with both new and existing lenders and investors, including new financial covenants for the combined business. The Company also considered the likelihood of renegotiation of the financial covenants with existing lenders in the event the acquisition of PSS is not completed. Based upon an executed term sheet for financing of the planned acquisition of the PSS which contemplated new loans and financial covenants and discussions with the Lender regarding the need to renegotiate the existing financial covenants in the Credit Agreement in the event the acquisition is not completed, management determined that it was probable that the condition giving rise to the going concern evaluation had been sufficiently alleviated as of December 31, 2016. However, the Lender has not currently granted a waiver or other relief for the Budget Delivery Default or the financial covenant violations as of March 31, 2017. Consequently, management has changed our assessment regarding the potential acceleration of the loan repayment made as of December 31, 2016. As the Lender has not currently granted a waiver or other form of relief for the financial covenant violations as of March 31, 2017, and as disclosed above, sent us a default letter on May 18, 2017, there exists substantial doubt about our ability to complete the PSS acquisition, or to continue as a going concern, in the event the Lender exercises its rights to accelerate the repayment of the loan.

These condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result in the Company not being able to continue as a going concern.

Revenue recognition: Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable and collectability is reasonably assured. Revenue associated with work performed prior to the completion and signing of contract documents is recognized only when it can be reliably estimated and realization is probable. The Company bases its estimates on previous experiences with the customer, communications with the customer regarding funding status and its knowledge of available funding for the contract.

Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus a proportionate amount of the fee earned. The Company considers fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. The Company considers performance-based fees, including award fees, under any contract type to be earned when it can demonstrate satisfaction of performance goals, based upon historical experience, or when the Company receives contractual notification from the customer that the fee has been earned. Revenue on time-and-materials contracts is recognized based on the hours incurred at the negotiated contract billing rates, plus the cost of any allowable material costs and out-of-pocket

expenses. Revenue on fixed-price contracts is primarily recognized using the proportional performance method of contract accounting. Unless it is determined as part of the Company's regular contract performance review that overall progress on a contract is not consistent with costs expended to date, the Company determines the percentage completed based on the percentage of costs incurred to date in relation to total estimated costs expected upon completion of the contract. Revenue on other fixed-price service contracts is generally recognized on a straight-line basis over the contractual service period, unless the revenue is earned, or obligations fulfilled, in a different manner.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined and are recorded as forward loss liabilities in the consolidated financial statements. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and revenue and are recognized in the period in which the revisions are determined.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Multiple agencies of the federal government directly or indirectly provided the majority of the Company's contract revenue during the three months ended March 31, 2017 and 2016. For the three months ended March 31, 2017 and 2016, there were two customers that each provided revenue in excess of 10% of total revenue. These customers accounted for approximately 82% and 79% of the Company's total revenue for the three months ended March 31, 2017 and 2016, respectively.

Federal government contract costs, including indirect costs, are subject to audit and adjustment by the Defense Contract Audit Agency. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

Costs of revenue: Costs of revenue include all direct contract costs, as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable under applicable procurement standards and are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue, but are necessary for business operations.

For both the three months ended March 31, 2017 and 2016, there was one vendor that comprised approximately 15% and 12% of total direct expenses, respectively.

Investments held in Rabbi Trust: The Company has investments in mutual funds held in a Rabbi Trust that are classified as trading securities. Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. The securities are classified as trading securities because they are held for resale in anticipation of short-term (generally 90 days or less) fluctuations in market prices. The trading securities are stated at fair value. Realized and unrealized gains and losses and other investment income are included in other income (expense) in the accompanying condensed consolidated statements of operations.

Contract receivables: Contract receivables are generated primarily from prime and subcontracting arrangements with federal governmental agencies. Billed contract receivables represent invoices that have been prepared based on contract terms and sent to the customer. Billed accounts receivable are considered past due if the invoice has been outstanding more than 30 days. The Company does not charge interest on accounts receivable; however, federal governmental agencies may pay interest on invoices outstanding more than 30 days. The Company records interest income from federal governmental agencies when received. All contract receivables are on an unsecured basis.

Unbilled amounts represent costs and anticipated profits awaiting milestones to bill, contract retainages, award fees and fee withholdings, as well as amounts currently billable.

In accordance with industry practice, contract receivables relating to long-term contracts are classified as current, even though portions of these amounts may not be realized within one year.

Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Management has recorded an allowance for contract receivables that are considered to be uncollectible. Both billed and unbilled receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Company accounts for the valuation of long-lived assets, including amortizable intangible assets, under authoritative guidance issued by the Financial Accounting Standards Board (FASB), which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicators of impairment were identified for both of the three-month periods ended March 31, 2017 and 2016.

Identifiable intangible assets: Intangible assets of the Company are comprised of customer relationships and a trade name acquired as a result of the Business Combination. The Company determined that the customer relationships and trade name represent finite-lived intangible assets with useful lives of eight to fifteen years, respectively. The assets are being amortized proportionately over the term of their useful lives based on the estimated economic benefit derived over the course of the asset life.

Goodwill: The Company records the excess of the purchase price of an acquired company over the fair value of the identifiable net assets acquired as goodwill. In accordance with authoritative guidance issued by the FASB, entities can elect to use a qualitative approach to test goodwill for impairment. Under this approach, the Company performs a qualitative assessment (Step zero) to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than the carrying value. If the fair value of the reporting unit is less than the carrying value of the reporting unit, the Company is required to perform a goodwill impairment test using a two-step approach, which is performed at the reporting unit level. In the second step, the implied value of the goodwill is estimated at the fair value of the reporting unit, less the fair value of all other tangible and identifiable intangible assets of the reporting unit. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in the amount equal to that excess, not to exceed the carrying amount of the goodwill. If the fair value of the reporting unit is not less than the carrying value of the reporting unit, step two of the goodwill test is not required.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur and determination of the weighted-average cost of capital. This discounted cash flow analysis is corroborated by top-down analysis, including a market assessment of enterprise value.

The Company has elected to perform its annual analysis on December 31 each year at the reporting unit level, and as of the Closing Date of the Business Combination, the Company determined that there was one reporting unit. The Lender's not having granted a waiver or other relief for the Budget Delivery Default or the financial covenant violations as of March 31, 2017 resulting in the current classification of the Company's long-term debt is considered a triggering event requiring a step zero assessment. The Company's assessment concluded that it is not more likely than not that the fair value of the reporting unit is less than the carrying value and therefore is not impaired. No triggering events occurred during the three months ended March 31, 2016 requiring an interim impairment test. If we are unable to achieve revenue growth and increased profitability, future impairment tests may result in a goodwill impairment charge, which could be material.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income taxes: The Company accounts for income taxes under FASB ASC Topic 740, *Income Taxes* (ASC740). At the end of each interim period, the Company estimates an annualized effective tax rate expected for the full year based on the most recent forecast of pre-tax income, permanent book and tax differences, and global tax planning strategies. The Company uses this effective rate to provide for income taxes on a year-to-date basis, excluding the effect of significant, unusual, discrete or extraordinary items, and items that are reported net of their related tax effects. The Company records the tax effect of significant, unusual, discrete or extraordinary items, and items that are reported net of their tax effects in the period in which they occur.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, management has evaluated the Company's tax positions and has concluded that the Company has taken no uncertain tax positions that require adjustment to the quarterly condensed consolidated financial statements to comply with the provisions of this guidance.

Interest and penalties related to tax matters are recognized in expense. There was no accrued interest or penalties recorded during the three months ended March 31, 2017 and 2016.

Fair value of financial instruments The carrying value of the Company's cash and cash equivalents, contract receivables, line-of-credit, accounts payable and other short-term liabilities are believed to approximate fair value as of March 31, 2017 and December 31, 2016, respectively, because of the relatively short duration of these instruments. The Company also assessed long-term debt and determined that such amounts approximated fair value primarily since its terms and interest approximate current market terms and was negotiated with an unrelated third party lender. The Company considers the inputs related to these estimates to be Level 2 fair value measurements.

Certain assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Company's assets recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

Level 1 Inputs that are based upon quoted prices for identical instruments traded in active markets.

Level 2 Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Level 3 Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques. As of March 31, 2017 and December 31, 2016, the Company has no financial assets or liabilities that are categorized as Level 3.

The Company has investments carried at fair value in mutual funds held in a Rabbi Trust, which is included in investments held in Rabbi Trust on the accompanying condensed consolidated balance sheets. The Company does not measure non-financial assets and liabilities at fair value unless there is an event which requires this measurement.

Financial credit risk: The Company's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments held in Rabbi Trust and contract receivables. Cash and cash equivalents are deposited with high-credit, quality financial institutions whose balances may, at times, exceed federally insured limits. The Company has not experienced any losses in such amounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents. Investments held in Rabbi Trust are stated at fair value at each reporting period and are subject to market fluctuations. Contract receivables consist primarily of amounts due from various agencies of the federal government or prime contractors doing business with the federal government. Historically, the Company has not experienced significant losses related to contract receivables and, therefore, believes that the credit risk related to contract receivables is minimal.

Debt issuance costs: In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Interest— Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Therefore, financing costs incurred for fees paid to lenders and other parties in connection with debt issuances are recorded as a deduction against the related debt agreement and amortized by the effective interest method over the terms of the related financing arrangements. In connection with the term loan described further in Note 6, the Company recorded amortization of $0.3 million and $0.4 million for the three months ended March 31, 2017 and 2016, respectively, which is included in interest expense.

Stock based compensation: The Company measures compensation expense for stock based equity awards based on the fair value of the awards on the grant date. Compensation is recognized as expense in the accompanying condensed consolidated statements of operations ratably over the required service period or, for performance based awards, when the achievement of the performance targets become probable.

Net loss per share: Basic net loss per share available to common shareholders of the Company is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Common shares issuable upon exercise of the stock options and future vesting of the restricted stock awards (see Note 11) have not been included in the computation because their inclusion would have had an antidilutive effect for all periods presented.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Recent accounting pronouncements: We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our condensed consolidated financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which establishes a comprehensive revenue recognition standard for virtually all industries under GAAP, including those that previously followed industry-specific guidance. Under the guidance, all entities should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, various updates have been issued during 2015 and 2016 to clarify the guidance in Topic 606. The guidance is effective for the Company in the first quarter of 2018. Early adoption is not permitted. Management has not yet assessed the potential impact of this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842*). The standard impacts both lessors and lessees. The most significant change for lessees is that the requirement to recognize right-to-use assets and lease liabilities for all leases not considered short term. The guidance is effective for fiscal years beginning after December 15, 2018, and will be applied on a modified retrospective basis. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 is intended to simplify several aspects of accounting for share-based payment awards, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For example, the new guidance requires all excess tax benefits and tax deficiencies related to share-based payments to be recognized in income tax expense, and for those excess tax benefits to be recognized regardless of whether it reduces current taxes payable. The ASU also allows an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Therefore, the effective date was the first quarter of 2017. The adoption of this new standard did not have a material impact on the condensed consolidated financial statements. The Company made a policy election to account for forfeitures as they occur.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 will replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 will be effective for the Company beginning in the first quarter of fiscal year 2020, and early adoption is permitted but not earlier than fiscal year 2019. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing, and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2017, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Company is evaluating the impact of adopting ASU 2016-15, if any, to its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* which amends the guidance of FASB Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted under certain circumstances. The Company intends to evaluate the impact of this guidance on the condensed consolidated financial statements and related disclosures in connection with the potential business combination as disclosed in Note 14 to the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 provides guidance to simplify the subsequent measurement of goodwill by eliminating the Step 2 procedure from the goodwill impairment test. Under the updates in ASU 2017-04, an entity should perform its annual or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendments of this ASU are effective for annual or any interim goodwill impairment tests beginning after December 15, 2019. The Company has not yet evaluated the impact, if any, that the adoption of ASU 2017-04 will have on its consolidated financial statements.

Note 2. Contract Receivables and Billings in Excess of Revenue Recognized

At March 31, 2017 and December 31, 2016, contract receivables consist of the following (in thousands):

	March 31, 2017	December 31, 2016
Billed accounts receivable	$ 18,499	$ 21,588
Unbilled accounts receivable	9,625	7,262
	28,124	28,850
Less: allowance for doubtful accounts	(66)	(66)
	$ 28,058	$ 28,784

Billings in excess of revenue recognized as of March 31, 2017 and December 31, 2016, are comprised primarily of billings from firm fixed-price contacts, where revenue is recognized in accordance with the proportional performance method.

Note 3. Property and Equipment

At March 31, 2017 and December 31, 2016, property and equipment consists of the following (in thousands):

	Estimated Life	March 31, 2016	December 31, 2016
Leasehold improvements	Life of lease	$ 1,324	$ 1,324
Computer hardware and software	1 - 3 years	436	329
Office furniture and equipment	1 - 7 years	113	110
		1,873	1,763
Less: accumulated depreciation and amortization		(721)	(606)
		$ 1,152	$ 1,157

Depreciation and amortization expense on property and equipment totaled $0.1 million for both of the three months ended March 31, 2017 and 2016.

Note 4. Intangible Assets

Identifiable intangible assets as of March 31, 2017, consist of the following (in thousands):

	March 31, 2017			
	Estimated Life	Cost	Accumulated Amortization	Net
Customer relationships	8 years	$ 26,380	$ 7,403	$ 18,977
Trade name	15 years	13,460	2,087	11,373
		$ 39,840	$ 9,490	$ 30,350

Identifiable intangible assets as of December 31, 2016, consist of the following (in thousands):

	December 31, 2016			
	Estimated Life	Cost	Accumulated Amortization	Net
Customer relationships	8 years	$ 26,380	$ 6,136	$ 20,244
Trade name	15 years	13,460	1,720	11,740
		$ 39,840	$ 7,856	$ 31,984

Amortization expense amounted to $1.6 million and $1.8 million for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017 and 2016, there were no adverse changes in long-lived assets, which would cause a need for an impairment analysis.

Changes in the carrying amount of goodwill are as follows (in thousands):

	Balances as of March 31, 2017 and December 31, 2016
Gross carrying amount	$ 113,589
Accumulated impairment losses	(41,276)
Net carrying value of goodwill	$ 72,313

The Lender's not having granted a waiver or other relief for the Budget Delivery Default or the financial covenant violations as of March 31, 2017 resulting in the current classification of the Company's long-term debt is considered a triggering event requiring a step zero assessment. The Company's assessment concluded that it is not more likely than not that the fair value of the reporting unit is less than the carrying value and therefore is not impaired. During the three months ended March 31, 2016, the Company did not identify any triggering events related to our goodwill and therefore was not required to test goodwill for impairment. To the extent the Company realizes unfavorable actual results compared to forecasted results, or decreased forecasted results compared to previous forecasts, or in the event the estimated fair value of the reporting unit decreases (as a result, among other things, of changes in market capitalization, including further declines in the stock price), the Company may incur additional goodwill impairment charges in the future.

Note 5. Fair Value Measurements

The Company has investments in mutual funds held in a Rabbi Trust which are classified as trading securities and are included in current assets on the accompanying condensed consolidated balance sheets. The Rabbi Trust assets are used to fund amounts the Company owes to key managerial employees under the Company's non-qualified deferred compensation plan (See Note 8). Based on the nature of the assets held, the Company uses quoted market prices in active markets for identical assets to determine fair values, which apply to Level 1 investments.

The mark to market adjustments are recorded in other income, net in the accompanying condensed consolidated statements of operations for the three months ended March 31, 2017 and 2016 for $0.02 million and $0.4 million, respectively.

(In thousands, except share and per share amounts)(Unaudited)

Note 6. Debt

The Company's debt as of March 31, 2017 and December 31, 2016 consists of the following:

	March 31, 2017	December 31, 2016
Term loan	$ 75.997	$ 77,018
Less: debt discount on term loan	(4,484)	(4,828)
Less: current portion	(71,513)	(4,496)
	$ -	$ 67,694

Credit Agreement: In connection with the consummation of the Business Combination, the Company entered into a new facility (the Credit Agreement) with a different financial lending group. The Credit Agreement provides for (a) a term loan in an aggregate principal amount of $81.8 million; (b) a $15 million asset-based revolving line-of-credit; and (c) an uncommitted accordion facility to be used to fund acquisitions of up to $90 million. Concurrent with the consummation of the Business Combination, the full amount of the term loan was drawn and there were no amounts drawn on the other two facilities. Each facility matures on November 23, 2020. The Company recorded $6.4 million of debt issuance costs in connection with the new facility as a reduction to the carrying amount of the new term loan. These costs are amortized using the effective interest method over the life of the term loan.

The principal amount of the term loan amortizes in quarterly installments which increase after each annual period. The quarterly installments range from 0.625% to 2.500% of the original principal amount and are paid through the quarter ending September 30, 2019. The remaining unpaid principal is due on the maturity date of November 23, 2020.

At the Company's election, the interest rate per annum applicable to all the facilities is based on a fluctuating rate of interest. The interest rate in effect as of March 31, 2017 and December 31, 2016 was 9.0% and 10.3%, respectively. The Borrowers may elect to use either a Base Rate or a Eurodollar Rate. The interest rate per annum for electing the Base Rate will be equal to the sum of 6.80% plus the Base Rate, which is equal to the highest of: (a) the base commercial lending rate of the Collateral Agent as publicly announced to be in effect from time to time, as adjusted by the Collateral Agent; (b) the sum of 0.50% per annum and the Federal Funds Rate (as defined in the Credit Agreement); (c) the daily one month LIBOR as published each business day in *The Wall Street Journal* for a one month period divided by a number equal to 1.00 minus the Reserve Percentage (as defined in the Credit Agreement) plus 100 basis points, as of such day and; (d) 2.00%.

The interest rate per annum for electing the Eurodollar Rate will be equal to the sum of 7.80% plus the Eurodollar Rate, which is equal to the highest of: (a) the amount calculated by dividing (x) the rate which appears on the Bloomberg Page BBAM1, or the rate which is quoted by another authorized source, two business days prior to the commencement of any interest period as the LIBOR for such an amount by (y) a number equal to 1.00 minus the Reserve Percentage (as defined in the Credit Agreement) and; (b) 1.00%.

Note 6. Debt (Continued)

Advances under the revolving line-of-credit are limited by a borrowing base which may not exceed the lesser of (x) the difference between $15 million and amounts outstanding under letters of credit issued pursuant to the Credit Agreement; and (y) an amount equal to the sum of: (i) up to 85% of certain accounts receivable of the Company plus (ii) up to 100% of unrestricted cash on deposit in the Company's accounts with the Collateral Agent, minus (iii) amounts outstanding under letters of credit issued pursuant to the Credit Agreement, minus (iv) reserves established by the Collateral Agent from time to time in its reasonable credit judgment exercised in good faith. The amount available under the line-of-credit was, subject to lender consent, $15 million at March 31, 2017 and December 31, 2016.

The Company is also subject to certain provisions which will require mandatory prepayments of its term loan and has agreed to certain minimums for its fixed charge coverage ratio and consolidated EBITDA and certain maximums for its senior secured leverage ratio, as defined in the Credit Agreement (the "Specified Financial Covenants"). As of September 30, 2016, the Company did not meet the required consolidated senior secured leverage ratio and minimum consolidated EBITDA. The Company remained in compliance with the Credit Agreement using a provision of the Credit Agreement that allowed the Company to cure (Cure Right) certain covenant non-compliance by issuances of common stock for cash and use of the proceeds to reduce the principal balance of the term loan. The Company used the proceeds to reduce the principal balance of the term loan as required to effect the Cure Right.

As of December 31, 2016, the Company did not meet the required consolidated senior secured leverage ratio and minimum consolidated EBITDA. The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters; therefore, on February 24, 2017, the Company entered into a limited forbearance to the Credit Agreement (the "February Forbearance Agreement") with MC Admin Co LLC and the other lenders under the Credit Agreement.

The Company then entered into a Limited Waiver (Waiver) from MC Admin Co LLC and other lenders under the Credit Agreement as of March 31, 2017, pursuant to which the lenders waived the Company's noncompliance with the Specified Financial Covenants as of December 31, 2016. Pursuant to the Waiver:

- Loans under the Credit Agreement are subject to additional interest at a rate of 2% per annum until the earliest of (x) the date on which all loans are repaid and all commitments under the Credit Agreement are terminated, (y) the date the Company delivers the financial statements and certificates for the quarter ending March 31, 2017 showing that they are not in default under the Credit Agreement or (z) the date on which default interest is otherwise due under the Credit Agreement;
- The Company must obtain lender consent prior to use of its revolving credit facility; and
- The Company cannot effect a Cure Right with respect to the quarter ending March 31, 2017.

The Waiver does not apply to covenant non-compliance after December 31, 2016 or to covenants other than the Specified Financial Covenants.

As of March 31, 2017 the Company was not in compliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio. In addition, on May 18, 2017, the Company received a Default Notice from MC Admin that states the Company was in default under the Credit Agreement for the Budget Delivery Default. The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit.

Note 6. Debt (Continued)

The Lender has not granted a waiver or forbearance for the Budget Delivery Default or the covenant violations as of March 31, 2017. One of the remedies the Lender has available to it, amongst others, is the ability to accelerate repayment of the debt, which the Company would not be able to immediately repay.

The Lender's not having granted a waiver or other relief from the Lender and the potential acceleration of the debt by the Lender resulted in the reclassification of the debt from a long-term liability to a current liability as of March 31, 2017.

The Credit Agreement also provides that the minimum consolidated EBITDA requirement will be increased on June 30, 2017. If the business continues to perform at the current level through that period, the Company does not expect to satisfy that covenant or the senior secured leverage ratio at that time, and it is likely that the Company will be in non-compliance at June 30, 2017. The Company's inability to meet the required covenant levels could have a material adverse impact to the Company, including the need for the Company to effect an additional Cure Right or obtain additional forbearance or an amendment, waiver, or other changes in the Credit Agreement. The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters, more than three fiscal quarters in the aggregate, in more than two of any four fiscal quarters or for the quarter ending March 31, 2017. The amount allowed under the Cure Right may not exceed the lesser of $2.5 million and 20% of consolidated EBITDA. The aggregate of Cure Rights may not exceed $5 million.

Any additional forbearance, amendment or waiver under the Credit Agreement may result in increased interest rates or premiums and more restrictive covenants and other terms less advantageous to the Company, and may require the payment of a fee for such forbearance, amendment or waiver. If the Company is unable to renegotiate the financial covenants either through a new credit agreement in connection with the anticipated financing of our planned acquisition of PSS or in the event the acquisition of PSS is not completed, through an amendment of the existing financial covenants under the current Credit Agreement, we may not be able to obtain a forbearance, waiver or effect a cure, on acceptable terms.

Even if the Lender does grant forbearance or an amendment to or waiver under the Credit Agreement, any future covenant non-compliance could give rise to an event of default thereunder.

If the Lender does not grant forbearance or a waiver of the covenant non-compliance as of March 31, 2017, the Budget Delivery Default, or any future covenant non-compliance, the indebtedness under the Credit Agreement could be declared immediately due and payable, which could have a material adverse effect on the Company.

Note 7. Commitments and Contingencies

Legal matters: From time to time the Company may be involved in litigation in the normal course of its business. Management does not expect that the resolution of these matters would have a material adverse effect on the Company's business, operations, financial condition or cash flows.

Note 8. Deferred Compensation Plan

The Company maintains a deferred compensation plan (the Deferred Compensation Plan) in the form of a Rabbi Trust, covering key managerial employees of the Company as determined by the Board of Directors. The Deferred Compensation Plan gives certain senior employees the ability to defer all, or a portion, of their salaries and bonuses on a pre-tax basis and invest the funds in marketable securities that can be bought and sold at the employee's discretion. The future compensation is payable upon either termination of employment or change of control. The liabilities are classified within current liabilities as of March 31, 2017 and December 31, 2016 on the condensed consolidated balance sheets. The assets held in the Rabbi Trust are comprised of mutual funds and are carried at fair value based on the quoted market prices. As of March 31, 2017 and December 31, 2016, the amount payable under the Deferred Compensation Plan was equal to the value of the assets owned by the Company. These assets total $0.4 million and $0.3 million as of March 31, 2017 and December 31, 2016, respectively, and are included as part of current assets in the accompanying condensed consolidated balance sheets. Additionally, the Company may make discretionary matching contributions to the Deferred Compensation Plan, which vest ratably over three years. The Company recorded no contributions to the Deferred Compensation Plan during the three months ended March 31, 2017 and 2016. The assets are available to satisfy the claims of the Company's creditors in the event of bankruptcy or insolvency of the Company. The participants in the Deferred Compensation Plan were paid a distribution of their earnings to date through the consummation of the Business Combination. This distribution totaled $4.0 million and was paid on January 25, 2016.

Note 9. Related Party Transactions

A company owned by a party related to the majority stockholder of the Company is both a subcontractor to and customer of the Company on various contracts. As of March 31, 2017 and December 31, 2016, amounts due from this entity totaled $0.01 million for both periods. The Company recorded revenue of $0.01 million and $0.03 million for the three months ended March 31, 2017 and 2016, respectively.

No amount was due to this entity as of March 31, 2017 and December 31, 2016 for amounts relating to work performed under subcontracts. The Company recorded no direct costs for both of the three months ended March 31, 2017 and 2016 relating to such work performed.

On November 23, 2015, Global Strategies Group (North America) Inc. and the Company entered into a services agreement, pursuant to which the Company may retain Global Strategies Group (North America) Inc. from time to time to perform certain services: corporate development services such as assisting the Company in post-integration matters, regulatory compliance support services, financial services and financial reporting, business development and strategic services, marketing and public relations services, and human resources services. Global Strategies Group (North America) Inc. is an affiliate of both the Company and a Board member. Amounts paid and expensed under this agreement during the three months ended March 31, 2017 and 2016 totaled $0.2 million and $0.1 million, respectively.

Note 10. Stockholders' Equity

On November 23, 2015, the Company's amended and restated certificate of incorporation authorized 110,000,000 shares of capital stock, consisting of (i) 100,000,000 shares of common stock, par value $0.0001 per share, and (ii) 10,000,000 shares of preferred stock, par value $0.0001 per share.

At March 31, 2017 and December 31, 2016, the Company had authorized for issuance 100,000,000 shares of $0.0001 par value common stock, of which 16,603,449 shares were issued and outstanding, including 33,600 shares subject to the vesting of restricted stock awards, and had authorized for issuance 10,000,000 shares of $0.0001 par value preferred stock, of which no shares were issued and outstanding as of March 31, 2017 and December 31, 2016.

(In thousands, except share and per share amounts)(Unaudited)

Note 11. Stock Based Compensation

In connection with the approval of the Business Combination, the 2015 Omnibus Incentive Plan (the Plan) was approved by stockholders to provide incentives to key employees, directors, and consultants of the Company and its subsidiaries. Awards under the Plan are generally not restricted for any specific form or structure and could include, without limitation, stock options, stock appreciation rights, dividend equivalent rights, restricted stock awards, cash-based awards, or other right or benefit under the Plan. The Plan allowed for the lesser of (i) 1.60 million shares of common stock; or (ii) 8% of the outstanding common shares immediately following the consummation of the Business Combination as reserved and authorized for issuance under the Plan. At March 31, 2017 and December 31, 2016, there were 0.4 million and 0.9 million shares, respectively, of common stock authorized and available for issuance under the Plan.

Stock Options

Upon completion of the Business Combination, the Company approved initial grants of non-qualified stock option awards under the Plan to the current independent members of the Board of Directors. The stock option awards expire in ten years from the date of grant and vest over a period of one year – 20% of the options vested 30 days following the grant date, 40% of the options will vest six months following the grant date subject to the Director's continued service and the remaining 40% of the options vested 12 months following the grant date subject to the Director's continued service. The exercise price is required to be set at not less than 100% of the fair market value of the Company's common stock on the date of grant.

In June 2016, the Company granted non-qualified stock option awards under the Plan to certain key employees of the Company. The stock option awards expire in ten years from the date of grant and vest in 20% increments over a period that ranges from the grant date to approximately 4.5 years.

In September 2016, the Company granted non-qualified stock option awards under the Plan to a key employee of the Company. The stock option awards expire in ten years from the date of grant and vest at 25% on the grant date and in 25% increments thereafter over approximately 1.5 years.

During the first quarter of 2017, the Company granted non-qualified stock option awards under the Plan to certain employees and senior management of the Company. The stock option awards expire in ten years from the date of grant and vest in 20% increments over a period that ranges from the grant date to approximately 4.0 years.

During the three months ended March 31, 2017, the fair value of each option award was estimated on the date of grant using the Black-Scholes model that uses the following weighted average assumptions:

Expected dividend yield		0%
Risk-free interest rate		1.9%
Expected option term		6 years
Volatility		85.3%
Weighted-average fair value	$	1.44

(In thousands, except share and per share amounts)(Unaudited)

Note 11. Stock Based Compensation (Continued)

The Company calculated the expected term of the stock option awards using the "simplified method" in accordance with the *Securities and Exchange Commission Staff Accounting Bulletins No. 107 and 110* because the Company lacks historical data and is unable to make reasonable assumptions regarding the future. The Company adopted ASU 2016-09 *Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting* during the first quarter of 2017 and has elected to record forfeitures in the period they occur. The Company's assumptions with respect to stock price volatility are based on the average historical volatility of peers with similar attributes. The Company determines the risk-free interest rate by selecting the U.S. Treasury constant maturity rate.

The total compensation expense related to stock option awards under the Plan was $0.4 million for each of the three months ended March 31, 2017 and 2016, respectively. The income tax benefit related to share-based compensation expense was approximately $0.2 million and nominal for the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017, $1.4 million of total unrecognized compensation expense related to the share-based compensation Plan is expected to be recognized over a weighted-average period of 2.7 years. The total unrecognized share-based compensation expense to be recognized in future periods as of March 31, 2017 does not consider the effect of share-based awards that may be issued in future periods.

Stock option awards as of March 31, 2017, and changes during the three months ended March 31, 2017 were as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, beginning of period	679,308	$ 4.28		
Granted	460,808	5.00		
Exercised	-	-		
Forfeited	-	-		
Outstanding, end of period	1,140,116	$ 4.57	7.02	$ -
Exercisable, end of period	473,775	$ 4.50	9.45	$ -

There was no aggregate intrinsic value for the options outstanding and exercisable at March 31, 2017 and 2016, because the exercise price exceeds the underlying share price.

Restricted Stock Awards

In June 2016, the Company granted restricted stock awards under the Plan to members of the Board of Directors. The awards vest at 20% on the date of the award and in two 40% increments during the remaining annual period.

The total compensation expense related to restricted stock awards granted under the Plan was $0.02 million for the three months ended March 31, 2017 and none for the three months ended March 31, 2016. The income tax benefit related to the restricted stock awards was approximately $0.01 million for the three months ended March 31, 2017 and none for the three months ended March 31, 2016. As of March 31, 2017, $0.02 million of total unrecognized compensation expense related to the restricted stock awards under the Plan is expected to be recognized over a weighted-average period of 0.2 years. The total unrecognized share-based compensation expense to be recognized in future periods as of March 31, 2017 does not consider the effect of share-based awards that may be issued in future periods.

Outstanding (non-vested) and vested restricted awards as of March 31, 2017 totaled 22,400 and 33,600, respectively, and there were none that vested during the three months ended March 31, 2017. There were no outstanding (non-vested) and vested restricted stock awards as of March 31, 2016.

Note 12. Income Taxes

The Company's effective income tax rate was 35.8% and 30.6% for the three months ended March 31, 2017 and 2016, respectively. The Company's effective tax rate for the quarter ended March 31, 2017 and 2016, differs from the statutory federal rate as a result of state benefits, net of federal provision, permanent differences and changes in estimates made in the deferred taxes recorded as part of the Business Combination, which were not accounted for as measurement period adjustments.

Note 13. Segment Information

Segment information is not presented since all of the Company's revenue and operations are attributed to a single reportable segment. In accordance with authoritative guidance on segment reporting under the FASB, the chief operating decision maker has been identified as the President. The President reviews operating results to make decisions about allocating resources and assessing performance for the entire company.

Note 14. Subsequent Events

Merger Agreement

On February 18, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire PSS Holdings, Inc. ("PSS") for approximately $119.5 million in cash, subject to certain adjustments based upon closing working capital, plus a portion of the value of certain tax benefits as they are realized after the closing.

PSS is a privately-held government services business that provides products and services in information technology, engineering, and program management, and is a leading provider of advanced computing, analytics, program and acquisition management, cyber and software solutions to key defense, intelligence and federal civilian customers, working with over 25 government agency partners. Upon consummation of the merger contemplated by the Merger Agreement (the "merger"), PSS will become a wholly-owned subsidiary of the Company.

The consummation of the merger is subject to the satisfaction of certain conditions. If any condition to the merger is not satisfied or waived, the merger will not be completed. In addition, the Company intends to fund the merger consideration through a combination of equity and debt financing. We do not presently have commitments for such financing. To the extent the merger is not completed for any reason with respect to our ability to obtain financing for the merger, PSS may be entitled to retain the Advance Payment.

Extension of Merger Agreement to Acquire PSS Holdings Inc. (PSS)

On May 8, 2017, the Company entered into an Amendment and Waiver (the "Amendment") to the Merger Agreement. Prior to the entry into the Amendment, PSS rescinded a notice of termination of the Merger Agreement that had been received by the Company on May 3, 2017. The Amendment includes the following changes to the Merger Agreement:

- The outside date for closing the acquisition was extended to June 30, 2017 (the "Outside Date");
- The purchase price under the merger agreement was increased to $119.8 million, subject to certain adjustments based upon closing working capital;
- The Company's obligations to close were made subject to the Company obtaining debt and equity financing for closing the acquisition; and
- The Company agreed to make an advance payment of $925,000 of the merger consideration on the date of the Amendment, which will be credited against the purchase price at closing (the "Advance Payment").

In the event the merger agreement is terminated, and depending on the reasons for such termination, PSS may be entitled to retain or obligated to return all, or a portion, of the Advance Payment.

May Default Notice

On May 18, 2017, the Company received the Default Notice from MC Admin that states the Company was in default under the Credit Agreement for failing to deliver an annual budget to the lenders on January 15, 2017 as required by the Credit Agreement (the "Budget Delivery Default"). The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit. The Lender has not granted a waiver or other relief from the Budget Delivery Default.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTORY STATEMENT

The following discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016, and the related notes thereto, along with the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2016 Annual Report on Form 10-K for the year ended December, 31, 2016.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains certain financial measures, in particular the presentation of EBITDA and Adjusted EBITDA, which are not presented in accordance with generally accepted accounting principles ("GAAP"). These non-GAAP financial measures are being presented because they provide readers of this MD&A with additional insight into the Company's operational performance relative to comparable prior periods presented and relative to its peer group. EBITDA and Adjusted EBITDA are key measures used by the Company to evaluate its performance. The Company does not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. Readers of this MD&A should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures. Reconciliations of EBITDA and Adjusted EBITDA to net income, the most comparable GAAP measure, are provided in this MD&A.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Quarterly Report on Form 10-Q. These forward-looking statements relate to outlooks or expectations for earnings, revenues, expenses or other future financial or business performance, strategies or expectations, or the impact of legal or regulatory matters on business, results of operations or financial condition. Specifically, forward-looking statements may include statements relating to:

- the future financial performance of the Company;

- expansion plans and opportunities;
- maintaining/increasing our growth rates through marketing and an effective sales force;
- maintaining our technology platforms and continuing to develop enhancements;
- maintaining cost-effectiveness of technology and operations;
- maintaining and successfully bidding for government contracts;
- changes in economic, business, competitive, technological and/or regulatory factors;
- identify and consummating acquisitions on an accretive basis; and
- other statements preceded by, followed by or that include the words "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions.

Other risks and uncertainties indicated in this report, as well as those disclosed in the Company's other filings with the Securities and Exchange Commission, including those discussed under "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by these forward-looking statements. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to us as of the date of this Form 10-Q and current expectations, forecasts and assumptions and involve a number of risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made. These forward-looking statements involve a number of known and unknown risks and uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- success in retaining or recruiting, or changes required in, officers, key employees or directors;
- economic weakness, either nationally, or in the local markets in which we operate;
- the size of our addressable markets and the amount of U.S. government spending on private contractors;
- adverse litigation or arbitration results;
- the potential liquidity and trading of our securities;
- risks and costs associated with regulation of corporate governance and disclosure standards (including pursuant to Section 404 of the Sarbanes-Oxley Act);
- the risk factors listed in our Annual Report on Form 10-K for the year ended December 31, 2016, under "*Risk Factors*" beginning on page 17.
- changes in economic, business, competitive, technological and/or regulatory factors; and,
- competitors in our various markets.

OVERVIEW

We provide specialist cyber, software and intelligence solutions to U.S. government organizations with a national security mandate. Our solutions are integral to national security-related programs run by more than 50 U.S. government agencies, including the Department of Defense, the Intelligence Community, the Department of Homeland Security, the Department of State and other government departments with national security responsibilities. Our programs are predominantly funded from base budgets and are essential to the effective day-to-day operations of our customers.

Our operational strength and track record has been established in securing highly sensitive, mission-critical national security networks, solving complex technology problems in mission-critical contexts and providing decision makers with actionable intelligence from multiple data sources.

Our primary areas of expertise include:

- Security information and event management
- Network intrusion detection and prevention
- Application vulnerability assessment
- Agile software development
- Command and control system development
- Complex application development
- Advanced collection and analysis
- Multi-intelligence exploitation and dissemination
- Multi-lingual intelligence analysis

We are SEI CMMI Maturity Level 3 Rated and hold certifications in ISO 9001:2008 and ISO/IEC 20000-1:2011. We fully integrate ISO 20000-1:2011 quality aspects into our corporate engineering methodology to ensure we deliver high-quality products and services on time and within budget.

We employ over 760 cybersecurity, software development and intelligence analysis professionals who deliver these solutions in both the continental United States and in approximately 6 overseas locations.

The Predecessor was founded in 1986 as the Software Technology Group. Over that time, we have built strong, trusted and enduring relationships with a wide range of Federal Government customers, supporting their mission-critical operations across a very broad contract base. We have achieved a period of continuous performance of more than a decade. Our single largest contract represented 23% and 20% of total revenues for the 3 months ending March 31, 2017 and 2016, respectively. Similarly, the top 5 contracts represented 69% and 57% of total revenues for the 3 months ending March 31, 2017 and 2016, respectively.

We are currently contracted with approximately 50 U.S. Federal Government organizations, and we derive the majority of our revenue from contracts with U.S. Government agencies with a national security mission. As of March 31, 2017, we derived approximately 42% of our revenue from the Department of Defense; approximately 40% from the Department of State; approximately 18% from other Federal Civilian agencies, with most of that revenue coming from the Department of Homeland Security; and approximately 2% coming from the Intelligence Community.

Recent Developments

On February 18, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire PSS Holdings, Inc. ("PSS") for approximately $119.5 million in cash, subject to certain adjustments based upon closing working capital, plus a portion of the value of certain tax benefits as they are realized after the closing. See *Notes to the Consolidated Financial Statements, Footnote 14 Subsequent Events* for additional discussion of the Merger Agreement and the related Amendment.

Results of Operations (Unaudited)

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Selected Financial Information

The table below summarizes the Company's first quarter of 2017 and 2016 revenues and income from operations.

	Three Months Ended March 31, 2017	(Decrease)/Increase		Three Months Ended March 31, 2016
(in millions, except percentages)		$	%	
Contract revenue	$ 35.8	$ (4.8)	(12)%	$ 40.6
Direct expenses	23.7	(3.8)	(14)%	27.5
Gross profit	12.1	(1.0)	(8)%	13.1
Indirect and selling expenses	15.0	2.3	18%	12.7
Operating (loss) income	(2.9)	(3.3)	(825)%	0.4
Other (expense) income, net	0.0	0.4	*	(0.4)
Interest expense	(2.4)	(0.2)	(9)%	(2.1)
Loss before income taxes	(5.3)	(3.1)	(141)%	(2.1)
Income tax benefit	1.9	1.3	217%	0.6
Net loss	$ (3.4)	$ (1.7)	(106)%	$ (1.5)

Contract Revenue

Revenue for the first quarter of 2017 decreased by $4.8 million, or 11.9% compared to the same period in 2016. The decrease in revenue is due to the expiration of contracts with the Army, the Department of Defense, the Department of Homeland Security and the Department of Housing and Urban Development ("HUD").

The table below summarizes the Company's revenue by customer for the first quarter of 2017 and 2016.

	Three months ended March 31,			
Revenue by customer	2017		2016	
	(in thousands, except percentages)			
Department of Defense	$ 14,956	42%	$ 17,433	43%
Department of State	14,400	40%	14,817	37%
Department of Homeland Security	2,336	7%	3,286	8%
Intelligence Community	797	2%	992	2%
Other Federal Civilian	3,289	9%	4,078	10%
	$ 35,778		$ 40,606	

The Department of Defense continues to be our largest customer with 42% and 43% of the revenue generated from this customer during the first quarter of both financial year 2017 and 2016, respectively. Revenue by customer decreased across all customers in 2017 compared to the same period in 2016.

Time-and-materials contract revenue increased by $2.6 million in the first quarter of 2017 versus the first quarter of 2016. The increase in time and materials contracts was driven by consolidation and conversion of several fixed price and cost plus fixed fee contracts to time and materials contracts as well as an increase in such contracts with the Department of State. Fixed price contract revenue decreased by $1.5 million primarily due to the conversions just mentioned. The $5.9 million reduction in Cost Plus Fixed Fee revenues was due to the expiration of contracts with the Army and HUD.

The table below summarizes the first quarter of 2017 and first quarter of 2016 revenue by contract billing type.

	Three months ended March 31,			
Revenue by Contract Type	2017		2016	
	(in thousands, except percentages)			
T&M	$ 16,739	47%	$ 14,168	35%
Fixed price	9,482	26%	10,986	27%
CPFF	9,557	27%	15,452	38%
	$ 35,778		$ 40,606	

Prime contract revenue decreased by $3.9 million in the first quarter of 2017 compared to first quarter of 2016. The decrease was attributable to the expiration of Army, Department of Homeland Security and HUD contracts. The Company continues to look to increase its presence as a prime contractor on larger, more complex programs where it delivers services to customers by deploying its own staff and expertise, and by managing the efforts of other contractors.

The table below summarizes the Company's first quarter of 2017 and 2016 revenue by prime and subcontract type.

	Three months ended March 31,			
Revenue - Prime and Subcontract	2017		2016	
	(in thousands, except percentages)			
Prime	$ 31,279	87%	$ 35,151	87%
Subcontract	4,499	13%	5,455	13%
	$ 35,778		$ 40,606	

Direct Expenses and Gross Profit

Direct expenses consist of direct labor, subcontractors and consultants, and other direct costs. In the quarter ended March 31, 2017, direct expenses decreased by 14%, or $3.8 million over the same period a year ago. This decrease in direct expenses is mainly a result of a reduction in Company employees and subcontractors as a result of the expiration of Army, Department of Defense, Department of Homeland Security, and HUD contracts.

Gross profit for the three months ended March 31, 2017 was lower by $1million, or 8% compared to the three months ended March 31, 2016. This decrease in gross profit is due to the decrease in revenue. Gross profit margins for the first quarter of 2017 were 34% compared to 32% for the first quarter of 2016.

Indirect and Selling Expenses

Indirect and selling expenses increased $2.2 million or 17% for the three months ended March 31, 2017 compared to the same period a year ago. The net increase in the indirect and selling expenses were due primarily to increases in: business development staffing, proposal development expenses, severance payments to former employees, the payment of term loan waiver fees and acquisition related professional services which were partially offset by decreases in employee benefit expenses. Additionally, expenses for the three months ended March 31, 2016 reflected a $402,000 non-recurring reduction to indirect and selling expenses attributable to the accounting treatment for executive deferred compensation.

Operating Income

First quarter of 2017 operating income was a loss of ($2.9) million compared to a profit of $0.4 million in the first quarter of 2016, a decrease of ($3.3) million. The reduced operating income was due to lower revenue and gross profit from contracts as well as higher indirect and selling expenses as discussed under the heading "Indirect and Selling Expenses" above.

Other Income (Expense)

There were no material other income (expense) for the quarter ended March 31, 2017 compared to ($0.4) million for the quarter ended March 31, 2016. The difference of $0.4 million is principally comprised of investment losses from the Rabbi Trust. Market fluctuations recorded during the first quarter 2016.

Interest Expense

Interest expense was $2.4 million and $2.2 million for the quarters ended March 31, 2017 and 2016, respectively. Interest expense for 2016 and 2017 reflects the Company's new level of debt following the consummation of the Business Combination. See "Secured Credit Facilities" in the Liquidity and Capital Resources section of this MD&A for further discussion.

Tax Benefit

The tax benefit was $1.9 million for the quarter ended March 31, 2017 compared to $0.6 million for the first quarter of 2016. The post-acquisition deferred tax benefit was primarily due to the future benefit related to the capitalization and amortization (for tax purposes) of start-up costs.

Net Loss

Net loss was ($3.3) million for the quarter ended March 31, 2017 compared to net loss of ($1.6) million for the quarter ended March 31, 2016. The increase in net loss of $1.7 million is due to lower profit on lower recorded revenue and an increase in indirect expenses as the Company expands business development capabilities.

The Company defines EBITDA as net income (loss) before interest expense, provision (benefit) for income taxes, depreciation and amortization and (gain)/loss on disposal of property, plant and equipment.

The Company defines Adjusted EBITDA as EBITDA, excluding the impact of operational restructuring charges and non-cash or non-operational losses or gains, including long-lived asset impairment charges, formal cost reduction plans, excess and unutilized accruals, transactional legal fees, other professional fees and retention employee bonuses.

Management believes that Adjusted EBITDA provides a clear picture of our operating results by eliminating expenses and income that are not reflective of the underlying business performance. We use this metric to facilitate a comparison of operating performance on a consistent basis from period to period and to analyze the factors and trends affecting its core business areas. Our internal plans, budgets and forecasts use Adjusted EBITDA as a key metric and the Company uses this measure to evaluate its operating performance and core business operating performance and to determine the level of incentive compensation paid to its employees. Adjusted EBITDA is not an item recognized by the generally accepted accounting principles in the United States of America, or U.S. GAAP, and should not be considered as an alternative to net income, operating income, or any other indicator of a company's operating performance required by U.S. GAAP. Our definition of Adjusted EBITDA used here may not be comparable to the definition of Adjusted EBITDA used by other companies. A reconciliation of net loss to Adjusted EBITDA is as follows:

Set forth below is a reconciliation of Adjusted EBITDA to net loss (unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net loss	$ (3.4)	$ (1.5)
Income tax benefit	(1.9)	(0.7)
Interest expense	2.1	1.8
Amortization of loan issuance cost	0.3	0.4
Depreciation and amortization	0.1	0.1
Amortization of intangibles	1.6	1.8
EBITDA	$ (1.1)	$ 1.9
Adjustments to EBITDA		
Integration and other restructuring costs (1)	$ 0.7	$ 0.6
Nonrecurring expenses- advisory, legal, and professional fees (2)	1.0	0.5
Transaction related expenses (3)	1.2	0.3
Share-based compensation (4)	0.4	0.0
Adjusted EBITDA	$ 2.2	$ 3.3

(1) Integration and other restructuring costs include development of incentive compensation plans, executive recruiting fees, branding, communication plans, and severance related to reductions in force.

(2) Expenses incurred by the Company as a result of transitioning from a privately owned entity to a public company. These expenses include increased legal and accounting costs, investor relations, and marketing expenses.

(3) Transaction-related expenses primarily consist of professional service fees related to the PSS Acquisition and the Business Combination.

(4) Represents non-cash share based compensation expense for awards under the Company's 2015 Omnibus Incentive Plan.

Liquidity and Capital Resources

Background

For quarter ended March 2016 and in prior years, the Company had not been leveraged other than its revolving credit facility which in the past had been used to provide working capital, mobilize new project wins, and cover abnormal fluctuations in the timing of cash receipts and payments.

On November 23, 2015, the Company, together with STG Group, STG, Inc., and Access Systems entered into a Credit Agreement (the "Credit Agreement") with the lenders party thereto from time to time, MC Admin Co LLC (the "Lender"), as administrative agent, PNC Bank, National Association, as collateral agent (the "Collateral Agent"), and MC Admin Co LLC, as lead arranger. The Company served as the initial borrower of the term loans under the Credit Agreement, and STG, Inc. and Access Systems (collectively, the "Borrowers") each immediately assumed all obligations of the Company under the Credit Agreement as if they had originally incurred them as borrowers. The Company and STG Group have each guaranteed Borrowers' obligations under the Credit Agreement.

The Revolving Loan and the Term Loan both mature on November 23, 2020.

As of March 31, 2017, the Company had $4 million of available cash. Because the Company did not meet the required consolidated senior secured leverage ratio and minimum consolidated EBITDA required in the Credit Agreement as of March 31, 2017, the $15 million of borrowings under the revolving credit facility are only available subject to lender consent, and the $90 million uncommitted accordion facility is not available.

In addition, on February 18, 2017, we entered into the Merger Agreement to acquire PSS for approximately $119.5 million in cash, subject to certain adjustments based upon closing working capital, plus a portion of the value of certain tax benefits as they are realized after the closing. On May 8, 2017, the Company entered into an Amendment and Waiver (the "Amendment") to the Agreement and Plan of Merger (the "Original Agreement"), dated as of February 18, 2017, by and among the Company, Ripcord Acquisition Corp., PSS and the other Seller Parties thereto, and Peter M. Schulte, as the "Stockholders' Representative." Prior to the entry into the Amendment, PSS rescinded a notice of termination of the Original Agreement that had been received by the Company on May 3, 2017. The Amendment includes the following changes to the Original Agreement:

- The outside date for closing the acquisition was extended to June 30, 2017 (the "Outside Date");
- The purchase price under the merger agreement was increased to $119.8 million, subject to certain adjustments based upon closing working capital;
- The Company's obligations to close were made subject to the Company obtaining debt and equity financing for closing the acquisition; and
- The Company agreed to make an advance payment of $925,000 of the merger consideration on the date of the Amendment, which will be credited against the purchase price at closing (the "Advance Payment").

In the event the merger agreement is terminated, and depending on the reasons for such termination, PSS may be entitled to retain or obligated to return all, or a portion, of the Advance Payment.

The Company intends to fund the merger consideration through a combination of equity and debt financing. We do not presently have commitments for such financing. To the extent the merger is not completed for any reason with respect to our ability to obtain financing for the merger, PSS may be entitled to retain the Advance Payment.

Going Concern Consideration: The condensed consolidated financial statements included in this Form 10-Q have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company was not in compliance with its financial covenants related to the consolidated EBITDA, and the senior secured leverage ratio under the Credit Agreement at September 30, 2016 or at December 31, 2016. At September 30, 2016, the non-compliance was cured by raising equity from stockholders' ("Equity Cure") as was allowed by the Credit Agreement. At December 31, 2016 the Company received a forbearance which expired on March 31, 2017. The Company then entered into a Limited Waiver ("the Waiver") from MC Admin Co LLC and other lenders under the Credit Agreement as of March 31, 2017, pursuant to which the lenders waived the Company's noncompliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio as of December 31, 2016. Pursuant to the Waiver:

- Loans under the Credit Agreement are subject to additional interest at a rate of 2% per annum until the earliest of (x) the date on which all loans are repaid and all commitments under the Credit Agreement are terminated, (y) the date the Company delivers the financial statements and certificates for the quarter ending March 31, 2017 showing that they are not in default under the Credit Agreement or (z) the date on which default interest is otherwise due under the Credit Agreement;

- The Company must obtain lender consent prior to use of its revolving credit facility; and

- The Company cannot effect a Cure Right with respect to the quarter ending March 31, 2017.

The Company was not in compliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio as of March 31, 2017. The Lender has not granted a waiver for the covenant violations as of March 31, 2017. Without a waiver or other relief under the Credit Agreement, one of the remedies the Lender has available to it, amongst others, is the ability to accelerate repayment of the debt, which the Company would not be able to immediately repay.

The Credit Agreement also provides that the minimum consolidated EBITDA requirement will be increased on June 30, 2017. If the business continues to perform at the current level through that period, the Company does not expect to satisfy that covenant or the senior secured leverage ratio at that time, and it is likely that the Company will be in non-compliance at June 30, 2017. The Company's inability to meet the required covenant levels could have a material adverse impact to the Company, including the need for the Company to effect an additional Cure Right or obtain additional forbearance or an amendment, waiver, or other changes in the Credit Agreement. The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters, more than three fiscal quarters in the aggregate, in more than two of any four fiscal quarters or for the quarter ending March 31, 2017. The amount allowed under the Cure Right may not exceed the lesser of $2.5 million and 20% of consolidated EBITDA. The aggregate of Cure Rights may not exceed $5 million.

The Lender's not having granted a waiver or other relief from the Lender and the potential acceleration of the debt by the Lender resulted in the reclassification of debt from a long-term liability to a current liability as of March 31, 2017.

Even if the Lender does grant forbearance or an amendment to or waiver under the Credit Agreement, any future covenant non-compliance could give rise to an event of default thereunder.

In addition, on May 18, 2017, the Company received a notice of default (the "Default Notice") from MC Admin Co LLC ("MC Admin") that states the Company was in default under the Credit Agreement for failing to deliver an annual budget to the lenders on January 15, 2017 as required by the Credit Agreement (the "Budget Delivery Default"). The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit. The Lender has not granted a waiver or other relief from the Budget Delivery Default.

The potential acceleration of the loan repayment due to the Lender not providing a waiver required the Company to evaluate whether there is substantial doubt regarding the Company's ability to continue as a going concern.

Management's Plan to alleviate this condition is as follows:

1. Complete the PSS Holdings, Inc. ("PSS") transaction including the raising of equity and refinancing of the current Credit Agreement;

2. Identify, qualify, and win new business to increase revenue and profits, or

3. Renegotiate the current Credit Agreement to obtain relief from the existing financial covenants and other terms.

The Company considered the likelihood of completing the PSS acquisition financing which contemplates the negotiation of a new financial agreement with both new and existing lenders and investors, including new financial covenants for the combined business. The Company also considered the likelihood of renegotiation of the financial covenants with existing lenders in the event the acquisition of PSS is not completed. Based upon an executed term sheet for financing of the planned acquisition of the PSS which contemplated new loans and financial covenants and discussions with the Lender regarding the need to renegotiate the existing financial covenants in the Credit Agreement in the event the acquisition is not completed, management determined that it was

probable that the condition giving rise to the going concern evaluation had been sufficiently alleviated as of December 31, 2016. However, the Lender has not currently granted a waiver or other relief for the Budget Delivery Default or the financial covenant violations as of March 31, 2017. Consequently, management has changed our assessment regarding the potential acceleration of the loan repayment made as of December 31, 2016. As the Lender has not currently granted a waiver or other form of relief for the financial covenant violations as of March 31, 2017, and as disclosed above, sent us a default letter on May 18, 2017, there exists substantial doubt about our ability to complete the PSS acquisition, or to continue as a going concern, in the event the Lender exercises its rights to accelerate the repayment of the loan.

Indebtedness

In connection with the consummation of the Business Combination, all indebtedness under STG Group's prior credit facility was repaid in full and the agreement was terminated. The Company replaced the prior credit facility and entered into a new facility (the Credit Agreement) with the Lender.

The Credit Agreement provides for:

(a) a term loan in an aggregate principal amount of $81.75 million
(b) a $15 million asset-based revolving line-of-credit
(c) an uncommitted accordion facility to be used to fund acquisitions of up to $90 million.

Concurrent with the consummation of the Business Combination, the full amount of the term loan was drawn and there were no amounts drawn on the other two facilities. Each facility matures on November 23, 2020. The Company recorded $6.2 million of debt issuance costs in connection with the new facility as a reduction to the carrying amount of the new term loan. These costs will be amortized using the effective interest method over the life of the term loan.

The principal amount of the term loan amortizes in quarterly installments which increase after each annual period. The quarterly installments range from 0.625% to 2.500% of the original principal amount and are paid through the quarter ending September 30, 2019. The remaining unpaid principal is due on the maturity date of November 23, 2020.

At the Company's election, the interest rate per annum applicable to all the facilities is based on a fluctuating rate of interest. The interest rate in effect as of March 31, 2017 was 8.8%. The Borrowers may elect to use either a Base Rate or a Eurodollar Rate. The interest rate per annum for electing the Base Rate will be equal to the sum of 6.80% plus the Base Rate, which is equal to the highest of: (a) the base commercial lending rate of the Collateral Agent as publicly announced to be in effect from time to time, as adjusted by the Collateral Agent; (b) the sum of 0.50% per annum and the Federal Funds Rate (as defined in the Credit Agreement); (c) the daily one month LIBOR rate as published each business day in the Wall Street Journal for a one month period divided by a number equal to 1.00 minus the Reserve Percentage (as defined in the Credit Agreement) plus 100 basis points, as of such day and; (d) 2.00%.

The interest rate per annum for electing the Eurodollar Rate will be equal to the sum of 7.80% plus the Eurodollar Rate, which is equal to the highest of: (a) the amount calculated by dividing (x) the rate which appears on the Bloomberg Page BBAM1, or the rate which is quoted by another authorized source, two business days prior to the commencement of any interest period as the LIBOR for such an amount by (y) a number equal to 1.00 minus the Reserve Percentage (as defined in the Credit Agreement) and; (b) 1.00%.

Advances under the revolving line-of-credit are limited by a borrowing base which may not exceed the lesser of (x) the difference between $15,000,000 and amounts outstanding under letters of credit issued pursuant to the Credit Agreement; and (y) an amount equal to the sum of: (i) up to 85% of certain accounts receivable of the Company plus (ii) up to 100% of unrestricted cash on deposit in the Company's accounts with the Collateral Agent, minus (iii) amounts outstanding under letters of credit issued pursuant to the Credit Agreement, minus (iv) reserves established by the Collateral Agent from time to time in its reasonable credit judgment exercised in good faith.

The Company is also subject to certain provisions which will require mandatory prepayments of its term loan and has agreed to certain minimums for its fixed charge coverage ratio and consolidated EBITDA and certain maximums for its senior secured leverage ratio, as defined in the Credit Agreement.

Debt and Covenant Compliance

As of September 30, 2016, the Company did not meet the required consolidated senior secured leverage ratio and minimum consolidated EBITDA under the Credit Agreement. The Company remained in compliance with the Credit Agreement using a provision of the Credit Agreement that allowed us to cure (the "Cure Right") certain covenant non-compliance by issuances of Common Stock for cash and use of the proceeds to reduce the principal balance of the term loan.

On November 14, 2016, we entered into Common Stock Purchase Agreements with Simon S. Lee Management Trust, for which Simon Lee, our Chairman, is Trustee, and Phillip E. Lacombe, our President and Chief Operating Officer (collectively, the "Investors") that provided for the sale to the Investors of 462,778 shares of Common Stock at a purchase price of $3.60 per share, an aggregate of approximately $1.7 million. We used the proceeds to reduce the principal balance of the term loan as required to effect the Cure Right.

The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters, more than three fiscal quarters in the aggregate, or in no more than two of any four fiscal quarters. The amount allowed under the Cure Right may not exceed $2.5 million and 20% of consolidated EBITDA. The aggregate Cure Rights may not exceed $5 million.

As of December 31, 2016, the Company did not meet the required consolidated senior secured leverage ratio and minimum consolidated EBITDA required in the Credit Agreement. The Company was in compliance with all other financial covenants.

On February 24, 2017, we entered into a Limited Forbearance to Credit Agreement (the "February Forbearance Agreement") with MC Admin Co LLC and other lenders relating to the Credit Agreement.

The Company then entered into a Limited Waiver ("the Waiver") from MC Admin Co LLC and other lenders under the Credit Agreement as of March 31, 2017, pursuant to which the lenders waived the Company's noncompliance with the Specified Financial Covenants as of December 31, 2016. Pursuant to the Waiver:

- Loans under the Credit Agreement are subject to additional interest at a rate of 2% per annum until the earliest of (x) the date on which all loans are repaid and all commitments under the Credit Agreement are terminated, (y) the date we deliver the financial statements and certificates for the quarter ending March 31, 2017 showing that we are not in default under the Credit Agreement or (z) the date on which default interest is otherwise due under the Credit Agreement;
- We must obtain lender consent prior to use of our revolving credit facility; and
- We cannot effect a Cure Right in respect of the quarter ending March 31, 2017.

The Waiver does not apply to covenant non-compliance after December 31, 2016 or to covenants other than the Specified Financial Covenants.

As of March 31, 2017 the Company was not in compliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio. In addition, on May 18, 2017, the Company received the Default Notice from MC Admin that states the Company was in default under the Credit Agreement for the Budget Delivery Default. The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit.

The Lender has not granted a waiver or forbearance for the Budget Delivery Default or the covenant violations as of March 31, 2017. One of the remedies the Lender has available to it, amongst others, is the ability to accelerate repayment of the debt, which the Company would not be able to immediately repay.

The Lender's not having granted a waiver or other relief from the Lender and the potential acceleration of the debt by the Lender resulted in the reclassification of the debt from a long-term liability to a current liability as of March 31, 2017.

The Credit Agreement also provides that the minimum consolidated EBITDA requirement will be increased on June 30, 2017. If our business continues to perform at the current level through that period, we do not expect to satisfy that covenant or the senior secured leverage ratio at that time, and it is likely that we will be in non-compliance at June 30, 2017. Our inability to meet the required covenant levels could have a material adverse impact on us, including the need for us to effect an additional Cure Right or obtain additional forbearance or an amendment, waiver, or other changes in the Credit Agreement. The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters, more than three fiscal quarters in the aggregate, in more than two of any four fiscal quarters or for the quarter ending March 31, 2017. The amount allowed under the Cure Right may not exceed the lesser of $2.5 million and 20% of consolidated EBITDA. The aggregate of Cure Rights may not exceed $5 million.

Any additional forbearance, amendment or waiver under the Credit Agreement may result in increased interest rates or premiums and more restrictive covenants and other terms less advantageous to us, and may require the payment of a fee for such forbearance, amendment or waiver. If the Company is unable to renegotiate the financial covenants either through a new credit agreement in connection with the anticipated financing of our planned acquisition of PSS or in the event the acquisition of PSS is not completed, through an amendment of the existing financial covenants under our current Credit Agreement, we may not be able to obtain a forbearance, waiver or effect a cure, on terms acceptable to us.

Even if the Lender does grant forbearance or an amendment to or waiver under the Credit Agreement, any future covenant non-compliance could give rise to an event of default thereunder.

If the Lender does not grant forbearance or a waiver of our covenant non-compliance as of March 31, 2017, the Budget Delivery Default, or any future covenant non-compliance, the indebtedness under the Credit Agreement could be declared immediately due and payable, which could have a material adverse effect on the Company.

Consolidated Condensed Statements of Cash Flows for the Three Months Ended March 31, 2017 and the Three Months Ended March 31, 2016

	Three Months Ended		
(in millions)	March 31, 2017	Variance	March 31, 2016
Cash used in operating activities	$ (2.6)	$ (1.7)	$ (0.9)
Cash (used in) provided by investing activities	(0.2)	(4.2)	4.0
Cash used in financing activities	(1.0)	(0.5)	(0.5)
Net (decrease) increase in cash and cash equivalents	(3.8)	6.4	2.6
Cash and cash equivalents at beginning of period	7.8	(0.7)	8.5
Cash and cash equivalents at end of period	$ 4.0	$ (7.1)	$ 11.1
Depreciation and amortization	0.1	0.0	0.1
Capital expenditures	0.1	0.1	0.0
Cash paid for interest	2.3	0.5	1.8
Cash paid for taxes	0.0	(0.6)	0.6
Change in investments held in Rabbi Trust	0.0	0.4	(0.4)
Change in deferred compensation plan	0.0	(0.4)	0.4

Cash used in operating activities

Operating cash flows are primarily affected by the Company's ability to invoice and collect from its clients in a timely manner, its ability to manage its vendor payments, the overall profitability of its contracts and its cash interest expense. Customers are mostly billed monthly after services are rendered.

For the quarter ended March 31, 2017 cash used in operating activities was ($2.7) million. The cash used in operating activities was significantly impacted by a net loss of ($3.4) million offset by non-cash charges including share-based compensation, depreciation and amortization of intangible assets totaling $2.2 million.

For the quarter ended March 31, 2016 cash used in operating activities was ($0.9) million. The cash used in operating activities was significantly impacted by a net loss of ($1.5) million and a distribution of ($4.0) million from the Rabbi Trust triggered by the Business Combination. These were offset by increases of (i) $1.7 million of adjustments for non-cash changes in deferred taxes, deferred rent, amortization of deferred financing fees, depreciation and amortization of property and equipment, amortization of intangible assets, and stock-based compensation and (ii) a net increase in cash of $5 million due to changes in contract receivables, prepaid expenses, and billings in excess of revenue. The foregoing were offset by $6.2 million of payments for accounts payable and accrued expenses along with accrued payroll and payroll related liabilities.

For the quarter ended March 31, 2017 the Company had cash collections of $37 million, or 103% of revenue recognized in the quarter. For the quarter ended March 31, 2016, the Company had cash collections of $21.3 million, or 53% of revenue recognized in the quarter. The higher percentage of collections for the quarter ended March 31, 2017 was due to lagging receivables from 2016 which were collected during this period.

The Company computes accounts receivable days sales outstanding ("DSO") based on trailing three-month revenue. Days sales outstanding increased by 7 days from 64 days as of March 31, 2016, to 71 days as of March 31, 2017. Total receivables for purposes of the DSO calculation includes both billed and unbilled receivables as well as billings in excess of revenue recognized.

Cash (used in) provided by investing activities

For the quarter ended March 31, 2017 cash used in investing activities of $0.2 million is primarily purchases of property and equipment.

For the quarter ended March 31, 2016 cash provided by investing activities of $4 million is proceeds from the sale of the investments held in the Rabbi Trust for distribution to the plan participants.

Cash used in financing activities

For the quarter ended March 31, 2017 and 2016 cash used in financing activities is due to payments due on the Company's long-term debt of $1 million and $0.5 million, respectively.

Depreciation and Amortization

Depreciation and amortization totaled $0.1 million for each of the quarters ended March 31, 2017 and 2016.

Capital Expenditures

Capital expenditures for property, plant, and equipment totaled $0.1 million and $0 million for the quarters ended March 31, 2017 and 2016, respectively.

Cash Paid for Income Taxes

There were only immaterial cash paid for income taxes for the quarter ended March 31, 2017 and $0.6 million for the quarter ended March 31, 2016.

Off-Balance Sheet Arrangements

There are no material changes to the disclosures regarding off-balance sheet arrangements made in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016.

Related Party Transactions

A company owned by a party related to the majority stockholder of the Company is both a subcontractor to and customer of the Company on various contracts. As of March 31, 2017 and December 31, 2016, amounts due from this entity totaled $0.01 million. The Company recorded revenue of $0.01 million and $0.3 million, respectively, for the three months ended March 31, 2017 and 2016.

No amount was due to this entity as of March 31, 2017 and December 31, 2016 for work performed under subcontracts. The Company also recorded no direct costs for both of the three months ended March 31, 2017 and 2016, relating to such work performed.

On November 23, 2015, Global Strategies Group (North America) Inc., an affiliate of Holdings, and the Company entered into a services agreement, pursuant to which the Company may retain Global Strategies Group (North America) Inc. from time to time to perform certain services: corporate development services such as assisting the Company in post-integration matters, regulatory compliance support services, financial services and financial reporting, business development and strategic services, marketing and public relations services, and human resources services. Global Strategies Group (North America) Inc. is an affiliate of both the Company and a Board member. Amounts paid and expensed under this agreement during the three months ended March 31, 2017 and 2016 totaled $0.2 million and 0.1 million, respectively.

Critical Accounting Policies and Estimates

There have been no significant changes to our Critical Accounting Policies and Estimates during the first quarter of 2017. Refer to our Critical Accounting Policies and Estimates section in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports the period covered by Company files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we, including our principal executive officer and our principal financial officer, conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are not effective in timely alerting management of any material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 due to the material weakness in internal control over financial reporting described in "Management's Report on Internal Control Over Financial Reporting" in Item 9A of our Annual Report on Form 10-K for the year ended December, 31, 2016.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

Management is committed to improving our overall system of internal control over financial reporting, including taking necessary steps to fully remediate the identified material weakness identified as of December 31, 2015. Management determined that the Company's review and monitoring controls over the consolidated income tax provision failed to prevent or detect material errors in the calculation of the income tax provision for the year ended December 31, 2015, and that this was a material weakness in the Company's internal control over financial reporting. To assist with remediation of the material weakness in internal controls over Financial Reporting the Company identified at December 31, 2015, management has engaged a third party vendor to provide a comprehensive assessment of the Company's internal controls over financial reporting.

The comprehensive assessment of the Company's internal controls over financial reporting is currently in process. Although the activity completed to date has not yet identified any material weaknesses, including the review and monitoring controls over the consolidated income tax provision which resulted in the material weakness at December 31, 2015. We cannot conclude that no material weakness exists until the comprehensive assessment is complete and any identified findings have been remediated and tested.

Management believes that upon completion of the comprehensive assessment, such measures should be sufficient to remediate the identified material weaknesses and strengthen our internal control over financial reporting. We cannot assure you that these steps will remediate such weaknesses, nor can we be certain of whether additional actions will be required or the costs of any such actions.

Changes in Internal Control Over Financial Reporting

Other than in connection with the foregoing and the remedial action outlined above, there have been no changes in our internal control over financial reporting that occurred during the first fiscal quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or any of our officers and directors in their corporate capacity.

ITEM 1A. RISK FACTORS

There are no material changes to the disclosures regarding risk factors made in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December, 31, 2016, except as follows:

If we are unable to complete our proposed acquisition of PSS Holdings, Inc., our expected financial results and the market value of our common stock could be adversely affected, and PSS may be entitled to retain our Advance Payment of $925,000.

On February 18, 2017, we entered into the Merger Agreement, amended on May 8, 2017, to acquire PSS for approximately $119.5 million in cash. Consummation of the merger is subject to customary conditions to closing. As a result of the extension of the Merger Agreement, the purchase price was increased to $119.8 million.

If any condition to the merger is not satisfied or waived, the merger may not be completed. In addition, the Company intends to fund the merger consideration through a combination of equity and debt financing. We do not presently have commitments for such financing. To the extent the merger is not completed for any reason with respect to our ability to obtain financing for the merger, PSS may be entitled to retain the Advance Payment of $925,000.

Additional risks and uncertainties associated with the merger include:

- various conditions to the closing of the merger may not be satisfied or waived;
- the failure to consummate the merger may result in negative publicity and a negative impression of us in the investment community and among our customers, lenders and other creditors; and
- the attention of our employees and management may be diverted due to activities related to the merger, which may harm our relationships with our employees, customers, distributors, suppliers, and other business partners.

Any or all of the preceding could jeopardize our ability to consummate the merger on the negotiated terms. To the extent the merger is not completed for any reason, we would have devoted substantial resources and management attention to the transaction without realizing the accompanying benefits expected by our management and will have incurred substantial costs for which we will be solely responsible. Under certain circumstances, including with respect to our ability to obtain financing for the merger, PSS may also be entitled to retain the Advance Payment of $925,000. As a result of the foregoing, our financial condition and results of operations and the market value of our stock may be adversely affected.

The agreements governing our indebtedness require us to comply with financial maintenance covenants. We were not in compliance with certain of these covenants as of March 31, 2017, which could result in the lenders declaring an event of default under the Credit Agreement, causing our indebtedness under the Credit Agreement to become immediately due and payable. In the event the Lender exercises its rights to accelerate the repayment of the loan, our inability to repay the debt obligation in that scenario would cause substantial doubt about the Company's ability to continue as a going concern.

Under our Credit Agreement, the Company is required to meet certain minimums for its fixed charge coverage ratio and consolidated EBITDA and certain maximums for its senior secured leverage ratio, as defined in the Credit Agreement (the "Specified Financial Covenants"). As of September 30, 2016, December 31, 2016, and March 31, 2017, the Company was not in compliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio. The Company remained in compliance with the Credit Agreement as of September 30, 2016 by using a provision of the Credit Agreement that allowed us to cure (the "Cure Right") certain covenant non-compliance by issuance of Common Stock for cash and use of proceeds to reduce the principal balance of the term loan. As a result, pursuant to the Credit Agreement, the financial covenants were recalculated giving effect to the pay down of the debt, and we remained in compliance under the Credit Agreement.

As of December 31, 2016, we again did not satisfy the covenants relating to our required consolidated senior secured leverage ratio and minimum consolidated EBITDA. On February 24, 2017, we entered into a Limited Forbearance to Credit Agreement (the "February Forbearance Agreement") with MC Admin Co LLC and the other lenders under the Credit Agreement.

The Company then entered into a Limited Waiver ("the Waiver") from MC Admin Co LLC and other lenders under the Credit Agreement as of March 31, 2017, pursuant to which the lenders waived the Company's noncompliance with the Specified Financial Covenants as of December 31, 2016. Pursuant to the Waiver:

- Loans under the Credit Agreement are subject to additional interest at a rate of 2% per annum until the earliest of (x) the date on which all loans are repaid and all commitments under the Credit Agreement are terminated, (y) the date we deliver the financial statements and certificates for the quarter ending March 31, 2017 showing that we are not in default under the Credit Agreement or (z) the date on which default interest is otherwise due under the Credit Agreement;

- We must obtain lender consent prior to using our revolving credit facility; and

- We cannot effect a Cure Right in respect of the quarter ending March 31, 2017.

The Waiver does not apply to covenant non-compliance after December 31, 2016 or to covenants other than the Specified Financial Covenants.

As of March 31, 2017 the Company was not in compliance with the covenants related to the consolidated EBITDA and the senior secured leverage ratio, and the Lender has not granted a waiver or forbearance.

The Credit Agreement also provides that the minimum consolidated EBITDA requirement will be increased on June 30, 2017. If our business continues to perform at the current level through that period, we do not expect to satisfy that covenant or the senior secured leverage ratio at that time, and it is likely that we will be in non-compliance at March 31, 2017. An inability to meet the required covenant levels could have a material adverse impact on us, including the need for us to effect an additional Cure Right or obtain additional forbearance or an amendment, waiver, or other changes in the Credit Agreement. The Credit Agreement does not allow the Company to exercise the Cure Right in consecutive fiscal quarters, more than three fiscal quarters in the aggregate, in more than two of any four fiscal quarters or for the quarter ending March 31, 2017. The amount allowed under the Cure Right may not exceed the lesser of $2.5 million and 20% of consolidated EBITDA. The aggregate of Cure Rights may not exceed $5 million.

Any additional forbearance, amendment or waiver under the Credit Agreement may result in increased interest rates or premiums and more restrictive covenants and other terms less advantageous to us, and may require the payment of a fee for such forbearance, amendment or waiver. There can be no assurance that we would be able to obtain forbearance, a waiver or amendment, or effect a cure, on terms acceptable to us.

Even if the Lender does grant forbearance or an amendment to or waiver under the Credit Agreement, any future covenant non-compliance could give rise to an event of default thereunder.

If the Lender does not grant forbearance or an amendment to or waiver of our covenant non-compliance as of March 31, 2017, the Budget Delivery Default, or any future covenant non-compliance, the indebtedness under the Credit Agreement could be declared immediately due and payable, which could have a material adverse effect on the Company.

We received a notice of default from our lenders related to certain information we are required to provide, and the indebtedness under the Credit Agreement could be declared immediately due and payable, which could have a material adverse effect on the Company.

On May 18, 2017, the Company received a notice of default (the "Default Notice") from MC Admin Co LLC ("MC Admin") that states the Company was in default under the Credit Agreement for failing to deliver an annual budget to the lenders on January 15, 2017 as required by the Credit Agreement (the "Budget Delivery Default"). The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit. The Lender has not granted a waiver or other relief from the Budget Delivery Default.

If our lenders do not agree that we have remedied the event of default, we may be required to seek additional forbearance, amendment or waiver under the Credit Agreement. As described above under the risk factor entitled "*The agreements governing our indebtedness require us to comply with financial maintenance covenants. We were not in compliance with certain of these covenants as of March 31, 2017, which could result in the lenders declaring an event of default under the Credit Agreement, causing our indebtedness under the Credit Agreement to become immediately due and payable. In the event the Lender exercises its rights to accelerate the repayment of the loan, our inability to repay the debt obligation in that scenario would cause substantial doubt about the Company's ability to continue as a going concern*.," this could have a material adverse effect on the Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

As further described above under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt and Covenant Compliance*," on May 18, 2017, the Company received the Default Notice from MC Admin that states the Company was in default under the Credit Agreement for failing to deliver an annual budget to the lenders on January 15, 2017 as required by the Credit Agreement (the "Budget Delivery Default"). The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit. The Lender has not granted a waiver or other relief from the Budget Delivery Default.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

As further described above under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt and Covenant Compliance*," on May 18, 2017, the Company received the Default Notice from MC Admin that states the Company was in default under the Credit Agreement for failing to deliver an annual budget to the lenders on January 15, 2017 as required by the Credit Agreement (the "Budget Delivery Default"). The Company believes this notice is incorrect, as the Company previously provided the required information to the lenders on February 7, 2017. The Default Notice stated that MC Admin was not taking action to enforce the lenders' rights under the Credit Agreement at this time, although it also provided that, as a result of the default, the lenders had no obligations under the Credit Agreement to provide any additional loans or letters of credit. The Lender has not granted a waiver or other relief from the Budget Delivery Default.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation	8-K	3.1	11/30/2015	
3.2	Amended and Restated Bylaws	8-K	3.2	11/30/2015	
2.1	Agreement and Plan of Merger, dated as of February 18, 2017, by and among the Company, Ripcord Acquisition Corp., PSS Holdings, Inc., PSS PE I, L.P., PSS Co-Investors, L.P., WWC Capital Fund II, L.P., Spring Capital Partners II, L.P., Scott Goss and Peter M. Schulte*				X
2.2	Amendment and Waiver to Agreement and Plan of Merger, dated as of May 8, 2017, by and among the Company, Ripcord Acquisition Corp., PSS Holdings, Inc., PSS PE I, L.P., PSS Co-Investors, L.P., WWC Capital Fund II, L.P., Spring Capital Partners II, L.P., Scott Goss and Peter M. Schulte*				X
10.1	Limited Forbearance to Credit Agreement, dated as of February 24, 2017, by and among the Company, STG, Inc., Access Systems, Incorporated, STG Group Holdings, Inc., MC Admin Co LLC, and the requisite lenders party thereto	10-K	10.41	4/17/2017	
10.2	Separation Agreement, dated as of March 20, 2017, by and among the Company and Dale R. Davis				X
10.3	Limited Waiver to Credit Agreement, dated as of March 31, 2017, by and among the Company, Access Systems, Incorporated, STG Group Holdings, Inc., MC Admin Co LLC, and the lenders party thereto				X
31.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document				(1)
101.SCH	XBRL Taxonomy Schema				(1)
101.CAL	XBRL Taxonomy Calculation Linkbase				(1)
101.DEF	XBRL Taxonomy Definition Linkbase				(1)
101.LAB	XBRL Taxonomy Label Linkbase				(1)
101.PRE	XBRL Taxonomy Presentation Linkbase				(1)

(1) filed herewith electronically.

* All schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

STG Group, Inc.

Date: May 22, 2017

/s/Phillip E. Lacombe
Name: Phillip E. Lacombe
Title: President (principal executive officer)

/s/ Charles L. Cosgrove
Name: Charles L. Cosgrove
Title: Chief Financial Officer (principal financial officer)

EXHIBIT INDEX

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101.PRE	XBRL Taxonomy Presentation Linkbase				(1)

(1) filed herewith electronically.

* All schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

Exhibit 2.1

Execution Version

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is entered into as of this 18th day of February, 2017, by and among (i) STG Group, Inc., a Delaware corporation ("Parent"), (ii) Ripcord Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub"), (iii) PSS Holdings, Inc., a Delaware corporation (the "Company"), (iv) PSS PE I, L.P., a Delaware limited partnership, PSS Co-Investors, L.P., a Delaware limited partnership, WWC Capital Fund II, L.P., a Delaware limited partnership, Spring Capital Partners II, L.P., a Maryland limited partnership, and Scott Goss (each, a "Significant Stockholder" and collectively, the "Significant Stockholders" and together with the Company, the "Seller Parties"), and (v) Peter M. Schulte, a resident of the State of New York, but solely in his capacity as Stockholders' Representative (as defined herein). Parent, Merger Sub, the Company and the Significant Stockholders are referred to herein individually as a "Party" and collectively as the "Parties." Capitalized terms used and not otherwise defined herein have the meanings given to such terms as set forth in Appendix A.

WHEREAS, the respective boards of directors of Merger Sub and the Company deem it advisable and in the best interests of such corporations and their respective stockholders that Merger Sub be merged with and into the Company with the Company being the surviving corporation (the "Merger"), upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, such boards of directors have approved the Merger, pursuant to which among other things, and subject to the terms and conditions of this Agreement, all of the issued and outstanding capital stock of the Company and all options, warrants and other rights to acquire or receive any shares of capital stock of the Company shall be converted into the right to receive the Merger Consideration set forth herein;

WHEREAS, a portion of the consideration otherwise payable by Parent in connection with the Merger shall be placed in escrow by Parent as partial security for the indemnification obligations and the Post-Closing Adjustment (as defined herein), as set forth in this Agreement;

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a material inducement to Parent and Merger Sub to enter into this Agreement, each of the Significant Stockholders shall have entered into an agreement with Parent, pursuant to which such Significant Stockholder, on the terms and subject to the conditions set forth therein, shall vote the Company Common Stock held by them in favor of the Merger as contemplated by this Agreement.

WHEREAS, approval of the principal terms of the Merger requires the Requisite Vote, and immediately after the execution and delivery hereof, the Company shall submit this Agreement and the Merger to the Stockholders for approval by written consent in lieu of a special meeting of the Stockholders pursuant to Section 228 of the DGCL; and

WHEREAS, the Company, on the one hand, and Parent and Merger Sub, on the other hand, desire to make certain representations, warranties, covenants and other agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

ARTICLE I
THE MERGER

1.1 The Merger. At the Effective Time (as defined below) and subject to and upon the terms and conditions of this Agreement and the DGCL, (a) Merger Sub shall merge with and into the Company, and the separate corporate existence of Merger Sub shall thereupon cease; (b) the Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the DGCL as a wholly owned subsidiary of Parent; and (c) the separate existence of the Company with all of its assets, properties, rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger, except as set forth in this Article I.

1.2 Effective Time. As promptly as practicable after the satisfaction or, to the extent permitted hereunder, waiver of the conditions set forth in Articles VII and VIII, the Parties shall cause the Merger to be consummated by (a) executing and filing on the Closing Date a certificate of merger, in a form reasonably acceptable to Parent and the Stockholders' Representative, with the Secretary of State of the State of Delaware (the "Certificate of Merger"), and (b) making such other filings and taking such other actions as may be required by Law to make the Merger effective hereinafter. The Merger shall become effective at such date and time as the Certificate of Merger is accepted for filing by the Secretary of State of the State of Delaware or at such later date and time as may be permitted or required by the DGCL and specified in the Certificate of Merger by mutual agreement of Parent, Merger Sub and the Company (the date and time the Merger becomes effective being the "Effective Time").

1.3 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement, in the Certificate of Merger and in the applicable provisions of the DGCL. Without limiting the generality of the foregoing and subject thereto, at the Effective Time, all of the assets, properties, rights, privileges, immunities, powers and franchises of each of the Company and Merger Sub shall vest in the Surviving Corporation, and all Liabilities and duties of each of the Company and Merger Sub shall become the Liabilities and duties of the Surviving Corporation.

1.4 Certificate of Incorporation; Bylaws. At the Effective Time and without any further action on the part of the Parties, (a) the certificate of incorporation of the Surviving Corporation shall be amended to be in a form reasonably acceptable to the Parent and (b) the bylaws of the Surviving Corporation shall be amended to be in a form reasonably acceptable to Parent, until thereafter amended or repealed in accordance with their terms, as provided in the Surviving Corporation's certificate of incorporation and as provided by Law.

1.5 Directors and Officers. The terms of the directors and officers of the Company at the Effective Time shall be deemed to be terminated at the Effective Time. The directors of Merger Sub immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the certificate of incorporation and the bylaws of the Surviving Corporation until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal and in accordance with the certificate of incorporation and bylaws of the Surviving Corporation and applicable Law. The officers of Merger Sub immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation.

1.6 Effect of Merger on Capital Stock.

(a) The aggregate consideration (the "Merger Consideration") to be paid in exchange for the acquisition by Parent and Merger Sub of all issued and outstanding Company Common Stock and all other securities of Company and all outstanding unexpired and unexercised options, warrants or other rights to acquire or receive any Company Common Stock, whether vested or unvested, if any, and for the covenants of the Company provided in this Agreement shall be, subject to adjustment as provided herein, an amount equal to One Hundred Nineteen Million Five Hundred Thousand Dollars ($119,500,000), plus the Tax Benefit Payments, if any. The Merger Consideration is comprised of (i) the Closing Amount, as adjusted pursuant to the terms and conditions of Section 1.10, (ii) the Indemnity Escrow Deposit, (iii) the Working Capital Escrow Deposit and (iv) any Tax Benefit Payments with respect to the Tax Sharing Provisions (as defined below) set forth in Appendix C.

(b) Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, or the holders of any shares of Company Common Stock or Merger Sub Common Stock, the following shall occur:

(i) each share of Company Common Stock issued and outstanding as of immediately prior to the Effective Time (excluding any shares of Company Common Stock to be cancelled pursuant to Section 1.6(b)(ii) and any Dissenting Shares as defined in and to the extent provided in Section 1.15) shall automatically cease to be outstanding and shall be canceled and retired and shall cease to exist, and each holder of any shares of Company Common Stock shall cease to have any rights with respect thereto, except:

(A) the right to receive, in accordance with this Section 1.6(b)(i), an amount in cash equal to the Per Share Amount, minus the Working Capital Escrow Contribution Amount, minus the Indemnity Escrow Contribution Amount, plus

(B) the right to receive, in accordance with this Agreement and in connection with any cash disbursements required to be made from the Working Capital Escrowed Funds, an amount in cash equal to the Per Share Working Capital Disbursement Amount for such disbursements, as and when required to be made pursuant to the Escrow Agreement, plus

(C) the right to receive, in accordance with this Agreement, any cash disbursements required to be made from the Indemnity Escrowed Funds with respect to such share of Company Common Stock, as and when such disbursements are required to be made pursuant to the Escrow Agreement, plus

(D) the right to receive, in accordance with the Tax Sharing Provisions, in respect of each cash disbursement of any Tax Benefit Payment, an amount in cash equal to the Per Share Tax Benefit Amount for such disbursement of a Tax Benefit Payment.

(ii) each share of Company Common Stock, if any, held by the Company as treasury stock immediately prior to the Effective Time, shall be cancelled and extinguished without any conversion thereof, and no payment or distribution shall be made with respect thereto;

(iii) each share of Merger Sub Common Stock issued and outstanding immediately prior to the Effective Time shall be automatically converted into one (1) validly issued, fully paid and nonassessable share of common stock, $0.01 par value per share, of the Surviving Corporation, and all of such shares, as converted, shall thereafter constitute all of the issued and outstanding capital stock of the Surviving Corporation. Each stock certificate of Merger Sub evidencing ownership of any shares of Merger Sub Common Stock shall continue to evidence ownership of such shares of capital stock of the Surviving Corporation.

1.7 Stock Options.

(a) Parent shall not assume or otherwise replace any Company Options, whether vested or unvested, in connection with the transactions contemplated hereby. At the Effective Time, each Company Option that is outstanding, unexercised and unexpired as of immediately prior to the Effective Time, whether vested or unvested, shall be accelerated in full, cancelled and converted into and represent (A) the right to receive, in accordance with the Company Option Termination Agreement (as defined below), an amount in cash, without interest, equal to (x) the Per Share Amount, minus the exercise price per share attributable to such Company Option, minus the Working Capital Escrow Contribution Amount, multiplied by (y) the number of shares of Company Common Stock subject to such Company Option, plus (B) the right to receive, in accordance with this Agreement and in connection with any cash disbursements required to be made from the Working Capital Escrowed Funds, an amount in cash equal to (i) the Per Share Working Capital Disbursement Amount for such disbursements, multiplied by (ii) the number of shares of Company Common Stock subject to such Company Option, plus (C) the right to receive in accordance with the Tax Sharing Provisions, in respect of each cash disbursement of any Tax Benefit Payment satisfied prior to the fifth (5^{th}) anniversary of the Closing Date, an amount in cash equal to (1) the Per Share Tax Benefit Amount for such disbursement of a Tax Benefit Payment, multiplied by (2) the number of shares of Company Common Stock subject to such Company Option (it being acknowledged and agreed that no Tax Benefit Payment will be made with respect to any Company Option on or after the fifth (5^{th}) anniversary of the Closing). Subject to the terms and conditions hereof, (X) the amount payable pursuant to clause (A) of the preceding sentence shall be paid by Parent to each Holder of Company Options promptly following the Effective Time by distributing such amount to such Holder through the Company's normal payroll procedures, (Y) any amount payable pursuant to clause (B) of the preceding sentence shall be paid by Parent to each Holder of Company Options in accordance with Section 1.11 by distributing such amount to such Holder through the Company's normal payroll procedures, and (Z) any amounts payable pursuant to clause (C) of the preceding sentence shall be paid by Parent to each Holder of Company Options in accordance with Section 1.12 by distributing such amount to such Holder through the Company's normal payroll procedures; provided that, in each case, such Holder has executed and delivered the Company Option Termination Agreement pursuant to Section 1.7(b).

(b) Each Holder of a Company Option shall be required, and the Company shall use its reasonable best efforts to cause each such Holder, to execute and deliver a termination agreement effectuating the provisions of Section 1.7(a), including a release of claims against the Company and Parent, in a form reasonably satisfactory to Parent (a "Company Option Termination Agreement"). The Company shall deliver Company Option Termination Agreements, in a form reasonably acceptable to Parent, to the applicable Holders of Company Options no later than five (5) business days following the date of this Agreement and shall use commercially reasonable efforts to have such agreements executed by such Holders and delivered to the Company at least three (3) business days prior to the Closing Date.

1.8 [Reserved].

1.9 Escrow. On the Closing Date, the Stockholders' Representative, Parent and Xenith Bank (the "Escrow Agent"), shall enter into an Escrow Agreement in substantially the form attached hereto as Exhibit A (the "Escrow Agreement"). Pursuant to the terms of the Escrow Agreement, Parent shall (a) withhold Two Million Dollars ($2,000,000) (the "Indemnity Escrow Deposit") from the Merger Consideration and deposit such amount into escrow in order to partially secure the satisfaction of claims pursuant to Article IX, and (b) withhold One Million Dollars ($1,000,000) (the "Working Capital Escrow Deposit") from the Merger Consideration and deposit such amount into escrow in order to secure the payment of the Merger Consideration adjustments, if any, pursuant to Section 1.10.

1.10 Adjustments at Closing to Merger Consideration. At least three (3) business days prior to the Closing, the Company and Parent shall jointly prepare and finalize (i) the Estimated Closing Balance Sheet and (ii) the Statement of Estimated Closing Liabilities. The Merger Consideration shall be: (x) increased, in the event that (A) the Closing has not occurred before 12:01 a.m. on April 1, 2017 and (B) each of the conditions set forth in Sections 7.1 to 7.5 (inclusive), the second sentence of 7.6, and 7.7 to 7.9 (inclusive) have been satisfied, by Twenty Thousand Dollars ($20,000) per day for each calendar day (or part thereof) after the later of (a) March 31, 2017 and (b) the date on which all such listed conditions have been satisfied, until the Closing Date; and (y) subject to adjustment based upon on the Estimated Closing Balance Sheet and the Statement of Estimated Closing Liabilities. The Merger Consideration shall be reduced dollar for dollar by the amount of any Indebtedness, the amount of any Transaction Expenses and the amount of the Estimated Net Working Capital Deficit, if any, each as set forth on the Estimated Closing Balance Sheet and the Statement of Estimated Closing Liabilities. The Merger Consideration shall be increased dollar for dollar by the amount of the Estimated Net Working Capital Surplus, if any, as set forth in the Estimated Closing Balance Sheet. The adjustments set forth in this Section 1.10 shall be referred to herein collectively as the "Estimated Closing Adjustment." The Estimated Closing Adjustment shall be determined without regard to the limitations set forth in Section 9.4 hereof.

1.11 Post-Closing Adjustments to Merger Consideration.

(a) Within seventy-five (75) days following the Closing Date, Parent shall furnish the Stockholders' Representative with the Closing Balance Sheet and the Statement of Closing Liabilities, each prepared in accordance with the form, methodology and principles used to prepare the Reference Balance Sheet. The Stockholders' Representative shall use commercially reasonable efforts to assist Parent in the preparation of the Closing Balance Sheet and the Statement of Closing Liabilities, if reasonably requested by Parent, at Parent's sole costs and expense.

(b) The Stockholders' Representative shall have a period of thirty (30) days after receipt of the Closing Balance Sheet and the Statement of Closing Liabilities to notify Parent of its election to accept or reject the Closing Balance Sheet, or the Statement of Closing Liabilities. During such thirty (30) day period, Parent shall provide the Stockholders' Representative access to books and records of the Company, as reasonably requested by the Stockholders' Representative in connection with his review of the Closing Balance Sheet and the Statement of Closing Liabilities. In the case of a rejection, such notice must set forth all disputed items in the Closing Balance Sheet and the Statement of Closing Liabilities, and the reasons for such rejection in reasonable detail and must set forth the amount of the requested adjustment. In the event that no notice is received by Parent during such thirty (30) day period, the Closing Balance Sheet and any required adjustments resulting therefrom shall be deemed accepted by the Stockholders' Representative and final and binding on the Parties. In the event that the Stockholders' Representative shall timely reject the Closing Balance Sheet or the Statement of Closing Liabilities, Parent and the Stockholders' Representative shall promptly (and in any event within thirty (30) days following the date upon which the Stockholders' Representative has rejected the Closing Balance Sheet or the Statement of Closing Liabilities) attempt to make a joint determination of the Closing Adjustments, and any such joint determination and any required adjustments resulting therefrom shall be final and binding on the Parties.

(c) In the event that the Stockholders' Representative and Parent shall be unable to agree upon a joint determination of any of the disputed items of the Closing Adjustments within one hundred thirty five (135) days from the Closing Date, then within one hundred forty (140) days from the Closing Date, Parent and the Stockholders' Representative shall submit all items remaining in dispute (the "Disputed Items") to the Accounting Firm. Parent and the Stockholders' Representative shall request that the Accounting Firm render its determination regarding the Disputed Items prior to the expiration of two hundred (200) days from the Closing Date, and such determination and any required adjustments resulting therefrom shall be final and binding on all the Parties. The fees and expenses of the Accounting Firm shall be allocated to be paid by Parent and/or the Stockholders' Representative, respectively, based upon the percentage that the portion of the total amount contested and not awarded to such party bears to the total amount contested, as determined by the Accounting Firm. The Accounting Firm shall render its determination only with respect to Disputed Items, and the Accounting Firm's determination shall be based upon and consistent with the terms and conditions of this Agreement. The determination by the Accounting Firm shall be based solely on presentations with respect to such disputed items by Parent and the Stockholders' Representative to the Accounting Firm and not on the Accounting Firm's independent review. In deciding any matter, the Accounting Firm (i) shall be bound by the provisions of this Section 1.11 and (ii) may not assign a value to any Disputed Item greater than the greatest value for such Disputed Item claimed by either Parent or the Stockholders' Representative or less than the smallest value for such Disputed Item claimed by Parent or the Stockholders' Representative.

(d) If the Closing Net Working Capital as finally determined in accordance with the provisions of this Section 1.11 is less than the Estimated Net Working Capital, then (i) the Stockholders' Representative and Parent shall send joint written instructions to the Escrow Agent, instructing the Escrow Agent to distribute to Parent from the Working Capital Escrowed Funds, as an adjustment to the Merger Consideration, the absolute value of the amount of such deficiency, up to the amount of the Working Capital Escrowed Funds, and (ii) in the event that such deficiency exceeds the amount of the Working Capital Escrowed Funds, each Holder shall pay Parent the amount of such excess (the "Excess Working Capital Adjustment"). If the Closing Net Working Capital as finally determined in accordance with the provisions of this Section 1.11 is greater than the Estimated Net Working Capital, then the amount thereof shall be paid as an adjustment to the Merger Consideration (A) with the portion of such amount that is payable to the Non-Dissenting Stockholders being paid by Parent to the Stockholders' Representative by wire transfer in immediately available funds within seven (7) days after such determination, and the Stockholders' Representative causing such funds to be distributed to the Holders promptly thereafter, and (B) with the portion of such amount that is payable to the Holders of Company Options being distributed by Parent to such Holders through the Company's normal payroll procedures.

(e) If the Indebtedness and/or the Transaction Expenses determined pursuant to this Section 1.11 exceed the Indebtedness and/or the Transaction Expenses, respectively, set forth on the Estimated Closing Balance Sheet and the Statement of Estimated Closing Liabilities, then the Stockholders' Representative and Parent shall send joint written instructions to the Escrow Agent, instructing the Escrow Agent to distribute to Parent from the Working Capital Escrowed Funds, as an adjustment to the Merger Consideration, the absolute value of the amount of such difference, up to the amount of the Working Capital Escrowed Funds (as reduced by the amount of any deficiency distributed from the Working Capital Escrowed Funds pursuant to clause (i) of the first sentence of Section 1.11(d)), and (ii) in the event that the amount of such difference exceeds the amount of the Working Capital Escrowed Funds (as reduced by the amount of any deficiency distributed from the Working Capital Escrowed Funds pursuant to clause (i) of the first sentence of Section 1.11(d)), each Holder shall pay Parent the amount of such excess (such amount, together with any Excess Working Capital Adjustment, the "Adjustment Excess"). If the Indebtedness and/or the Transaction Expenses determined pursuant to this Section 1.11 are less than the Indebtedness and/or the Transaction Expenses, respectively, set forth on the Estimated Closing Balance Sheet, then the aggregate amount of such surplus shall be paid by Parent to the Holders (A) with the portion of such amount that is payable to the Non-Dissenting Stockholders being paid by Parent to the Stockholders' Representative by wire transfer in immediately available funds within seven (7) days after such determination, and the Stockholders' Representative causing such funds to be distributed to the Holders promptly thereafter and (B) with the portion of such amount that is payable to the Holders of Company Options being distributed to such Holders through the Company's normal payroll procedures.

(f) The adjustments described in Sections 1.11(d) and (e) shall be referred to collectively as the "Post-Closing Adjustment." Following the payments, if any, of the Post-Closing Adjustment, Parent and the Stockholders' Representative shall send joint written instructions to the Escrow Agent, instructing the Escrow Agent to release the remainder of the Working Capital Escrowed Funds, if any, to the Holders (A) with the portion of such amount that is payable to the Non-Dissenting Stockholders being paid by Parent to the Stockholders' Representative, for distribution to the Non-Dissenting Stockholders and (B) with the portion of such amount that is payable to the Holders of Company Options being distributed by Parent to such Holders through the Company's normal payroll procedures.

1.12 Amortizable Tax Basis Consideration. The Merger Consideration may be further adjusted by the amount of any Tax Benefit Payments, as determined in accordance with, and paid pursuant to, the calculations and schedule set forth in Appendix C (the "Tax Sharing Provisions"). Any disbursements of any Tax Benefit Payments shall be paid by Parent to the Holders (A) with the portion of such amount that is payable to the Non-Dissenting Stockholders being paid by Parent to the Stockholders' Representative, for distribution to the Non-Dissenting Stockholders and (B) with the portion of such amount that is payable to the Holders of Company Options being distributed to such Holders through the Company's normal payroll procedures.

1.13 Surrender of Company Common Stock.

(a) Paying Agent. Prior to the Closing Date, Parent shall enter into an agreement, in a form reasonably acceptable to the Company, with a United States bank or trust company that shall be appointed by Parent (and reasonably satisfactory to the Company) to act as a paying agent hereunder (the "Paying Agent"), for the purpose of exchanging shares of Company Common Stock for Merger Consideration.

(b) Exchange Fund. At the Effective Time, Parent shall deposit, or shall cause to be deposited, with the Paying Agent in trust for the benefit of the Holders of shares of Company Common Stock, for exchange in accordance with this Article I, immediately available funds equal to the Closing Amount (the "Exchange Fund"), and Parent shall instruct the Paying Agent to timely pay the Per Share Amount, in accordance with this Agreement. The cash portion of the Exchange Fund shall be invested by the Paying Agent as directed by Parent or the Surviving Corporation. Interest and other income on the Exchange Fund shall be the sole and exclusive property of Parent and the Surviving Corporation and shall be paid to Parent or the Surviving Corporation, as Parent directs. No investment of the Exchange Fund shall relieve Parent, the Surviving Corporation or the Paying Agent from making the payments required by this Article I, and following any losses from any such investment, Parent shall promptly provide additional funds to the Paying Agent to the extent necessary to satisfy Parent's obligations hereunder for the benefit of the Holders of shares of Company Common Stock at the Effective Time, which additional funds will be deemed to be part of the Exchange Fund.

(c) Exchange Procedures.

(i) As soon as reasonably practicable (and in any event within three (3) business days after the Effective Time), to the extent not previously delivered, the Surviving Corporation, shall cause the Paying Agent to mail to each holder of record of shares of Company Common Stock a letter of transmittal (the "Letter of Transmittal") in customary form as agreed to between the Company and Parent prior to the date of this Agreement. The Letter of Transmittal shall be accompanied by instructions for use in effecting a transfer of the shares of Company Common Stock held immediately prior to the Effective Time, and any additional documents specified in the procedures set forth in the Letter of Transmittal. The Letter of Transmittal shall specify that delivery shall be effected, and risk of loss and title to shares of Company Common Stock shall pass, only upon transfer of the shares of Company Common Stock to the Paying Agent and shall be in such form and have such other provisions as Parent and the Company may agree.

(ii) As soon as reasonably practicable after the date of delivery (or, if later, after the Effective Time) to the Paying Agent of such evidence as the Paying Agent may reasonably request of the transfer of the shares of Company Common Stock to the Paying Agent, together with a properly completed and duly executed Letter of Transmittal, Joinder and Waiver Agreement and any other documentation required thereby or hereby, the holder of record of such shares of Company Common Stock shall be entitled to receive from the Exchange Fund in exchange therefor the applicable Merger Consideration that such holder has the right to receive pursuant to Section 1.6(b)(i) at the time of such surrender, in respect of the shares of Company Common Stock so transferred; provided that any documents specified in the procedures set forth in the Letter of Transmittal are in fact delivered to the Paying Agent by the time required in the Letter of Transmittal. Any Merger Consideration payments pursuant to this Section 1.13(c) shall be made via check or wire or other electronic transfer of immediately available funds, at each such holder's election as specified in the Letter of Transmittal. No interest will be paid or accrued on any amount payable upon due surrender of shares of Company Common Stock. The Merger Consideration, paid in full with respect to any shares of Company Common Stock in accordance with the terms hereof, shall be deemed to have been paid in full satisfaction of all rights pertaining to such shares. Any holder of Company Common Stock who has not complied with this Agreement shall be entitled to look to Parent only (subject to abandoned property, escheat or other similar Laws) as a general creditor thereof with respect to the applicable Merger Consideration payable in respect of such shares of Company Common Stock, without any interest thereon.

(d) Undistributed Exchange Funds. Any portion of the Exchange Fund that remains undistributed to the Holders as of the date that is one hundred eighty (180) days after the Effective Time shall be delivered to Parent upon demand, and the Holders who have not theretofore (i) surrendered their shares of Company Common Stock in accordance with this Section 1.13 or (ii) delivered their Company Option Termination Agreements in accordance with Section 1.7(b) shall, in each case, thereafter look only to Parent for satisfaction of their claims for the Merger Consideration payable with respect to the shares of Company Common Stock surrendered or subject to outstanding Company Options, in each case, without any interest thereon.

(e) Escheat. Notwithstanding anything in this Agreement to the contrary, neither Parent nor any other Person shall be liable to any Holder or to any other Person for any amount paid to a public official pursuant to any applicable abandoned property Law, escheat Law or other similar Law. Any Merger Consideration or other amounts remaining unclaimed by Holders two (2) years after the Effective Time (or such earlier date, prior to such time, as of which such amounts would otherwise escheat to or become property of any Government Authority) shall, to the extent permitted by applicable Laws, become the property of Parent free and clear of any Encumbrance.

1.14 No Further Ownership Rights in Company Common Stock. The applicable portion of Merger Consideration issued upon the surrender for exchange of Company Common Stock in accordance with the terms of this Article I shall be deemed to have been issued in full satisfaction of all rights pertaining to such Company Common Stock. At the Effective Time, the stock transfer books of the Company shall be closed, and thereafter there shall be no further registration or transfers of shares of Company Common Stock on the records of the Surviving Corporation.

1.15 Dissenting Shares. Notwithstanding any provisions of this Agreement to the contrary, shares of Company Common Stock held by a holder of Company Common Stock who has demanded and perfected a demand for appraisal of such holder's shares of Company Common Stock in accordance with Section 262 of the DGCL and as of the Closing has neither effectively withdrawn nor lost such holder's right to such appraisal ("Dissenting Shares") shall not be converted into the applicable Merger Consideration, but shall be entitled to only such rights as are granted by the DGCL. Parent shall be entitled to retain any Merger Consideration not paid on account of such Dissenting Shares pending resolution of the claims of holders of Dissenting Shares, and the Non-Dissenting Stockholders shall not be entitled to any portion of such retained Merger Consideration. Notwithstanding the preceding sentence, if any holder of Dissenting Shares shall lose such holder's status as such (through the failure to perfect or otherwise), then as of the Effective Time or the occurrence of such event, whichever occurs later, such Dissenting Shares shall automatically be deemed to have been converted only into the right to receive the applicable Merger Consideration, without interest thereon, promptly following the surrender of the Certificate or Certificates representing such Dissenting Shares. The Company shall give Parent prompt notice of any demands for appraisal pursuant to Section 262 of the DGCL received by the Company, withdrawals of any such demands and any other documents or instruments received by the Company in connection therewith. Parent shall have the right to participate in and direct all negotiations and proceedings with respect to any such demands. The Company shall not, except with the prior written consent of Parent, make any payment with respect to, or settle or offer to settle, any such demands, or agree to do any of the foregoing. Any payments made with respect to Dissenting Shares shall be made solely by the Surviving Corporation, and no funds or other property have been or shall be provided by Parent, Merger Sub or any of Parent's Affiliates for such payment.

1.16 Withholding of Tax. Notwithstanding any other provision in this Agreement, Parent (and any other Person that has any withholding obligation with respect to any payment made pursuant to this Agreement) shall be entitled to deduct and withhold from the payments to be made pursuant to this Agreement any Taxes required by to be deducted and withheld from such payments by any provision of applicable Law relating to Taxes. To the extent that amounts are so withheld pursuant to this Section 1.16 and properly paid over to the relevant Government Authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made.

1.17 Repayment of Loans. Notwithstanding any other provision in this Agreement, Parent shall be entitled to deduct from the payments to be made pursuant to this Agreement to any Holder, the amount of all outstanding indebtedness, loans or other monetary obligations that such Holder owes to the Company as of the Effective Time.

1.18 Further Action. If at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either the Company or Merger Sub, or (b) otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors or their designees shall be authorized to execute and deliver, in the name and on behalf of either the Company or Merger Sub, all such deeds, bills of sale, assignments and assurances and do, in the name and on behalf of the Company or Merger Sub, all such other acts and things necessary, desirable or proper to vest, perfect or confirm its rights, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of the Company or Merger Sub, as applicable, and otherwise to carry out the purposes of this Agreement.

ARTICLE II
CLOSING

2.1 Time and Place of the Closing. The Closing shall take place at the offices of Morrison & Foerster LLP, 1650 Tysons Boulevard, Suite 400, McLean, Virginia, as soon as practicable following the satisfaction or waiver of the conditions set forth in Articles VII and VIII hereof (other than those conditions that, by their nature, are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing) and in any event within three (3) business days thereafter, or on such other date as Parent, Merger Sub and the Company may mutually determine.

2.2 Deliveries. At the time of the Closing, (i) the Company and the Stockholders' Representative will deliver to Parent the various certificates, instruments, and documents referred to in Section 7.14, and (ii) Parent and Merger Sub will deliver to the Stockholders' Representative the certificates, instruments and documents referred to in Section 8.4.

2.3 Stockholders' Representative.

(a) By virtue of the adoption of this Agreement and approval of the Merger and in exchange for the applicable portion of the Merger Consideration pursuant to this Agreement, each of the Non-Dissenting Stockholders designates Peter M. Schulte (the "Stockholders' Representative") as his, her or its representative for purposes of this Agreement. The Non-Dissenting Stockholders and their respective successors shall be deemed to have approved, and shall be bound by, any and all actions taken by the Stockholders' Representative on their behalf under or otherwise relating to this Agreement and the other documents contemplated hereby and the transactions contemplated hereunder and thereunder as if such actions were expressly ratified and confirmed by each of them in writing. In the event that any Stockholders' Representative is unable or unwilling to serve or shall resign, a successor Stockholders' Representative shall be selected by those Non-Dissenting Stockholders who are entitled to at least a majority of the Merger Consideration pursuant to this Agreement. A Stockholders' Representative may not resign, except upon thirty (30) days prior written notice to Parent and Merger Sub. In the event of a notice of proposed resignation, or any death, disability or other replacement of a Stockholders' Representative, a successor shall be appointed effective immediately thereafter by PSS PE I, L.P. and Parent and Merger Sub shall be notified promptly of such appointment by the successor Stockholders' Representative. No resignation, nor any other replacement, of any Stockholders' Representative shall be effective against Parent or Merger Sub until (i) the proposed successor Stockholders' Representative assumes in writing all obligations of the original Stockholders' Representative under this Agreement and the Escrow Agreement and (ii) Parent and Merger Sub have consented to the proposed successor Stockholders' Representative (such consent not to be unreasonably withheld or delayed). Each successor Stockholders' Representative shall have all the power, rights, authority and privileges hereby conferred upon the original Stockholders' Representative.

(b) Parent and Merger Sub shall be entitled to rely upon any actions, communication or writings taken, given or executed by the Stockholders' Representative on behalf of the Non-Dissenting Stockholders. All communications or writings to be sent to the Non-Dissenting Stockholders pursuant to this Agreement may be addressed to the Stockholders' Representative and any communication or writing so sent shall be deemed notice to all of the Non-Dissenting Stockholders hereunder.

(c) The Stockholders' Representative is hereby appointed and constituted the true and lawful attorney-in-fact of each Non-Dissenting Stockholder, with full power of substitution in such Non-Dissenting Stockholder's name and on such Non-Dissenting Stockholder's behalf to act according to the terms of this Agreement and the other documents contemplated hereby in the absolute discretion of the Stockholders' Representative; and in general to do all things and to perform all acts including, without limitation, executing and delivering all agreements, certificates, receipts, instructions, notices and other instruments contemplated by or deemed advisable in connection with this Agreement and the other documents contemplated hereby, including without limitation Article IX hereof. This power of attorney and all authority hereby conferred is granted subject to the interest of the other Non-Dissenting Stockholders hereunder and in consideration of the mutual covenants and agreements made herein, and shall be irrevocable and shall not be terminated by any act of any Non-Dissenting Stockholder or operation of law, whether by such holder's death or disability or by any other event.

(d) The Stockholders' Representative hereby acknowledges and agrees to serve as the Stockholders' Representative in accordance with the applicable terms hereof and to be bound by such terms. At Parent's request, the Stockholders' Representative shall enter into an agreement in form and substance reasonably satisfactory to Parent and the Stockholders' Representative in which the Stockholders' Representative acknowledges and agrees to serve as a Stockholders' Representative and to be bound by the applicable terms of this Agreement (including, without limitation, Section 6.3).

ARTICLE III
REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY

Except as set forth in the disclosure schedules delivered by the Company to Parent pursuant hereto, as a material inducement to Parent and Merger Sub to enter into this Agreement and to consummate the transactions contemplated hereby, the Company represents and warrants to Parent and to Merger Sub, as of the date hereof and as of the Closing, as follows:

3.1 Organization, Corporate Power and Records.

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of Delaware. The Company is qualified or registered to do business and in good standing in each of the states and jurisdictions set forth on Schedule 3.1 and each other jurisdiction where the character or location of its assets or its properties owned, leased or operated by it, or the nature of its activities makes such qualification or registration necessary, except where the failure to be so qualified, registered or in good standing would not be reasonably expected to result in a Material Adverse Effect on the Company. Each Subsidiary of the Company is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, and each such Subsidiary is qualified to do business and in good standing in each jurisdiction where the character or location of its assets or its properties owned, leased or operated by it, or the nature of its activities makes such qualification necessary. The Company and each of its Subsidiaries have full power and authority necessary to own and operate their respective properties, to conduct their business as now conducted, and to perform their obligations under Contracts to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound.

(b) The Company has provided Parent with true, correct and complete copies of the equity records and minute books of the Company and its Subsidiaries. The minute books of the Company and its Subsidiaries contain a complete and accurate summary of all meetings of directors or managers or stockholders or members or actions by written consent since the time of incorporation or organization of the Company or its Subsidiaries, as applicable, in all material respects. Neither the Company nor any of its Subsidiaries has taken any corporate action without the approval or ratification of its board of directors or managers or stockholders or members where such action required the approval of its board of directors or managers or stockholders or members under the DGCL or other applicable Law, except where the failure to take such action would not be reasonably expected to have a material effect on the Company. The equity ledger or equity records of the Company and its Subsidiaries accurately reflect all transactions involving the capital stock or membership interests, as applicable, of the Company and its Subsidiaries. The Company is not in default under or in violation of any provision of the Certificate of Incorporation or its bylaws or any resolution adopted by the Company's stockholders or board of directors. None of the Subsidiaries of the Company is in default under or in violation of any provision of its organizational documents or bylaws or operating agreement or any resolution adopted by its stockholders or members or board of directors or managers. Except as set forth on Schedule 3.1(b), neither the Company nor any of its Subsidiaries has conducted any business under or otherwise used, for any purpose or in any jurisdiction, any fictitious name, assumed name, trade name or other name.

3.2 Authority for Agreement. The Company has full power, authority and legal right to enter into and, upon receipt of the Requisite Vote, perform its obligations under this Agreement and the other documents contemplated hereby to which the Company is or will be a party and to consummate the transactions contemplated hereby and thereby. The board of directors of the Company has (i) unanimously approved the Merger, this Agreement and the other documents contemplated hereby and the transactions contemplated hereby and thereby and authorized the execution, delivery and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby, (ii) resolved to recommend approval and adoption by the Stockholders of the Merger, this Agreement and the other documents contemplated hereby and the transactions contemplated hereby and thereby and (iii) not withdrawn or modified such approval or resolution to recommend. No other corporate proceedings on the part of the Company or any of its Subsidiaries are, or will be, necessary to approve and authorize the execution, delivery and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby. This Agreement and the other documents contemplated hereby have been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub, are legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general. The Requisite Vote is the only vote of the Stockholders necessary to approve and authorize the Merger, this Agreement and the other documents contemplated hereby and the other transactions contemplated hereby and thereby.

3.3 No Violation to Result. Except as set forth on Schedule 3.3(a), the execution, delivery and performance by the Company of this Agreement and the other documents contemplated hereby and the consummation by the Company of the transactions contemplated hereby and thereby and the fulfillment by the Company of the terms hereof and thereof, do not and will not, directly or indirectly (with or without notice or lapse of time or both): (i) violate, breach, conflict with, constitute a default under, accelerate or permit the acceleration of the performance required by (x) any of the terms of the Certificate of Incorporation or bylaws or other organizational documents of the Company or any of its Subsidiaries or any resolution adopted by the board of directors or Stockholders of the Company or any of its Subsidiaries, or (y) any Contract or Encumbrance to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound, or (z) any law, judgment, decree, order, rule, regulation, permit, license or other legal requirement of any Government Authority applicable to the Company or any of its Subsidiaries; (ii) give any Person the right to declare a default, exercise any remedy or accelerate the performance or maturity under any such Contract or cancel, terminate or modify any such Contract; (iii) give any Government Authority or other Person the right to challenge any of the transactions contemplated by this Agreement; (iv) give any Government Authority the right to revoke, withdraw, suspend, cancel, terminate or modify, any permit or license that is held by the Company or that otherwise relates to the Company's business or to any of the assets owned or used by the Company or any of its Subsidiaries; or (v) result in the creation or imposition of any Encumbrance, possibility of Encumbrance, or restriction in favor of any Person upon the Company Common Stock or any of the properties or assets of the Company or any of its Subsidiaries. Other than as set forth on Schedule 3.3(b), no notice to, filing with, or consent of, any Person is necessary in connection with, and no "change of control" provision is triggered by, the approval, adoption, execution, delivery or performance by the Company of this Agreement and the other documents contemplated hereby or the consummation by the Company of the transactions contemplated hereby or thereby.

3.4 Capitalization.

(a) The authorized capital stock of the Company consists solely of 500,000 shares of Company Common Stock, of which 220,438.70 shares have been issued and are outstanding. Except as set forth on Schedule 3.4(a), there are no shares of the Company's capital stock held in the Company's treasury. Schedule 3.4(a) sets forth the names of the Stockholders, the addresses of the Stockholders and the number of shares of Company Common Stock owned of record and beneficially by each Stockholder. Except as set forth on Schedule 3.4(a), there are no other authorized, issued or outstanding shares of capital stock of the Company. All of the issued and outstanding shares of capital stock of the Company and its Subsidiaries have been duly authorized and validly issued, and are fully paid and non-assessable. Except as set forth on Schedule 3.4(a), no restrictions on transfer, repurchase option, preemptive rights or rights of first refusal exist with respect to any shares of capital stock of the Company or any of its Subsidiaries, and no such rights arise by virtue of or in connection with the transactions contemplated hereby; and, to the extent permitted by Law, the Stockholders have waived any and all such rights. The Company has not issued any certificates with respect to any of the shares of capital stock of the Company.

(b) Schedule 3.4(b) sets forth a true, accurate and complete list setting forth the name of each holder (and each former holder) of Company Options, the date of grant of each grant of Company Options to such holder, the number of shares of Company Common Stock subject to such grant, the exercise price for each such grant, the number of Company Options cancelled, and the number of Company Options exercised for Company Common Stock. Except as set forth on Schedule 3.4(b), there are no issued or outstanding shares of capital stock of the Company or any of its Subsidiaries that are restricted or subject to repurchase or substantial risk of forfeiture. Except as set forth on Schedule 3.4(b), there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable) to acquire or sell or issue, or otherwise relating to, any shares of the capital stock or other securities of the Company or any of its Subsidiaries; (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any shares of the capital stock or other securities of the Company or any of its Subsidiaries (including any convertible debt); (iii) Contract under which the Company or any of its Subsidiaries is or may become obligated to sell or otherwise issue any shares of their capital stock or any other securities; or (iv) condition or circumstance that may give rise to or provide a basis for the assertion of a claim by any Person to the effect that such Person is entitled to acquire or receive any shares of capital stock or other securities of the Company or any of its Subsidiaries. There are no outstanding stock appreciation, phantom stock, profit participation or other similar rights with respect to the Company or any of its Subsidiaries. The Company Option Plan is the only option, equity incentive or similar plan involving the purchase of Company securities that is in effect. Correct and complete copies of (A) the Company Option Plan, (B) the standard forms of award agreements under the Company Option Plan and (C) each agreement for each Company Option that does not conform to the standard award agreements under the Company Option Plan have been delivered to Parent.

(c) Except as set forth on Schedule 3.4(c), there are no proxies, voting rights, stockholders agreements or other agreements or understandings with respect to the voting or transfer of the capital stock of the Company or any of its Subsidiaries. To the extent the Company or any of its Representatives relies upon or invokes a proxy for purposes of causing any Stockholder to execute the Written Consents, all such proxies are legal, valid, binding and enforceable against such Stockholder or Stockholders for purposes of having such Stockholder or Stockholders execute the Written Consents. All shares of Company Common Stock, all Company Options and all other securities of the Company have been issued in compliance with (i) all applicable federal and state securities laws and other applicable legal requirements, and (ii) any pre-emptive rights, rights of first refusal or other requirements set forth in applicable Contracts. Any shares of capital stock or other securities repurchased, redeemed or otherwise reacquired by the Company or any of its Subsidiaries were validly reacquired in compliance with (A) the applicable provisions of the DGCL and all other applicable Laws, and (B) any requirements set forth in applicable Contracts. Neither the Company nor any of its Subsidiaries is obligated to redeem or otherwise acquire any of its outstanding shares of capital stock.

(d) Schedule 3.4(d) sets forth a list of the Company's Subsidiaries. For each of the Company's Subsidiaries, Schedule 3.4(d) sets forth: (i) the authorized capital stock or membership interests, (ii) the number of shares of each class of capital stock or membership interests that have been issued and are outstanding, (iii) the number of shares of capital stock or membership interests held in such Subsidiary's treasury, (iv) the names of the stockholders or members of such Subsidiary and (v) the addresses of such stockholders or members in their respective states of legal residence and the number of shares of each class of capital stock or membership interests of such Subsidiary owned of record and beneficially by each such stockholder or member. Except as set forth on Schedule 3.4(d), all of the Company's Subsidiaries are wholly owned by the Company. Except as set forth on Schedule 3.4(d), neither the Company nor or any of its Subsidiaries has (i) direct or indirect debt, equity or other investment or interest in any Person or any joint venture or (ii) strategic alliance or teaming agreements with any Person (either pursuant to a written Contract or a Contract in the process of being negotiated). Neither the Company nor any of its Subsidiaries has any commitments to contribute to the capital of, make loans to or share losses of, any Person (either pursuant to a written Contract or a Contract in the process of being negotiated). Except as set forth on Schedule 3.4(d), there are no entities that have been merged into or consolidated with or that otherwise are predecessors to the Company.

3.5 Financial Statements.

(a) Schedule 3.5(a) includes true, complete and correct copies of (i) the Year-End Financials and (ii) the Interim Financials. Each of the Financial Statements (including in all cases the notes thereto, if any) is accurate and complete in all material respects, is consistent with the Company's and its Subsidiaries' books and records (which, in turn, are accurate and complete in all material respects), presents fairly, in all material respects, the Company's and its Subsidiaries' financial condition and results of operations as of the times and for the periods referred to therein, and has been prepared in accordance with GAAP, subject, in the case of the Interim Financials, to year-end adjustments and the absence of footnotes. Except as disclosed therein or in Schedule 3.5(a) hereto, during the periods covered by the Financial Statements and since the Balance Sheet Date, there has been no material change in the Company's accounting policies. Except as disclosed therein or in Schedule 3.5(a) hereto, there are no material, special or non-recurring items of income or expense during the periods covered by the Financial Statements and the balance sheets included in the Financial Statements do not reflect any write-up or revaluation increasing the book value of any assets. Except as set forth on Schedule 3.5(a), all revenues recognized by the Company and its Subsidiaries have been recognized in accordance with GAAP. There have been no transactions involving the business of the Company and its Subsidiaries that properly should have been set forth in the Financial Statements and that have not been accurately so set forth. Schedule 3.5(a) sets forth a list of any off-balance sheet financing arrangements of the Company and its Subsidiaries and any non-operating assets, prepaid items and deposits as of the Balance Sheet Date. Since December 31, 2012, the Company's accounting firm has not informed the Company that it has any material questions, challenges or disagreements regarding or pertaining to the Company's accounting policies or practices. The Company has made available to Parent copies of each management letter or other letter delivered to the Company or any of its Subsidiaries by its accounting firm in connection with the Financial Statements or relating to any review by such accounting firm of the internal controls of the Company or any of its Subsidiaries since January 1, 2013.

(b) Schedule 3.5(b) provides an accurate and complete breakdown and aging of all accounts receivable, notes receivable and other receivables of the Company and its Subsidiaries as of the Balance Sheet Date. Except as set forth in Schedule 3.5(b), all existing accounts receivable of the Company and its Subsidiaries (including those accounts receivable reflected on the Balance Sheet or arising since the Balance Sheet Date that have not yet been collected) and all accounts receivable to be reflected on the Closing Date Balance Sheet (i) represent valid obligations of customers of the Company and its Subsidiaries arising from bona fide transactions entered into in the ordinary course of business, and (ii) are current and will be collected in full, without any counterclaim or set off, when due (and in no event later than ninety (90) days after the Closing Date). Except as disclosed on Schedule 3.5(b), no Person has any Encumbrance on such receivables or any part thereof, and no agreement for deduction, free goods, discount or other deferred price or quantity adjustment shall have been made with respect to any such receivables.

(c) The accounts, books and records of the Company and its Subsidiaries (i) have recorded therein the results of operations and the assets and liabilities of the Company and each of its Subsidiaries, required to be reflected under GAAP and (ii) are accurate, up to date and complete, in all material respects, and have been maintained in accordance with prudent business practices and applicable Laws. The Company maintains a system of accounting and internal controls and procedures as are necessary to ensure that (i) the financial records and financial statements are complete and accurate in all material respects; (ii) material transactions are executed with management's authorization; (iii) transactions are recorded as necessary to permit preparation of the financial statements of the Company and its Subsidiaries and to maintain accountability for the Company's assets; (iv) access to the Company's material assets is permitted only in accordance with management's authorization; (v) the reporting of the Company's assets is compared with existing assets at regular intervals and appropriate action is taken with respect to any differences; (vi) accounts, notes and other receivables and inventory are recorded accurately, and proper and adequate procedures are implemented to effect the collection thereof on a current and timely basis; and (vii) material information regarding the Company and its financial condition is accumulated and communicated to the Company's management, including its principal executive and financial officers. Except as set forth on Schedule 3.5(c), there are no deficiencies or weaknesses in the design or operation of internal controls over financial reporting that could reasonably be expected to adversely affect the Company's ability to record, process, summarize and report financial information, and there is no fraud, whether or not material, that involves management or, to the Company's knowledge, other employees who have a significant role in the Company's internal controls and the Company has provided to Parent copies of any written materials relating to the foregoing.

3.6 Liabilities. Except as disclosed on Schedule 3.6, there are no Liabilities of the Company or its Subsidiaries other than (a) Liabilities reflected on the Balance Sheet and not previously paid or discharged and (b) accounts payable incurred after the Balance Sheet Date arising in the ordinary course of business and consistent with past practice (none of which, in either case, results from, arises out of, relates to, is in the nature of or was caused by any breach of contract, breach of warranty, tort, infringement or violation of Law). Neither the Company nor any of its Subsidiaries is a guarantor or otherwise liable for any Liabilities of any other Person other than endorsements for collection in the ordinary course of business. Schedule 3.6 provides an accurate and complete breakdown and aging as of the Balance Sheet Date of (i) all accounts payable of the Company and its Subsidiaries, (ii) all notes payable of the Company and its Subsidiaries and all Indebtedness, and (iii) all Transaction Expenses. Neither the Company nor any of its Subsidiaries is a party to, or has any commitment to become a party to, (A) any Contract associated with off-balance sheet financing, including any arrangement for the sale of receivables, (B) any hedging, derivatives or similar Contract or arrangement or (C) any Contract pursuant to which the Company or any of its Subsidiaries is obligated to make any capital contribution or other investment in or loan to any Person.

3.7 Adverse Changes. Except as set forth on Schedule 3.7, since the Balance Sheet Date, the Company and its Subsidiaries have operated their businesses in the ordinary course and consistent with past practice, and none of the Company or any of its Subsidiaries has: (i) suffered a Material Adverse Effect or any effect, event or change which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect on the Company and its Subsidiaries, taken as a whole; (ii) suffered any damage to or loss of its assets in excess of Fifty Thousand Dollars ($50,000), or suffered any material interruption in the use of the Company's or its Subsidiaries' assets or business (whether or not covered by insurance) or suffered any destruction of its books and records; (iii) declared, set aside or paid any dividend (whether in cash, stock or property) with respect to any capital stock of the Company or any of its Subsidiaries or repurchased or redeemed any capital stock of the Company or any of its Subsidiaries; (iv) granted any current or former director, officer, employee or consultant of the Company or any of its Subsidiaries any bonus opportunity or increase in compensation or benefits; (v) made any capital expenditures that aggregate in excess of One Hundred Fifty Thousand Dollars ($150,000); (vi) taken any action, omitted any action or entered into any agreement or understanding which, if taken, omitted or entered into during the period from the date of this Agreement until the Closing Date, would constitute a breach of Section 6.2 hereof; or (vii) committed or agreed to any of the foregoing set forth in (i) through (vi) above.

3.8 Employee Benefit Plans.

(a) Schedule 3.8(a)(i) contains a true, correct and complete list of each pension, profit-sharing, savings, retirement, collective bargaining, severance pay, termination, executive compensation, incentive compensation, deferred compensation, bonus, stock purchase, stock option, phantom stock or other equity-based compensation, change-in-control, retention, salary continuation, vacation, sick leave, disability, death benefit, group insurance, hospitalization, medical, dental, life (including all individual life insurance policies as to which the Company or any of its Subsidiaries is the owner, the beneficiary or both), Code Section 125 "cafeteria" or "flexible" benefit, employee loan, educational assistance or fringe plan, program, policy, practice, agreement or arrangement, whether written or oral, formal or informal, including each such "employee benefit plan" within the meaning of Section 3(3) of ERISA, and other such employee benefit plan, program, policy, practice, agreement, or arrangement, whether or not subject to ERISA, (i) under which any current or former employee, director, consultant or independent contractor of the Company or any of its Subsidiaries or any of their ERISA Affiliates has any present or future right to benefits and (ii) that is maintained, sponsored or contributed to by the Company or any of its Subsidiaries or any of their ERISA Affiliates, or which the Company or any of its Subsidiaries or any of their ERISA Affiliates has any obligation to maintain, sponsor or contribute, or (iii) with respect to which the Company or any of its Subsidiaries or any of their ERISA Affiliates has any direct or indirect liability, whether contingent or otherwise (each, a "Company Plan"). Schedule 3.8(a)(ii) identifies each ERISA Affiliate.

(b) The Company has provided to Parent with respect to each applicable Company Plan correct and complete copies of: (i) a copy of the annual report (if required under ERISA) with respect to each such Company Plan for the last three (3) years (including all schedules and attachments); (ii) a copy of the summary plan description, together with each summary of material modification required under ERISA with respect to such Company Plan; (iii) a true and complete copy of each written Company Plan (including all amendments not incorporated into the documentation for each such plan); (iv) all trust agreements, insurance contracts, and similar instruments with respect to each funded or insured Company Plan; (v) copies of all nondiscrimination and top-heavy testing reports for the last three (3) plan years with respect to each Company Plan that is subject to nondiscrimination and/or top-heavy testing; and (vi) any investment management agreements, administrative services contracts or similar agreements that are in effect as of the date hereof relating to the ongoing administration and investment of any Company Plan.

(c) No Company Plan is, and none of the Company, any of its Subsidiaries or any of their ERISA Affiliates currently maintains, contributes to or participates in, nor does the Company, any of its Subsidiaries or any of their ERISA Affiliates have any obligation to maintain, contribute to or otherwise participate in, or have any liability or other obligation (whether accrued, absolute, contingent or otherwise) under, any (i) "multiemployer plan" (within the meaning of Section 3(37) of ERISA), (ii) "multiple employer plan" (within the meaning of Section 413(c) of the Code), (iii) "multiple employer welfare arrangement" (within the meaning of Section 3(40) of ERISA), or (iv) plan that is subject to the provisions of Title IV of ERISA or Section 412 of the Code. Neither the Company nor any of its Subsidiaries, nor any ERISA Affiliate, has any current Liability arising out of or by operation of Title IV of ERISA (other than liability for premiums to the Pension Benefit Guaranty Corporation arising in the ordinary course of business), including any Liability in connection with the termination or reorganization of any employee benefit plan subject to Title IV of ERISA. No Company Plan is maintained through a human resources and benefits outsourcing entity, professional employer organization, or other similar vendor or provider.

(d) Neither the Company nor any Subsidiary of the Company has ever sponsored, maintained, administered, contributed to, had any obligation to contribute to, or incurred any other liability under or with respect to any Company Plan which provides health, life or other coverage for former directors, officers or employees (or any spouse or former spouse or other dependent thereof), other than benefits required by Section 4980B of the Code, Part 6 of Title I of ERISA, or similar provisions of state law.

(e) Each Company Plan (and each related trust, insurance contract or fund) has been maintained, funded and administered in all material respects in accordance with its governing instruments and all applicable laws including ERISA and the Code. Except as set forth on Schedule 3.8(e), all payments by the Company, any of its Subsidiaries or any of their ERISA Affiliates required by any Company Plan or by applicable Law (including all employee and employer contributions, insurance premiums, or intercompany charges) have been timely made. All unpaid amounts attributable to any such Company Plan for any period prior to the Closing Date have been or will be accrued on the Company's consolidated Financial Statements in accordance with GAAP and, except to the extent of such accruals, the Company has no Liability arising out of or in connection with the form or operation of the Company Plans or benefits accrued thereunder on or prior to the Closing Date.

(f) Each Company Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is so qualified and is entitled to rely upon a favorable determination letter or opinion letter from the IRS with respect to such Company Plan as to its qualified status under the Code, and, to the Company's knowledge, nothing has occurred that could reasonably be expected to adversely affect such determination or opinion. All amendments required to maintain each such Company Plan's compliance, in all material respects, with applicable Law, including the Economic Growth and Tax Relief Reconciliation Act of 2001, the Pension Protection Act of 2006 (PPA), the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART), the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA), the Pension Relief Act of 2010 (PRA), the Small Business Job Act of 2010 (SBJA 2010) and the Moving Ahead for Progress in the 21st Century Act (MAP 21) and subsequent legislation or administrative requirements which have subsequently become effective through the date hereof, have been timely adopted and implemented. No Company Plan currently holds or within the past five (5) years has held securities of the Company, any of its Subsidiaries or any of their ERISA Affiliates. Except as set forth on Schedule 3.8(f), no Company Plan has ever been merged with or accepted Code Section 414(l) transfers from another employee pension benefit plan (within the meaning of Section 3(2) of ERISA).

(g) All reports, forms and other documents required to be filed with any Government Authority or furnished to employees with respect to any Company Plan (including summary plan descriptions, Forms 5500 and summary annual reports) have been timely filed or furnished and are accurate in all material respects.

(h) With respect to each applicable Company Plan, (i) no non-exempt "prohibited transaction," within the meaning of Section 4975 of the Code or Section 406 of ERISA, has occurred which would subject the Company or any of its Subsidiaries to any material Liability; (ii) there are no actions, suits or claims pending, or, to the Company's knowledge, threatened or anticipated (other than routine claims for benefits) against any such Company Plan or fiduciary thereto or against the assets of any such Company Plan; (iii) there are no audits, inquiries or proceedings pending or, to the Company's knowledge, threatened by any Government Authority with respect to any Company Plan; (iv) no matters are currently pending with respect to any Company Plan under the Employee Plans Compliance Resolution System maintained by the IRS or any similar program maintained by any other Government Authority; and (v) there has been no breach of fiduciary duty (including violations under Part 4 of Title I of ERISA) which has resulted or could reasonably be expected to result in material Liability to the Company, any Subsidiary of the Company or any of their respective employees.

(i) Benefits under each Company Plan that is an "employee welfare benefit plan" (within the meaning of Section 3(1) of ERISA, with the exception of any medical expense reimbursement arrangements subject to Sections 105 and 125 of the Code) are provided exclusively through insurance contracts or policies issued by an insurance company, health maintenance organization, or similar organization unrelated to the Company or any of its ERISA Affiliates, the premiums for which are paid directly by the Company or its ERISA Affiliates from its general assets or partly from its general assets and partly from contributions by its employees. Since January 1, 2014, neither the Company nor any of its Subsidiaries has paid for or reimbursed any employee's health or medical insurance premiums for any coverage other than that provided through the Company's or any of its Subsidiaries' group health plan.

(j) Except as set forth on Schedule 3.8(j), the consummation of the transactions contemplated by this Agreement will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under any Company Plan, trust or loan that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee, or any other material liability for the Company or Parent.

(k) Each Company Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, with no more than thirty (30) days' advance notice without material liability to the Company, any Subsidiary of the Company or Parent (except for benefits protected under Section 411(d) of the Code or Section 204(g) of ERISA and other than ordinary administration expenses typically incurred in a termination event). None of the Company Plans will be subject to any surrender fees, market value adjustment, deferred sales charges, commissions, or other fees or charges upon termination other than the normal and reasonable administrative fees associated with their amendment, transfer or termination. The Company may, without material cost, withdraw their employees, directors, officers and consultants from any employee benefit plan in which the Company is a participating employer or which the Company does not sponsor.

(l) Neither the Company nor any of its ERISA Affiliates has become obligated to make, or will as a result of any event connected directly or indirectly with any transaction contemplated herein become obligated to make, any "excess parachute payment" as defined in Section 280G of the Code (without regard to Section 280G(b)(4) thereof) nor any payment that would not be deductible by reason of Section 162(m) of the Code. There is no written or unwritten agreement, plan, arrangement or other contract by which either Company or any of its ERISA Affiliates are bound to compensate any individual for excise Taxes paid pursuant to Section 4999 of the Code.

(m) Each Company Plan, employment agreement, or other contract, plan, program, agreement, or arrangement that is a "nonqualified deferred compensation plan" (within the meaning of Section 409A(d)(1) of the Code) has been operated in good faith compliance with Section 409A of the Code, its Treasury regulations, and any administrative guidance relating thereto; and no additional Tax under Section 409A(a)(1)(B) of the Code has been or, to the Company's knowledge, is reasonably expected to be incurred by a participant in any such Company Plan, employment agreement, or other contract, plan, program, agreement, or arrangement. Neither the Company nor any Subsidiary of the Company is a party to, or otherwise obligated under, any contract, agreement, plan or arrangement that provides for the gross-up of Taxes imposed by Section 409A(a)(1)(B) of the Code.

(n) Neither the Company nor any ERISA Affiliate sponsors, maintains or contributes to, or is obligated to contribute to, any material employment, severance or similar contract or arrangement (whether or not written) or any material plan, policy, fund, program or arrangement or contract, including multiemployer plan, retirement savings, superannuation, pension, severance, employment, change-in-control, fringe benefit, bonus, incentive, deferred compensation and any other employee benefit plan, agreement, program, policy or other arrangement that is maintained outside the United States primarily for the benefit of Persons substantially all of whom are "nonresident aliens" within the meaning of Section 4(b)(4) of ERISA.

(o) The Company and its Subsidiaries have passed resolutions freezing the GSM Consulting, Inc. 401(k) Profit Sharing Plan & Trust (the "GSM 401(k) Plan"), effective January 1, 2017. The Company has timely issued PSS 401(k) Plan safe harbor notices to those participants.

3.9 Employee Matters.

(a) Schedule 3.9(a)(i) contains a complete and correct list of all employees of the Company and its Subsidiaries, their respective titles as of the date hereof (the "Company Employees"), the calendar year 2014 and 2015 compensation paid or payable to each such employee, including any bonuses, deferred compensation, equity or any other incentive pay, the date and amount of each such employee's most recent salary increase, the date of employment of each such employee and the accrued vacation time and sick leave or other paid time off of each such employee as of January 31, 2017. Except as set forth on Schedule 3.9(a)(ii), (i) the terms of employment or engagement of all directors, officers, Company Employees, agents, consultants and professional advisers of the Company and its Subsidiaries are such that their employment or engagement may be terminated at will with notice given at any time and without Liability for payment of compensation (other than accrued salary or wages earned prior to the effective time of such termination) or damages, (ii) there are no severance payments which are or could become payable by the Company or any of its Subsidiaries to any such person under the terms of any oral or written agreement or commitment or any Law, custom or practice, (iii) there are no other agreements, oral or written, between the Company or any of its Subsidiaries, on the one hand, and any such person, on the other hand, that could reasonably be expected to cause the Company or any of its Subsidiaries to incur a Liability in excess of Ten Thousand Dollars ($10,000) individually or Fifty Thousand Dollars ($50,000) in the aggregate, (iv) except as set forth on Schedule 3.9(a)(iii) and except for employees Parent has notified the Company that it does not intend to retain, no executive officer or material number of management level or senior technical employees of the Company or any of its Subsidiaries has provided written notice of or, to the Company's knowledge, has any plans to terminate his, her or their employment or relationship with the Company or any of its Subsidiaries and (v) to the Company's knowledge, there are no agreements between any Company Employee and any other Person which could reasonably be expected to restrict, in any manner, such Person's ability to perform services for the Company, its Subsidiaries or Parent. Except as set forth on Schedule 3.9(a)(iv), each Company Employee has executed an offer letter, a non-disclosure agreement and a non-competition agreement with the Company, in each case, on the Company's standard form, and each Company Employee's offer letter, non-disclosure agreement and non-competition agreement with the Company are in full force and effect.

(b) Neither the Company nor any of its Subsidiaries is, or has been at any time during the five (5) years preceding the date hereof, bound by or subject to (and none of its assets or properties are bound by or subject to) any arrangement with any labor union or other collective bargaining representative. No employee of the Company or any of its Subsidiaries is or has ever been represented by any labor union or covered by any collective bargaining agreement while employed by the Company or any of its Subsidiaries, and no campaign to establish such representation is in progress. With respect to the Company and its Subsidiaries, there is no pending or, to the Company's knowledge, threatened (i) strike, slowdown, picketing, work stoppage or employee grievance process, (ii) material charge, grievance proceeding or other claim against or affecting the Company or any of its Subsidiaries relating to the alleged violation of any law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission or any comparable Government Authority, (iii) union organizational activity or other labor or employment dispute against or affecting the Company or any of its Subsidiaries, or (iv) application for certification of a collective bargaining agent.

(c) Except as set forth on Schedule 3.9(c)(i), the Company and each of its Subsidiaries is and has been in material compliance with all applicable Laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, including any such Laws regarding employment documentation, equal employment opportunities, fair employment practices, payment of wages, reductions in force, plant closings and mass layoffs, working conditions, sexual harassment, employment discrimination, retaliation, overtime exemption designations, independent contractor designations, collective bargaining, employment taxes, immigration, workers' compensation, leaves of absence, family and medical leave, and occupational health and safety, and neither the Company nor any of its Subsidiaries has engaged in any unfair labor practice. Neither the Company nor any of its Subsidiaries is, or has ever been, liable for the payment of any compensation, damages, Taxes, fines, penalties or other amounts, however designated, for failure to comply with any of the foregoing. The Company and each of its Subsidiaries is and has been in compliance with its obligations and has not incurred any liability under the Worker Adjustment and Retraining Notification Act or any similar foreign, state or local Law, and all other notification and bargaining obligations arising under any applicable agreement, statute, or otherwise. All current and former Company Employees who are or were classified as exempt from overtime under the Fair Labor Standards Act and any applicable state or local Law are and have been accurately classified as such. Except as set forth on Schedule 3.9(c)(ii), all Persons classified by the Company or any of its Subsidiaries as non-employees, including, but not limited, to independent contractors, consultants, or otherwise, do satisfy and have satisfied the requirements of Law to be so classified, and the Company and each of its Subsidiaries has fully and accurately reported its compensation on IRS Forms 1099 when required to do so. Schedule 3.9(c)(iii) sets forth a list of all contractors and consultants who are providing professional services to the Company or any of its Subsidiaries as of the date hereof and opposite their names lists the time periods each contractor or consultant has been providing services. Except as set forth on Schedule 3.9(c)(iv), no Proceeding between the Company or any of its Subsidiaries, on the one hand, and any current or former Company Employees, independent contractors or non-employee service providers, on the other hand, has occurred since December 31, 2013, is pending or, to the Company's knowledge, threatened, and no Proceeding against the Company or any of its Subsidiaries related to the Company Employees, independent contractors or non-employee service providers, including under any worker's compensation policy or long-term disability policy (or comparable policies in the case of non-U.S. Persons), has occurred since December 31, 2013, is pending or, to the Company's knowledge, threatened.

(d) No third party has claimed or has threatened in writing to claim that any Person employed by, or providing professional services for, the Company or any of its Subsidiaries (i) has violated or may be violating any of the terms or conditions of his, her or its employment, non-competition, non-solicitation or non-disclosure agreement with such third party, (ii) has or may have disclosed or utilized any trade secret or proprietary information or documentation of such third party, or (iii) has interfered or may be interfering in the employment relationship between such third party and any of its present or former employees. To the Company's knowledge, no Person employed by or providing professional services for the Company has disclosed or used or has threatened to disclose or use any trade secret or any information or documentation proprietary to any former employer or violated any confidential relationship which such person may have had with any third party, in connection with the development, manufacture or sale of any Product or proposed Product or the development or sale of any service or proposed service of the Company.

(e) Schedule 3.9(e) lists (i) all the Company Employees who are currently on leave relating to work-related injuries and/or receiving disability benefits under any Company Plan and (ii) all Company Employees who are currently on a leave of absence (whether paid or unpaid), the reasons for the leave of absence, the expected return date, and whether reinstatement of each Company Employee on a leave of absence is guaranteed by contract or applicable Laws (including the Family and Medical Leave Act).

(f) The Company has provided to Parent accurate and complete copies of all employee handbooks and manuals of the Company and each of its Subsidiaries and all employment policy statements applicable to the Company and each of its Subsidiaries as of the date hereof.

(g) The Company and each of its Subsidiaries is in compliance with all applicable immigration, visa and work permit requirements with respect to each Company Employee and each individual independent contractor or other non-employee service provider of the Company and each of its Subsidiaries.

3.10 Taxes.

(a) The Company and its Subsidiaries have filed (or have had filed on their behalf) on a timely basis all material Tax Returns that they are required to have filed. Neither the Company nor any of its Subsidiaries has requested or been granted any extension of time within which to file any Tax Return, which Tax Return has not since been filed. All such Tax Returns are correct and complete in all material respects. All information included in Tax Returns filed by the Company and each of its Subsidiaries that may be relevant to future Tax obligations of the Company or its Subsidiaries, such as basis in property and deduction and credit carryovers, is complete and accurate in all material respects.

(b) All Taxes required to have been paid by the Company and its Subsidiaries (whether or not shown on any Tax Return) have been paid on a timely basis. Neither the Company nor any of its Subsidiaries has any Liability for Taxes not yet required to have been paid, other than Liabilities for Taxes reflected on the Balance Sheet or incurred in the ordinary course of business since the Balance Sheet Date. There are no Encumbrances on any of the assets of the Company or any of its Subsidiaries that arose in connection with any failure (or alleged failure) timely to pay any Tax. None of the Company or any of its Subsidiaries has participated within the preceding five (5) years in a "Tax amnesty" or similar program offered by any Taxing Authority to avoid the assessment of any Tax.

(c) The Company and its Subsidiaries have complied in all respects with all applicable Laws relating to withholding Taxes and information reporting (including maintenance of required records related thereto), and have, within the time and manner prescribed by Law, withheld from employee wages and other payments and paid over to the proper Government Authority all amounts required to have been so withheld and paid. The records of the Company and its Subsidiaries contain all information and documents necessary to comply in all material respects with applicable Tax information reporting and Tax withholding requirements under applicable Laws and such records identify with specificity all accounts subject to backup withholding under Section 3406 of the Code. The Company and its Subsidiaries have complied in all material respects with all documentation requirements relating to transactions in which the Company or any of its Subsidiaries has either claimed an exemption from payment of sales or use Tax or similar Taxes, or has not collected such Taxes from another Person in reliance on an exemption from such Taxes, including retention of sale for resale certificates provided by any such Person.

(d) During the last five (5) years, no Government Authority of a jurisdiction has asserted in writing that any of the Company or its Subsidiaries is or may be subject to either a type of Tax (including obligations to withhold amounts in respect of Tax) or an obligation to file a type of Tax Return other than a type of Tax or Tax Return that the Company or any of its Subsidiaries has, since such assertion, paid or filed in such jurisdiction for the most recently ended taxable period for which such Tax or Tax Return would be required to have been paid or filed. Since January 1, 2016, none of the Company or any of its Subsidiaries has conducted activities in any jurisdiction that will require the Company or any of its Subsidiaries to pay Tax or file a Tax Return of a type that it had not filed in the most recently ended preceding taxable period (as reflected in Schedule 3.10(e)) for which such type of Tax or Tax Return would be due.

(e) Schedule 3.10(e) lists all Tax Returns that the Company and each of its Subsidiaries have filed for taxable periods ending after January 1, 2010 (classified by filing entity, type of Tax, jurisdiction and the taxable period(s) covered) and identifies those Tax Returns or taxable periods that have been audited or are currently the subject of an audit by a Taxing Authority. For avoidance of doubt, any omission from Schedule 3.10(e) shall not be treated as a disclosure with respect to any other representation in this Section 3.10. The Company and its Subsidiaries have provided or made available to Parent complete and accurate copies of all of the following materials:

(i) all income Tax Returns filed by the Company and its Subsidiaries that relate to taxable periods ending after December 31, 2012;

(ii) all examination reports relating to Taxes or Tax Returns of the Company and its Subsidiaries issued by any Taxing Authority since January 1, 2013 in connection with any audits, examinations of Tax Returns or asserted failures to file Tax Returns or pay Taxes;

(iii) all statements of Taxes assessed against or agreed to by the Company or any of its Subsidiaries (or any of their respective stockholders or members with respect to the Company or any of its Subsidiaries) since January 1, 2013 that were not shown on Tax Returns filed for the relevant taxable period by the Company or any of its Subsidiaries (or any of their respective stockholders or members with respect to the Company or any of its Subsidiaries) before such assessment or agreement and all related correspondence;

(iv) all written rulings from, and written agreements with, any Government Authority relating to Tax obligations of the Company or any of its Subsidiaries that were either received since January 1, 2013 or would have continuing effect in the determination of Tax for any taxable period for which an affected Tax Return has not yet been filed or Tax paid by the Company or any of its Subsidiaries (or any of their respective stockholders or members with respect to the Company or any of its Subsidiaries), and any request for issuance of any ruling from a Taxing Authority relating to the Company or any of its Subsidiaries since January 1, 2013 (regardless of whether the requested ruling was issued);

(v) all elections relating to Taxes of the Company or any of its Subsidiaries (or any of their respective stockholders or members with respect to the Company or any of its Subsidiaries) that have been filed by or on behalf of the Company or any of its Subsidiaries (or any of their respective stockholders or members with respect to the Company or any of its Subsidiaries) that would have continuing effect in the determination of Tax of the Company or any of its Subsidiaries for any taxable period for which a Tax Return has not yet been filed or Tax paid (other than elections that are included in or apparent from Tax Returns referred to in clause (i) above); and

(vi) all Tax opinions relating to and in the audit files of the Company or its Subsidiaries relating to potential income Tax Liabilities of the Company and its Subsidiaries for taxable periods for which the statute of limitations on assessment has not yet expired.

(f) There is no audit or other Proceeding presently pending or, since January 1, 2015, to the Company's knowledge, threatened in writing, with regard to any Tax Liability or Tax Return of the Company or any of its Subsidiaries or any of their respective stockholders relating to the Company or any of its Subsidiaries. To the Company's knowledge, there are no existing circumstances that could reasonably be expected to result in the assertion of any material claim for Taxes against the Company or any of its Subsidiaries (or any of their respective stockholders or members relating to the Company or any of its Subsidiaries) by any Taxing Authority. None of the Company or any of its Subsidiaries (or any of their respective stockholders or members relating to the Company or any of its Subsidiaries), or any Person on their behalf, has waived any statute of limitations or agreed to any extension of time that has continuing effect with respect to assessment or collection of any Tax for which the Company or any of its Subsidiaries (or any of their respective stockholders or members relating to the Company or any of its Subsidiaries) may be held liable. Except as set forth on Schedule 3.10(f), there is not currently in effect any power of attorney authorizing any Person to act on behalf of the Company or any of its Subsidiaries or receive information relating to the Company or any of its Subsidiaries, with respect to any Tax matter (other than authorizations to contact Tax Return preparers that were included as an integral part of Tax Returns filed by or on behalf of the Company or any of its Subsidiaries).

(g) Neither the Company nor any of its Subsidiaries has made or agreed to make, and is not required to make, any change in method of accounting previously used by it in any Tax Return filed by the Company or any of its Subsidiaries, which change in method would require the Company or any of its Subsidiaries to make an adjustment to its income pursuant to Section 481(a) of the Code (or any similar provision) on any Tax Return in any taxable period for which the Company or any of its Subsidiaries has not yet filed a Tax Return; and neither is there any application pending with any Taxing Authority requesting permission for the Company or any of its Subsidiaries to make any change in any accounting method that would require such an adjustment, nor has the Company or any of its Subsidiaries received any written notice that a Taxing Authority proposes to require a change in method of accounting used in any Tax Return previously filed by the Company or any of its Subsidiaries.

(h) Schedule 3.10(h) sets forth (i) the amount of deferred income Tax Liability attributable to timing differences that would be required to be shown on a financial statement of the Company and its Subsidiaries prepared in compliance with GAAP for a fiscal period ending on September 30, 2016 and (ii) the components thereof in the manner as would be set forth in the notes thereto. Neither the Company nor any of its Subsidiaries has taken any action not in accordance with past practice (as reflected in the Financial Statements) that would have (or to the Company's knowledge, would reasonably be expected to have) the effect of deferring a measure of Tax from a period (or portion thereof) ending on or before the Closing Date to a taxable period (or portion thereof) beginning after the Closing Date. Neither the Company nor any of its Subsidiaries has any deferred income arising out of any transaction that has not been adequately reserved for on the Balance Sheet, including deferred Taxes relating to (A) the disposition of any property in a transaction accounted for under the installment method pursuant to Section 453 of the Code, (B) the use of the long-term contract method of accounting or (C) the receipt of any prepaid amount for goods or services on or before the Closing Date.

(i) Neither the Company nor any of its Subsidiaries has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code at any time during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(j) No property owned by the Company or any of its Subsidiaries is (i) property required to be treated as being owned by another Person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986, (ii) "tax-exempt use property" within the meaning of Section 168(h)(1) of the Code, (iii) "tax-exempt bond financed property" within the meaning of Section 168(g) of the Code or (iv) property used predominately outside the United States within the meaning of Section 168(g)(1)(A) of the Code.

(k) Neither the Company nor any of its Subsidiaries is a party to any agreement under which it is treated as a lessor or lessee of "limited use property" within the meaning of Rev. Proc. 2001-28.

(l) Neither the Company nor any of its Subsidiaries has been either a "distributing corporation" or a "controlled corporation" within the meaning of Section 355(a)(1)(A) of the Code in a distribution qualifying (or intended to qualify) under Section 355 of the Code (or so much of Section 356 as relates to Section 355).

(m) Neither the Company nor any of its Subsidiaries has a "permanent establishment" in any foreign country, as defined in any applicable Tax treaty or convention between the United States of America and such foreign country, and has not otherwise engaged in activities that have exposed, or will expose, it to the taxing jurisdiction of a foreign country. The Company and each of its Subsidiaries is in compliance with the terms and conditions of any applicable Tax exemptions, Tax agreements or Tax orders of any Taxing Authority to which it may be subject or that it may have claimed, and the transactions contemplated by this Agreement will not have any adverse effect on such compliance.

(n) To the extent that any of the Company or any of its Subsidiaries has applied for, received and used aid granted by a Government Authority, in whatever form, in the nature of Tax incentives or benefits that are not generally available to all similarly situated taxpayers without specific application or approval, such aid was availed of only in accordance with applicable Laws and in compliance with all regulatory orders, conditions and impositions. No such aid will have to be unwound, repaid or discontinued as a result of the consummation of the transactions contemplated by this Agreement or, to the Company's knowledge, any other existing circumstance.

(o) Any and all transactions between or among the Company or any of its Subsidiaries, on the one hand, and any other Persons directly or indirectly related to the Company or any of its Subsidiaries, on the other hand, have at all times occurred on arm's-length terms, as if between and among unrelated parties. To the extent required, the Company and its Subsidiaries have properly and in a timely manner documented its transfer pricing methodology in compliance with Section 6662(e) (and any related sections) of the Code, the Treasury regulations promulgated thereunder and any comparable provisions of state, local, domestic or foreign Tax Law.

(p) Neither the Company nor any of its Subsidiaries has been subject to (i) the dual consolidated loss provisions of the Section 1503(d) of the Code, (ii) the overall foreign loss provisions of Section 904(f) of the Code or (iii) the recharacterization provisions of Section 952(c)(2) of the Code.

(q) Neither the Company nor any of its Subsidiaries has participated in, or cooperated with, an international boycott within the meaning of Section 999 of the Code.

(r) Neither the Company nor any of its Subsidiaries has, in the past ten (10) years, acquired assets from another Person (or was treated or required to be treated for Tax purposes as acquiring assets of a Person by reason of change in Tax status of such Person) in a transaction in which the federal income Tax basis for the acquired assets (other than cash) is required to have been determined, in whole or in part, by reference to the Tax basis of the acquired assets in the hands of such transferring Person. Schedule 3.10(r) sets forth a list of (i) any Person that has ever merged with or into the Company or any of its Subsidiaries, (ii) any Person a majority of whose capital stock (or similar outstanding ownership interests) has ever been acquired by the Company or any of its Subsidiaries, and (iii) any Person all or substantially all of whose assets have ever been acquired by the Company or any of its Subsidiaries.

(s) Neither the Company nor any of its Subsidiaries has been a party to any Tax allocation, Tax sharing or similar agreement or arrangement under which the Company or any of its Subsidiaries may be held liable to another Person in respect of Taxes payable by such Person (including any agreement by which the Company or any its Subsidiaries has agreed to allocate Tax Liabilities computed on a consolidated, combined, unitary or similar basis among entities, or agreed to indemnify any other Person against Tax Liabilities). None of the Company or any of its Subsidiaries is party to any agreement or arrangement requiring it to (i) indemnify or otherwise reimburse any other Person against Losses attributable to imposition of Taxes (other than agreements entered into in the ordinary course of business with Persons other than employees or service providers, a significant purpose of which was not the allocation or payment of Tax Liability and in which such provisions regarding Taxes are normally included such agreements or arrangements) or (ii) allocate Tax attributes or otherwise take a specified reporting position in any Tax Return of the Company or any of its Subsidiaries, if, in each case, such agreement would continue in effect or impose any obligation on the Company or any of its Subsidiaries after the Closing Date.

(t) Except as set forth on Schedule 3.10(t), and other than a group of which the Company is presently the common parent corporation, neither the Company nor any of its Subsidiaries (i) has been a member of an "affiliated group" (within the meaning of Section 1504(a) of the Code) or similar group of entities with which the Company or any of its Subsidiaries joined, or was or may be required to join, for any taxable period, in making a consolidated federal income Tax Return or other Tax Return in which Tax Liability was or would be required to be computed on a consolidated, combined, unitary or similar basis, or (ii) may be held liable for payment of Taxes owed by any other Person, including Tax payable by reason of Contract, assumption, transferee liability, operation of Law or Treasury Regulations Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under Law).

(u) Neither the Company nor any of its Subsidiaries (i) is, or has been since January 1, 2016, a party to any joint venture, partnership or other agreement or arrangement that is treated or required to be treated as a partnership for federal income Tax purposes and (ii) owns, or has owned since January 1, 2016, any interest in an entity that either is treated as an entity disregarded as separate from its owner for federal Tax purposes or is an entity as to which an election pursuant to Treasury Regulations Section 301.7701-3 has been made.

(v) Neither the Company nor any of its Subsidiaries has been a beneficiary or has otherwise participated in any "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b)(1) that was or is required to be disclosed under Treasury Regulations Section 1.6011-4. To the Company's knowledge, no Tax Return filed by or on behalf of the Company or any of its Subsidiaries (i) has contained a disclosure statement under Section 6662 of the Code (or any similar provision of Law) or (ii) has been filed by or on behalf of the Company or any of its Subsidiaries with respect to which the preparer of such Tax Return advised consideration of inclusion of such a disclosure, which disclosure was not made.

3.11 Property.

(a) Neither the Company nor any of its Subsidiaries owns, or has, at any time since September 1, 2007 (with respect to the Company) or the date of acquisition by the Company (with respect to any Subsidiary), owned, any real property. Schedule 3.11(a) sets forth an accurate and complete list of all real property leased by the Company and its Subsidiaries or to which the Company or its Subsidiaries may have any leasehold rights (collectively, the "Facilities"). True, complete and correct copies of all leases of real property listed on Schedule 3.11(a) have been delivered or made available to Parent. Except as otherwise disclosed on Schedule 3.11(a), to the Company's knowledge, no Person, other than the owner of such real property and the Company or its Subsidiaries, has any rights (including rights arising under an installment contract, option to purchase, easement, right-of-way, or otherwise) with respect to the Facilities or any part thereof. All leases set forth on Schedule 3.11(a) are in full force and effect and constitute valid and binding agreements of the Company (or one or more of its Subsidiaries) and the other party or parties thereto in accordance with their respective terms.

(b) Schedule 3.11(b) sets forth an accurate list of all owned and leased personal property of the Company and its Subsidiaries valued in excess of Ten Thousand Dollars ($10,000), including an indication as to which assets are currently owned, or were formerly owned, by any current or former stockholders or Affiliates of the Company or its Subsidiaries. True, complete and correct copies of all leases of personal property and equipment listed on Schedule 3.11(b) have been delivered to Parent. All of the personal property listed on Schedule 3.11(b) is in good working order and condition, ordinary wear and tear excepted. All material personal property used by the Company or its Subsidiaries is either owned by the Company or its Subsidiaries or leased under an agreement listed on Schedule 3.11(b). All leases set forth on Schedule 3.11(b) are in full force and effect and constitute valid and binding agreements of the Company or one or more of its Subsidiaries, as applicable, and the other party or parties thereto in accordance with their respective terms, assuming such party's due authorization, execution and delivery thereof.

(c) The Company and each of its Subsidiaries has good and marketable title to the Company's and its Subsidiaries' respective assets, free and clear of any and all Encumbrances and defects in title. The Company's and its Subsidiaries' respective assets, taken together, are adequate and sufficient for the operation of the Company's business as currently conducted and the Company reasonably believes that such assets, taken together, will be adequate and sufficient for operating its business after the Closing as presently proposed by the Company to be conducted. To the Company's knowledge, there are no facts or conditions affecting the Company's or its Subsidiaries' respective assets which could, individually or in the aggregate, reasonably be expected to interfere in any material respect with the use, occupancy or operation thereof as currently used, occupied or operated, or their adequacy for such use.

3.12 Claims and Litigation. Schedule 3.12 describes all pending Proceedings that have been commenced by or against the Company or any of its Subsidiaries and the status thereof. Except as set forth on Schedule 3.12, there is no Proceeding pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries or their respective assets before any court, agency, authority or arbitration tribunal. To the Company's knowledge, there are no facts in existence as of the date hereof that could reasonably be expected to result in any such Proceeding. Except as set forth on Schedule 3.12, neither the Company nor any of its Subsidiaries has received in the past five (5) years any opinion or legal advice in writing to the effect that it is exposed from a legal standpoint to any Liability or disadvantage which may be material to the business of the Company or any of its Subsidiaries as previously or presently conducted or as presently proposed by the Company to be conducted. None of the Company, its Subsidiaries or any of their respective officers or other employees is subject to or in default with respect to any notice, order, writ, injunction or decree of any Government Authority or arbitration tribunal.

3.13 Compliance with Laws.

(a) The Company and each of its Subsidiaries has complied, in all material respects, at all times, and each is currently in compliance in all material respects with all Laws, including but not limited to the False Claims Act, the anti-fraud provisions of the Contract Disputes Act, the Anti-Kickback Act, the Federal Election Campaign Act, the Sherman Act, the Clayton Act, the Truth in Negotiations Act, the Services Contract Act, the Procurement Integrity Act, the Byrd Amendment (31 U.S.C. § 1352), the Arms Export Control Act, the Export Administration Act of 1979, as amended and implemented under the International Emerging Economic Powers Act or otherwise, and the Laws under the administration of the Office of Foreign Asset Control, and is currently in compliance in all material respects with applicable privacy Laws and each act's respective regulations. The Company and each of its Subsidiaries has all material licenses, permits, approvals, qualifications or the like, from any Government, Government Authority or Person necessary for the conduct of its business as conducted and as presently proposed by the Company to be conducted at any time within the twelve-month period following the date hereof, all such items are in full force and effect, and the Company and each of its Subsidiaries is and has at all times been in material compliance with the terms thereof. To the Company's knowledge, there are no facts or circumstances in existence that could reasonably be expected to prevent the Company from renewing each such license and permit. Neither the Company nor any of its Subsidiaries has received any written notice or citation for any actual or potential noncompliance with any of the foregoing in this Section 3.13, and, to the Company's knowledge, there exists no condition, situation or circumstance, nor has there existed such a condition, situation or circumstance, which, after notice or lapse of time, or both, would constitute noncompliance with or give rise to future Liability with regard to any of the foregoing in this Section 3.13.

(b) Neither the Company nor any of its Subsidiaries (nor any director, officer, principal, assignee, partner, agent, or employee of the Company or any of its Subsidiaries nor any other Person, acting on behalf of the Company or any of its Subsidiaries) has, directly or indirectly: (i) used any of the Company's or any of its Subsidiaries' funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from the Company's or any of its Subsidiaries' funds; (iii) violated (or taken any action to promote or conceal any violation of) any provision of the Foreign Corrupt Practices Act, 15 U.S.C. sections 78dd-1, -2, or any equivalent foreign law; (iv) established or maintained any unlawful fund of the Company's or any of its Subsidiaries' monies or other assets; (v) made any false or fictitious entry on the books or records of the Company or any of its Subsidiaries; or (vi) made any bribe, payoff, influence payment, kickback, or other unlawful payment, to any person or entity, private or public, regardless of form, whether in money, property, or services, to obtain favorable treatment in securing business or to obtain special concessions for the Company or any of its Subsidiaries, or to pay for favorable treatment for business secured or for special concessions already obtained for the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has conducted or initiated any internal investigation or made a voluntary or involuntary disclosure to any Government Authority with respect to any alleged act or omission arising under or relating to any noncompliance with the Foreign Corrupt Practices Act, 15 U.S.C. sections 78dd-1, -2, or any equivalent foreign law.

(c) The Company and each of its Subsidiaries is in compliance with all United States import and export Laws (including those laws under the authority of U.S. Departments of Commerce (Bureau of Industry and Security) codified at 15 CFR, Parts 700-799; Homeland Security (Customs and Border Protection) codified at 19 CFR, Parts 1-199; State (Directorate of Defense Trade Controls) codified at 22 CFR, Parts 103, 120-130; and Treasury (Office of Foreign Assets Control) codified at 31 CFR, Parts 500-599). The Company and each of its Subsidiaries has conducted its export transactions in accordance in all material respects with applicable provisions of U.S. export laws and regulations, and other export laws of the countries where it conducts business. Without limiting the foregoing: (i) the Company and its Subsidiaries have obtained all export licenses and other approvals required for its exports of products, software and technologies from the U.S., (ii) the Company and each of its Subsidiaries is in compliance in all material respects with the terms of such applicable export licenses or other approvals, (iii) there are no pending or, to the Company's knowledge, threatened claims against the Company or any of its Subsidiaries with respect to such export licenses or other approvals, and (iv) to the Company's knowledge, there are no actions, conditions or circumstances pertaining to the Company's or any of its Subsidiaries' export transactions that would reasonably be expected to give rise to any material future claims.

(d) No termination of any facility or personnel security clearance of the Company or any of its Subsidiaries has occurred or has been threatened in writing. The Company, each of its Subsidiaries and each of their respective officers, directors or employees who hold or have held security clearances are and have been in compliance in all material respects, or with respect to former officers, directors or employees, complied in all material respects until the time that such Persons were no longer officers, directors or employees of the Company or any of its Subsidiaries, with all applicable obligations (including registration, certification and training) in respect of such security clearances, including applicable requirements of NISPOM. None of the Company or any of its Subsidiaries has been subject to any security audit or inspection by the U.S. Government for which it has received less than a satisfactory rating. Each of the Company and its Subsidiaries has conducted its operations in material compliance with all national security obligations, including those specified in the NISPOM or any other requirements to adequately safeguard classified information that are required by the facility security clearances of the Company and its Subsidiaries or the individual security clearances of the officers, directors or employees of the Company and its Subsidiaries. The Company has established internal controls, policies and procedures intended to provide reasonable assurance regarding compliance with NISPOM.

3.14 Government Contracts and Bids.

(a) Schedule 3.14(a) lists, with respect to the Company and each of its Subsidiaries, all: (i) Government Contracts, the period of performance of which has not yet expired or terminated or is subject to audit in accordance with its terms or for which final payment has not yet been received (the "Current Government Contracts"); and (ii) quotations, bids and proposals for awards of new Government Contracts made by the Company or its Subsidiaries for which no award has been made and for which the Company believes there is a reasonable prospect that such an award to the Company or any of its Subsidiaries may yet be made (the "Government Contract Bids"). With respect to each Current Government Contract, Schedule 3.14(a) accurately lists (A) the contract number, (B) the award date and (C) the contract end date. Attached to Schedule 3.14(a) is the "contract data sheet" for each Current Government Contract listed on such Schedule 3.14(a). With respect to each such Government Contract Bid, Schedule 3.14(a) accurately lists: (A) the request for proposal (RFP) number or, if such Government Contract Bid is for a task order under a prime contract, the applicable prime contract number; (B) the date of proposal submission; (C) the expected award date, if known; (D) the estimated period of performance; and (E) the estimated value based on the proposal, if any. The Company has delivered to Parent true and complete copies of all Current Government Contracts and of all Government Contract Bids, including any and all amendments and other modifications thereto. All of the Current Government Contracts were legally awarded, are binding on the parties thereto, and are in full force and effect. The Current Government Contracts (or, where applicable, the prime Government Contracts under which the Current Government Contracts were awarded) are not currently the subject of bid or award protest Proceedings, and to the Company's knowledge, no such Current Government Contracts (or, where applicable, the prime Government Contracts under which the Current Government Contracts were awarded) are reasonably likely to become the subject of bid or award protest Proceedings, and, to the Company's knowledge, no Person has notified the Company or any of its Subsidiaries in writing that any Government Authority, prime contractor or higher-tier subcontractor under a Government Contract intends to seek (at any time within six (6) months following the Closing) the Company's or any of its Subsidiaries' agreement to lower rates under any of the Government Contracts or Government Contract Bids, including any task order under any Government Contract Bids.

(b) The Company and each of its Subsidiaries has complied in all material respects with the terms and conditions of each Government Contract and Government Contract Bid to which it is a party, and has performed, in all material respects, all obligations required to be performed by it thereunder. The Company and each of its Subsidiaries has complied in all material respects with all statutory and regulatory requirements, including the Armed Services Procurement Act, the Federal Procurement and Administrative Services Act, the Truth in Negotiations Act, any Federal Acquisition Regulation ("FAR"), any applicable agency-specific FAR supplement or acquisition regulation and related cost principles and the Cost Accounting Standards, where and as applicable to each of the Current Government Contracts and the Government Contract Bids. The representations, certifications and warranties made by the Company and each of its Subsidiaries with respect to the Government Contracts or Government Contract Bids were accurate in all material respects, as of their effective dates, and the Company and each of its Subsidiaries has complied in all material respects with all such certifications. Neither the Company nor any of its Subsidiaries has received a substantially adverse or negative government past performance evaluation or rating in writing that could reasonably be expected to adversely affect in any material respect the evaluation by the Government Authority or other potential customer of the Company's or any of its Subsidiaries' bids or proposals for future Government Contracts.

(c) Except as set forth on Schedule 3.14(c), with respect to the Current Government Contracts, no Government Authority, prime contractor or higher-tier subcontractor under a Government Contract or any other Person has notified the Company or any of its Subsidiaries in writing or, to the Company's knowledge, orally of any actual or alleged violation or breach of any statute, regulation, representation, certification, disclosure obligation, contract term, condition, clause, provision or specification, including the Procurement Integrity Act, the Service Contract Act, the Trade Agreements Act and the Buy American Act.

(d) Except as set forth on Schedule 3.14(d), none of the Current Government Contracts or Government Contract Bids are premised upon the Company's or any of its Subsidiaries' small business status, small disadvantaged business status, protégé status, or other preferential status, nor did any Government Authority, prime contractor or higher-tier subcontractor under a Current Government Contract rely upon the Company's or any of its Subsidiaries' small business status, small disadvantaged business status, protégé status, or other preferential status in evaluating any of the Company's or any of its Subsidiaries' quotations, bids or proposals, or in making award of any Current Government Contract to the Company or any of its Subsidiaries. Each representation and/or certification made by the Company or any of its Subsidiaries that it was a small business concern and/or was qualified for other preferential status in each of its Government Contracts and Government Contract Bids was current and accurate as of its effective date. Except as set forth in Schedule 3.14(d), neither the Company nor any of its Subsidiaries has been required to recertify its small business status, small disadvantaged business status, protégé status or other preferential status in connection with the submission or any proposal for, or award of, any Contract or task order, delivery order, purchase order or subcontract issued related to any small-business set-aside Contract. Schedule 3.14(d) identifies the set-aside basis and the applicable NAICS codes that apply to the work being provided and shows by period the number of employees and the number of consultants (with a note stating how many of those consultants are former Company Employees).

(e) Schedule 3.14(e) lists the Company's and its Subsidiaries' current project charge codes, and with respect to each such charge code, Schedule 3.14(e) accurately lists: (i) the customer's contract number corresponding to the charge code; (ii) the customer's order number; (iii) the Company's or its Subsidiary's internal project charge code number; (iv) the corresponding project name; (v) the end date; (vi) inception to December 31, 2016 funding; (vii) inception to December 31, 2016 revenue received; and (viii) payments due as of thirty (30) days or less prior to the date of this Agreement for work previously performed and billed. Schedule 3.14(e) also indicates the basis for billing with respect to the charge codes that represent fixed price task orders.

(f) Except as set forth on Schedule 3.14(f), neither the Company nor any of its Subsidiaries has taken any action or is party to any litigation that, to the Company's knowledge, could reasonably be expected to give rise to (i) Liability under the False Claims Act, (ii) a claim for price adjustment under the Truth in Negotiations Act or (iii) any other request for a reduction in the price of any Government Contracts, including claims based on actual or alleged defective pricing or actual or alleged violations of price reduction clauses or provisions. Except as set forth on Schedule 3.14(f), neither the Company nor any of its Subsidiaries has received any written or, to the Company's knowledge, oral allegations from employees, consultants or independent contractors with respect to any alleged act or omission arising under or relating to (i) Liability under the False Claims Act, (ii) a claim for price adjustment under the Truth in Negotiations Act or (iii) any other request for a reduction in the price of any Government Contracts, including to claims based on actual or alleged defective pricing. Except as set forth on Schedule 3.14(f), neither the Company nor any of its Subsidiaries has, at any time during the five (5) year period preceding the date hereof, conducted or initiated any internal investigation or made a voluntary or involuntary disclosure to any Government Authority with respect to (i) Liability under the False Claims Act, (ii) a claim for price adjustment under the Truth in Negotiations Act or (iii) any other request for a reduction in the price of any Government Contracts, including to claims based on actual or alleged defective pricing.

(g) Except as described in Schedule 3.14(g), and solely within the five (5) year period preceding the date hereof: (i) neither the Company nor any of its Subsidiaries has received any written or, to the Company's knowledge, oral show cause, cure, deficiency, default or similar notice relating to the Current Government Contracts; (ii) no termination for default, cure notice or show cause notice has been issued or, to the Company's knowledge, threatened and remains unresolved with respect to any Government Contract or Government Contract Bid, and, to the Company's knowledge, no event, condition or omission has occurred or exists that could reasonably be expected to constitute grounds for such action; (iii) no past performance evaluation received by the Company or any of its Subsidiaries with respect to any such Government Contract has set forth a default or other failure to perform thereunder or termination or default thereof; (iv) there has not been any material withholding or setoff; (v) all invoices and claims (including requests for progress payments and provisional costs payments) submitted under each Government Contract were current, accurate and complete in all material respects as of their submission date; and (vi) none of the execution, delivery or performance of this Agreement and the other documents contemplated hereby does or will conflict with or result in a breach of or default under any Current Government Contract or cause a termination of any Current Government Contract due to loss of preferential status. Neither the Company nor any of its Subsidiaries has received any written or, to the Company's knowledge, oral notice terminating any of the Current Government Contracts for convenience or indicating an intent to terminate any of the Current Government Contracts for convenience.

(h) Except as described in Schedule 3.14(h), and solely within the five (5) year period preceding the date hereof: neither the Company nor any of its Subsidiaries has received any written or, to the Company's knowledge, oral notice of any outstanding claims or Contract disputes to which the Company or any of its Subsidiaries is a party (i) relating to the Government Contracts or Government Contract Bids and involving a Government Authority or any prime contractor, higher-tier subcontractor, vendor or other third party or (ii) relating to the Government Contracts under the Contract Disputes Act or any other federal statute.

(i) Except as described in Schedule 3.14(i), and solely within the five (5) year period preceding the date hereof: none of the Company, any of its Subsidiaries, the Affiliates of the Company or any of its Subsidiaries, the Stockholders or their respective managers, trustees, directors, officers or employees in connection with the performance of their duties for or on behalf of the Company, any of its Subsidiaries or an Affiliate of the Company or any of its Subsidiaries has been debarred, suspended or proposed for suspension or debarment from bidding on any Government Contract, declared nonresponsible or ineligible or otherwise excluded from participation in the award of any Government Contract, or for any reason listed on the List of Parties Excluded from Federal Procurement and Non-procurement Programs. No debarment, suspension or exclusion Proceeding has been initiated against the Company, any of its Subsidiaries, any Affiliate of the Company or any of its Subsidiaries, any of the Stockholders or any of their respective managers, trustees, directors, officers or employees in connection with the performance of their duties for or on behalf of the Company, any of its Subsidiaries or any Affiliate of the Company or any of its Subsidiaries. To the Company's knowledge, no circumstances exist as of the date hereof that could reasonably be expected to result in the institution of suspension or debarment Proceedings against the Company, any of its Subsidiaries, any Affiliate of the Company or any of its Subsidiaries, any of the Stockholders or any of their respective managers, trustees, directors, officers or employees in connection with the performance of their duties for or on behalf of the Company, any of its Subsidiaries or any Affiliate of the Company or any of its Subsidiaries.

(j) Except as described in Schedule 3.14(j), and solely within the five (5) year period preceding the date hereof: no negative determination of responsibility has been issued in writing against the Company or any of its Subsidiaries with respect to any quotation, bid or proposal for a Government Contract.

(k) Except for any audit, inspection, investigation or examination of a Government Contract or Government Contract Bid in the ordinary course of business and not with respect to any questioned costs or cost disallowance, irregularity, misstatement or omission arising under or relating to any Government Contract or Government Contract Bid, and solely as it relates to the five (5) year period preceding the date hereof, (i) neither the Company nor any of its Subsidiaries has undergone, nor is it currently undergoing, any audit, review, inspection, investigation, survey or examination of records relating to any Government Contracts, (ii) neither the Company nor any of its Subsidiaries has received written notice of, and neither the Company nor any of its Subsidiaries has undergone, any investigation or review relating to any Government Contract, (iii) no such audit, review, inspection, investigation, survey or examination of records is pending or, to the Company's knowledge, threatened, (iv) neither the Company nor any of its Subsidiaries has received any official notice in writing that it is or was being specifically audited or investigated by the Government Accountability Office, the Defense Contract Audit Agency of the United States Government (the "DCAA"), the U.S. Congress, any state or federal agency Inspector General, the contracting officer with respect to any Government Contract, or the Department of Justice (including any United States Attorney) and (v) neither the Company nor any of its Subsidiaries has received any written notice that any audit, review, inspection, investigation, survey or examination of records has revealed any fact, occurrence or practice that could reasonably be expected to adversely affect in any material respect the Company or any of its Subsidiaries.

(l) Except as described in Schedule 3.14(l), and solely within the five (5) year period preceding the date hereof: neither the Company nor any of its Subsidiaries has conducted any internal investigation or audit in connection with which the Company or any of its Subsidiaries has used any legal counsel, auditor, accountant or investigator. Neither the Company nor any of its Subsidiaries has made any disclosure to any Government Authority or other customer or any prime contractor or higher-tier subcontractor related to any suspected, alleged or possible violation of a Contract requirement, any apparent or alleged irregularity, misstatement or omission arising under or relating to a Government Contract or Government Contract Bid, or any violation of Law or regulation.

(m) Except as described in Schedule 3.14(m), neither the Company nor any of its Subsidiaries performs any activities under Current Government Contracts, or has any other relationships with any other Person, that qualify as or could result in (based solely on the activities of the Company and its Subsidiaries, and not by reference to the activities of any other Person, including Parent and its subsidiaries) an "organizational conflict of interest" as defined in Subpart 9.5 of the Federal Acquisition Regulation and agency supplements thereto, or Section 207 of the Weapon Systems Reform Act of 2009.

(n) Except as described in Schedule 3.14(n), and solely within the five (5) year period preceding the date hereof: neither the Company nor any of its Subsidiaries nor any Affiliate of the Company or its Subsidiaries has engaged in or been charged with, or received or been advised in writing or, to the Company's knowledge, orally of any charge, investigation, claim or assertion of, nor has the Company, any of its Subsidiaries or any Affiliate of the Company or its Subsidiaries, or any of their respective trustees, directors, officers or employees in their capacities as such, been subject to any criminal indictment, lawsuit, subpoena, civil investigative demand, discovery request, administrative Proceeding, voluntary disclosure, claim, dispute, mediation or arbitration with regard to, any material violation of any requirement pertaining to a Current Government Contract or Government Contract Bid, including material violations of any statutory or regulatory requirements or violations of any Laws relating thereto.

(o) Neither the Company nor any of its Subsidiaries is participating in any pending claim, and, to the Company's knowledge, there is no potential claim, under the Contract Disputes Act against or by the U.S. Government; nor is there any claim against or by any prime contractor, subcontractor or vendor arising under or relating to any Government Contract or Government Contract Bid.

(p) All Indirect Cost rates are being billed consistent with DCAA-approved rates or provisional rate agreements.

(q) The Company and each of its Subsidiaries is in compliance, in all material respects, with all applicable national security obligations, including those specified in the NISPOM, DOD 5220.22-M (January 1995), and any supplements, amendments or revised editions thereof.

(r) To the Company's knowledge, no Government Contract has incurred or currently projects losses, nor will any Government Contract Bid or other bid, offer or proposal, if accepted or entered into, obligate the Company or any of its Subsidiaries to process, manufacture or deliver products or perform services that could reasonably be expected to incur, or currently project, losses. Except as set forth on Schedule 3.14(r), to the Company's knowledge, no Government Contract has incurred or currently projects costs in excess of the total ceiling price, cost ceiling or funding ceiling of such Government Contract as amended (each, an "overrun"), nor is any Government Contract Bid or other bid, offer or proposal, if accepted or entered into, currently projected to obligate the Company or any of its Subsidiaries to process, manufacture or deliver products or perform services that could reasonably be expected to incur such an overrun. No payment has been made by the Company or any of its Subsidiaries or by a Person acting on the Company's or any of its Subsidiaries' behalf to any Person (other than to any bona fide employee or agent of the Company or any of its Subsidiaries, as defined in subpart 3.4 of the Federal Acquisition Regulation), that is or was contingent upon the award of any Government Contract or that would otherwise be in violation of any applicable procurement Law or regulation or any other Laws. Neither the Company nor any of its Subsidiaries is subject to any "forward pricing" agreements or regulations.

(s) Except as set forth on Schedule 3.14(s), neither the Company nor any of its Subsidiaries has assigned or otherwise conveyed or transferred, or agreed to assign or otherwise convey or transfer, to any Person any Government Contract or any account receivable relating thereto, whether as a security interest or otherwise.

(t) Except as set forth on Schedule 3.14(t), no personal property, equipment or fixtures are loaned, bailed or otherwise furnished to the Company or any of its Subsidiaries by or on behalf of the U.S. Government.

(u) No written claims, or claims threatened in writing, exist against the Company or any of its Subsidiaries with respect to express warranties and guarantees contained in Government Contracts on products or services provided by the Company or any of its Subsidiaries; and no such claims have been made against the Company or any of its Subsidiaries at any time during the five (5) year period preceding the date hereof. No amendment has been made in writing to any written warranty or guarantee contained in any Government Contract that could reasonably be expected to result in an adverse effect on the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has taken any action that could reasonably be expected to give any Person a right to make a claim under any written warranty or guarantee contained in any Government Contract.

(v) Except to the extent prohibited by applicable Law, Schedule 3.14(v) sets forth all facility security clearances held by the Company and its Subsidiaries.

(w) Neither the Company nor any of its Subsidiaries, nor, to the Company's knowledge, any of the employees, officers or agents of the Company or any of its Subsidiaries, has violated any legal, administrative or contractual restriction concerning the employment of (or discussions concerning possible employment with) current or former officials or employees of a state, local or federal government (regardless of the branch of government), including the so-called "revolving door" restrictions set forth at 18 U.S.C. § 207.

(x) All Direct Costs incurred by the Company or its Subsidiaries pursuant to any existing subcontract agreements under any Government Contract shall be allowable in accordance with the applicable FAR or agency supplement thereto and allocable in accordance with the Cost Accounting Standards. No Direct Costs and/or Indirect Costs charged to any Government Authority under a Government Contract have been or shall be disallowed covering any period of time prior to the Closing Date. All Company costs (both Direct Costs and/or Indirect Costs) that have been, prior to the Closing, charged to a Government Authority under any Government Contract shall be allowable in accordance with the applicable FAR or agency supplement thereto and allocable in accordance with the Cost Accounting Standards (except for costs properly charged to a reserve account appearing on the Balance Sheet).

(y) The Company and each of its Subsidiaries is in compliance, in all material respects, with the Federal Acquisition Regulation ethical rules and suspension/debarment regulations (the "FAR Ethics Rules"). The Company and each of its Subsidiaries has undertaken the appropriate level of review or investigation to determine whether the Company or any of its Subsidiaries is required to make any disclosures to any Government Authority under the FAR Ethics Rules. To the Company's knowledge, neither the Company nor any Subsidiary has taken any action or failed to take any action that could reasonably be expected to constitute a violation of the FAR Ethics Rules.

(z) With respect to the multiple award schedule Government Contracts identified on Schedule 3.14(z), to the Company's knowledge, the Company and each of its Subsidiaries, solely within the five (5) year period preceding the date hereof: (i) has not at any time charged the U.S. Government a price higher than its commercial customers with respect to each such multiple award schedule Government Contract; (ii) has complied in all respects with the notice and pricing requirements of the Price Reduction clause in each such multiple award schedule Government Contract; and (iii) has complied in all respects with all payment requirements of the Industrial Funding Fee in each such multiple award schedule Government Contract and, to the Company's knowledge, there are no facts or circumstances in existence as of the date hereof that could reasonably be expected to result in a demand by the U.S. Government for additional payment(s) based upon the Company's or any of its Subsidiaries' failure to comply with the Industrial Funding Fee payments.

(aa) Except as set forth on Schedule 3.14(aa), the Company and each of its Subsidiaries, and, to the Company's knowledge, each of their respective employees, has complied in all material respects with all timekeeping/time recording requirements of the applicable Government Contracts, and to the Company's knowledge, there are no facts or circumstances in existence as of the date hereof that could reasonably be expected to result in an investigation by the U.S. Government based upon the Company's or any of its Subsidiaries' failure to comply with such applicable timekeeping/time recording requirements.

(bb) Solely within the five (5) year period preceding the date hereof, all personnel who performed or are currently performing under any Government Contract either met or meet all express qualification requirements for the labor categories under which they have been charged or are being charged or the Company or a Subsidiary received written waivers from the Government related to such qualification requirements, which waivers are in full force and effect. With respect to any such waiver, Schedule 3.14(bb)(i) sets forth: (1) the Government Contract number; (2) the task order number (if applicable); (3) the individual's name; (4) the corresponding individual's labor category; and (5) a copy of the written waiver. All personnel listed in any Government Contract Bid or other bid, offer or proposal meet all applicable requirements set forth in the applicable solicitation. Solely within the five (5) year period preceding the date hereof, neither the Company nor any of its Subsidiaries has replaced any personnel performing a Government Contract without obtaining all required approvals from the applicable Government Authority and any other party whose consent is required for replacement of personnel. Schedule 3.14(bb)(ii) identifies by Government Contract or Government Contract Bid those personnel identified as personnel who may not be replaced without notice to, or approval of, the applicable Government Authority and any other party whose consent is required for replacement of personnel.

(cc) Except as set forth in Schedule 3.14(cc), neither the Company nor any of its Subsidiaries has any Current Government Contracts that were awarded as Small Business Administration 8(a) contracts, nor has the Company or any of its Subsidiaries ever represented to any Government Authority that it is an 8(a) company (as defined by the Small Business Administration).

(dd) Except as set forth in Schedule 3.14(dd), no government funding, facilities or resources of a university, college, other educational institution or research center, or funding from third parties was used in the development of any Products or Services developed, manufactured, distributed, licensed or sold by the Company or any of its Subsidiaries or any Company Intellectual Property Rights (excluding Third Party Intellectual Property Rights other than Third Party Intellectual Property Rights exclusively licensed to the Company or any of its Subsidiaries) , and no Government Authority, university, college or other educational institution or research center has any claim or right in or to any Products or Services developed, manufactured, distributed, licensed or sold by the Company or any of its Subsidiaries or any Company Intellectual Property Rights (excluding Third Party Intellectual Property Rights other than Third Party Intellectual Property Rights exclusively licensed to the Company or any of its Subsidiaries). No current or former employee, consultant or independent contractor of the Company or any of its Subsidiaries who was involved in, or who contributed to, the creation or development of any material element of any Products or Services developed, manufactured, distributed, licensed or sold by the Company or any of its Subsidiaries or any Company Intellectual Property Rights (excluding Third Party Intellectual Property Rights other than Third Party Intellectual Property Rights exclusively licensed to the Company or any of its Subsidiaries), has performed services for a Government Authority, a university, college or other educational institution, or a research center, during a period of time during which such employee, consultant or independent contractor was also performing services for the Company or any of its Subsidiaries.

(ee) All "technical data," "computer software" and "computer software documentation" (for purposes of this Section 3.14(ee), as those terms are defined under the Federal Acquisition Regulation and its supplemental regulations) developed, delivered, or used under or in connection with the Government Contracts have been properly and sufficiently marked and protected so that no more than the minimum rights or licenses required under applicable regulations and Government Contract terms, if any, have been provided. All disclosures, elections, and notices required by applicable regulations and contract terms to protect ownership of inventions developed, conceived or first actually reduced to practice under Government Contracts have been made and provided on the dates set forth in Schedule 3.14(ee)(i). Except as set forth in Schedule 3.14(ee)(ii), all technical data, computer software and computer software documentation was developed at private expense and no Government Authority has obtained by Contract or otherwise, rights in the technical data, computer software and computer software documentation that will affect the commercial value thereof

(ff) The Company and each of its Subsidiaries has all necessary data security, cybersecurity and physical security systems, policies, and procedures in place to meet the requirements contained in each Government Contract. Except as set forth on Schedule 3.14(ff), the Company has not experienced any actual or, to the Company's knowledge, threatened breach of data security or cybersecurity, whether physical or electronic. Any data security, cybersecurity or physical security breaches related to any Government Contract known to the Company have been reported to any applicable Government Authority or higher tier contractor as required.

3.15 Contracts.

(a) Schedule 3.15(a) sets forth an accurate and complete list of each Significant Contract in effect on the date hereof (other than Government Contracts, leases for real or personal property or licenses for Intellectual Property). No Contract has been breached or cancelled by the other party, and the Company has no knowledge of any threatened breach by any other party to any Contract (with or without notice or lapse of time). The Company and its Subsidiaries have performed in all material respects all the obligations required to be performed by them in connection with the Contracts and are not in material default under or in material breach of any Contract, and, to the Company's knowledge, no event has occurred which with the passage of time or the giving of notice or both could reasonably be expected to (i) result in a material default or material breach thereunder; (ii) give any Person the right to declare a default or exercise any remedy under any Contract, (iii) give any Person the right to accelerate the maturity or performance of any Contract, or (iv) give any Person the right to cancel, terminate or materially modify any Contract. The Company has not waived any of its material rights under any Contract. To the Company's knowledge, neither the Company nor any Subsidiary has a present intention of not fully performing any obligation required to be performed by it pursuant to any Contract. Each Contract is legal, valid, binding, enforceable and in full force and effect, and, to the Company's knowledge, shall continue as such immediately following the consummation of the transactions contemplated hereby. No Contract obligates, nor will any bid, offer or proposal, if accepted or entered into, obligate, the Company or any of its Subsidiaries to process, manufacture or deliver products or perform services that could reasonably be expected to result in a material loss to the Company or any of its Subsidiaries upon completion of performance.

(b) The Company has provided Parent with a true and correct copy of all written Contracts that are required to be disclosed on Schedule 3.14(a) or Schedule 3.15(a), in each case together with all written amendments, waivers, side arrangements (all of which are disclosed on Schedule 3.15(a)). Schedule 3.15(b) contains an accurate and complete description of all material terms of all oral Significant Contracts. No Person is currently renegotiating, or has the right to renegotiate, any amount paid or payable to the Company under any Contract or any other term or provision of any Contract. Schedule 3.15(b) identifies and provides an accurate and complete description of each proposed Contract involving payments by or to the Company or any of its Subsidiaries that could reasonably be expected to exceed Ten Thousand Dollars ($10,000) per month, as to which any bid, offer, written proposal, term sheet or similar document has been submitted or received by the Company or any of its Subsidiaries.

3.16 Intellectual Property.

(a) The Company and its Subsidiaries have sole title to and ownership of, or possess legally enforceable rights to Exploit under valid and subsisting written license agreements, all Company Intellectual Property Rights. Company Intellectual Property Rights (excluding Third Party Intellectual Property Rights) are referred to as the "Company Owned Intellectual Property Rights." The Company and its Subsidiaries are the sole and exclusive owners, with all right, title and interest in and to all, of the Company Owned Intellectual Property Rights, free and clear of any Encumbrances or other rights or claims of others.

(b) Schedule 3.16(b) lists (i) all applications and registrations relating to the Company Owned Intellectual Property Rights (collectively, "Company Registered Intellectual Property Rights"), including the jurisdictions in which each item of such Company Owned Intellectual Property Rights has been issued or registered or in which any such application for such issuance or registration has been filed; (ii) all material items of Third Party Intellectual Property Rights, including a listing of all Contracts related thereto to which the Company or any of its Subsidiaries is a party and which also identifies, as applicable, each item of Third Party Intellectual Property Rights incorporated in, embedded in or included with any Product or Service or any product or service currently under development by the Company or any of its Subsidiaries (excluding commercial off-the-shelf software licenses with annual license fees of Two Thousand Five Hundred Dollars ($2,500) or less ("Off-the-Shelf Licenses")); (iii) any Contract that contains any grant or license by the Company or any of its Subsidiaries to another Person of any right or access relating to or under any Company Intellectual Property Right (including any licenses of Products); (iv) all material unregistered inventions reasonably appropriate for patent applications, material unregistered Trademarks, and material works of authorship included in the Company Owned Intellectual Property Rights; and (v) all Products and material Services. The Company has made available to Parent correct and complete copies of all registrations and applications and all licenses, sublicenses and agreements relating to the Company Owned Intellectual Property Rights, each as amended to date. Neither the Company nor or any of its Subsidiaries is a party to any oral license, sublicense or other agreement which, if reduced to written form, would be required to be listed in Schedule 3.16(b) under the terms of this Section 3.16(b). Each registration relating to Company Owned Intellectual Property Rights (excluding the Company Internet Names) was properly registered and is in good standing and enforceable under applicable Laws. Schedule 3.16(b) lists, for each application relating to the Company Owned Intellectual Property Rights (excluding the Company Internet Names), the applicable filing or registration number, the names of all current applicant(s) and registered owner(s), the current status of each application and the next steps required to be taken in connection with such application.

(c) Except as set forth in Schedule 3.16(c), with respect to each item of Third Party Intellectual Property Rights and the sale, distribution and licensing of the Products or Services, there are no royalty, commission or other executory payment agreements, arrangements or understandings relating to such item that exceed Ten Thousand Dollars ($10,000) individually in any given year or One Hundred Thousand Dollars ($100,000) in the aggregate. All such payments that are due and payable as of the date of execution of this Agreement have been paid or accrued as Liabilities on the Estimated Closing Balance Sheet. All agreements, licenses and sublicenses relating to Third Party Intellectual Property Rights are legal, valid, binding, enforceable and shall continue as such immediately following the consummation of the transactions contemplated hereby (i) on terms identical to those in effect immediately prior to the consummation of the transactions contemplated hereby, (ii) without payment of any additional amounts or consideration which the Company or any of its Subsidiaries would otherwise be required to pay as a result of the consummation of the transactions contemplated hereby, and (iii) without obtaining the consent or permission of, or giving notice to, any party to such agreements, licenses and sublicenses. Neither the Company nor any of its Subsidiaries is in breach of or default under, in any material respect, any agreement, license or sublicense relating to Third Party Intellectual Property Rights, and to the Company's knowledge, no counter party to any agreement, license or sublicense relating to Third Party Intellectual Property Rights is in default under, in any material respect, any such agreement, license or sublicense or has not performed any act or omitted to perform any act which, with notice or lapse of time or both, will become or result in a material default thereunder. Except as set forth on Schedule 3.16(c), to the Company's knowledge, no Proceeding is pending or is being or has been threatened, and no claim against the Company or any Subsidiary has been made in writing, which challenges the legality, validity, enforceability of any agreement relating to Third Party Intellectual Property Rights.

(d) To the Company's knowledge, there are no material defects in the Products or Cloud Services (if any) offered for sale, licensed, distributed or made available by the Company or any Subsidiary. Neither the Products nor the Services contain any disruptive or malicious code that is intended to or, to the Company's knowledge, could reasonably be expected to impair the performance of or otherwise permit unauthorized access to, hamper, delete or damage the Products or Services or any computer system, software, network or data. The Company and its Subsidiaries have taken reasonable actions to maintain, protect and police the integrity and security of its Products and Services and to protect and police against unauthorized use of, access to, or "hacking" into the Products, Services, software, communications, network or computer systems (whether mobile, desktop or enterprise), customer data files, databases, servers and other equipment utilized by the Company or any of its Subsidiaries in the operation of its businesses.

(e) The Company and its Subsidiaries have used commercially reasonable efforts to protect and enforce their trade secrets and otherwise to safeguard and maintain the secrecy and confidentiality of all Company Intellectual Property Rights which by their nature are, or reasonably should be held, confidential, and the Company and its Subsidiaries have complied in all material respects with all applicable contractual and legal requirements pertaining to information privacy and security. No stockholders, current or prior officers, employees, independent contractors or consultants of the Company or any of its Subsidiaries have, to the Company's knowledge, claimed any ownership interest in any Company Intellectual Property Rights as a result of having been involved in the development of such property while employed by or providing services to or consulting to the Company or any of its Subsidiaries, or otherwise. There has been no material violation of the Company's or any of its Subsidiaries' policies or practices related to the protection of trade secrets or of any confidentiality or nondisclosure agreement relating to the Company Intellectual Property Rights, nor has there been any authorized disclosure of any such information or security breach that has resulted in any third party Person obtaining access to any such information, and neither the Company nor any of its Subsidiaries has received any written complaint relating to an improper use or disclosure of, or breach in the security of, any such information. Except as set forth in Schedule 3.16(e) and except for the Third Party Intellectual Property Rights, all Company Intellectual Property Rights have been developed by employees of the Company or its Subsidiaries, within the course and scope of their employment, who have executed and delivered to the Company or its Subsidiaries agreements (copies of which have been provided to Parent) that maintain the confidentiality of trade secrets and the Company Intellectual Property Rights and assign to the Company or its Subsidiaries all Intellectual Property Rights relating to the business of the Company or its Subsidiaries or arising from the services performed for the Company or its Subsidiaries by such Persons. At no time during the conception or reduction of any of the Company Owned Intellectual Property Rights to practice was any developer, inventor or other contributor to any Company Owned Intellectual Property Rights subject to any employment agreement or invention assignment or nondisclosure agreement with or other obligation to any third party. To the Company's knowledge, none of the activities of the employees of the Company or any of its Subsidiaries violates any Contract or other arrangement which any such employee has with a former employer. No part of the Products was conceived or developed outside of the United States.

(f) Except as set forth on Schedule 3.16(f), neither the Company nor any of its Subsidiaries has received any written communications alleging that the Company or any of its Subsidiaries has infringed, violated or misappropriated any Person's Intellectual Property Rights or has engaged in unfair competition against any Person or that the functionality or capability of any Product is in violation of any Law. The development, manufacturing, marketing, licensing, distribution and sale of the Products, the performance of the Services and the conduct of the business of the Company or any of its Subsidiaries as currently conducted do not infringe, violate or misappropriate, and have not infringed, violated or misappropriated, any Intellectual Property Rights of any Person. The Company and its Subsidiaries have no Liability for any past infringement, violation or misappropriation of any Person's Intellectual Property Rights. No Proceeding is pending or has been made or, to the Company's knowledge, has been threatened in writing against the Company or any of its Subsidiaries with regard to any Person's right in any Company Intellectual Property Rights, including any allegation of infringement, unauthorized use or misappropriation or of any breach or default of any license or other agreement, or challenging the ownership, right to Exploit, license or sublicense, validity or enforceability of any Company Intellectual Property Rights; nor, to the Company's knowledge, are there any facts or circumstances in existence as of the date hereof that could reasonably be expected to form the basis therefor. To the Company's knowledge, none of the Company Intellectual Property Rights is being infringed by activities, products or services of, or is being violated or misappropriated by, any other Person. The Company and its Subsidiaries have provided to Parent copies of all correspondence, analyses, legal opinions, complaints, claims, notices or threats concerning the infringement, violation or misappropriation of any Company Owned Intellectual Property Rights and any Third Party Intellectual Property Rights licensed by the Company or any of its Subsidiaries (however, with respect to Third Party Intellectual Property Rights licensed by the Company or any of its Subsidiaries, only to the extent the Company or such Subsidiary has been provided such materials or otherwise has such materials in its possession).

(g) The Company Intellectual Property Rights constitute (1) all of the Intellectual Property Rights that are included in the Products and Services, (2) all of the Intellectual Property Rights that are required by or useful for the Exploitation of the Products and Services in the manner so done currently by the Company or any of its Subsidiaries and (3) all of the Intellectual Property Rights required by the conduct of the business of the Company and any of its Subsidiaries in all material respects in the manner currently conducted.

(h) Set forth on Schedule 3.16(h) are all Internet Names related to the business of the Company and its Subsidiaries, the Products or the Services ("Company Internet Names"). The Company or its Subsidiary is the sole registrant of all Company Internet Names that are Domain Names, and all registrations of such Domain Names are in good standing and registered until the dates set forth on Schedule 3.16(h). The Company or its Subsidiary is the owner of, or has sufficient rights to display, all content, data, code and other information displayed, used or made available on the website associated with each of the Company Internet Names that are Domain Names (collectively, the "Content").

(i) Except as set forth in Schedule 3.16(i), neither Company nor any of its Subsidiaries has (i) transferred, or agreed to transfer or granted a right to transfer, ownership (or joint or partial ownership) of any of the Company Intellectual Property Rights to any Person, (ii) granted or agreed to grant to any Person any exclusive license of or right to use, or authorized the retention by any Person of any exclusive rights to use or joint ownership of, any of the Company Intellectual Property Rights; (iii) permitted any Person to modify, improve or create derivative works of the Products or Services, any of the Company's or any of its Subsidiaries' assets or own any Intellectual Property Rights therein; or (iv) permitted any of the material Company Intellectual Property Rights to lapse, expire or enter the public domain. Neither the Company nor any of its Subsidiaries is a member of or party to any patent pool, industry standards body, trade association or other organization under the rules of which it is obligated to license any existing or future Company Intellectual Property Rights to any person or to refrain from enforcing any rights.

(j) Schedule 3.16(j) lists all Open Source Software, if any, incorporated into any Products or Cloud Services (if any) offered for sale, licensed, distributed or made available, by the Company or any of its Subsidiaries, and describes the manner in which such Open Source Software was so incorporated with any Company Intellectual Property Rights owned or purported be owned by the Company or any of its Subsidiaries. The Company and its Subsidiaries are in material compliance with the terms and conditions of all licenses for such Open Source Software.

(k) Except as set forth in Schedule 3.16(k), the execution, delivery and performance by the Company and its Subsidiaries of this Agreement and the other documents contemplated hereby and the consummation by the Company and its Subsidiaries of the transactions contemplated hereby and thereby and the fulfillment by the Company and its Subsidiaries of the terms hereof and thereof, do not and will not, directly or indirectly (with or without notice or lapse of time): (i) cause the Company or any of its Subsidiaries to be in breach, violation or default under any license, sublicense or other agreement relating to Intellectual Property Rights, Products or Services, nor terminate or modify or entitle any other Person to any such license, sublicense or agreement to terminate or modify, such license, sublicense or agreement, (ii) limit in any way the Company's or any of its Subsidiaries' ability to conduct its business or Exploit the Company Intellectual Property Rights or any Intellectual Property Rights of others (other than limitations resulting from agreements of Parent or its Subsidiaries), (iii) grant to any third party any new, additional or expanded right to receive or Exploit any Company Intellectual Property Rights, or (iv) result in the Company or any of its Subsidiaries being bound by, or subject to, any non-compete or other material restriction on the operation or scope of its business.

3.17 Data.

(a) The use, license, sublicense and sale by the Company or any of its Subsidiaries of any User Data collected from users at any website operated by the Company or any of its Subsidiaries and any co-branded websites which the Company or any of its Subsidiaries manages have complied, in all material respects, with the applicable published privacy policy in effect at the time such User Data was collected (collectively, the "Privacy Policies"). The Company and its Subsidiaries are in compliance, in all material respects, with all Laws, Privacy Policies and contractual obligations binding on the Company and its Subsidiaries that relate to or govern the compilation, storage, use and transfer of User Data. There is no Proceeding pending or, to the Company's knowledge, threatened in writing by any Person or any Government Authority involving the use, storage, disclosure or transfer of any User Data by the Company or any of its Subsidiaries. No Significant Contract limits or prohibits the transfer of User Data to Parent, the Surviving Corporation or their Affiliates or otherwise limits Parent, the Surviving Corporation or their Affiliates from succeeding to all rights and privileges of Company and its Subsidiaries with respect to such User Data (it being understood that, following such transfer, User Data collected from users at any website operated by the Company or any of its Subsidiaries and any co-branded websites which the Company or any of its Subsidiaries will remain subject to the applicable use limitations set forth in the Privacy Policies).

(b) No Person has obtained unauthorized access to any data or information (including User Data) stored on the communications, network or computer systems (whether mobile, desktop or enterprise), servers or other equipment owned, leased or operated by the Company or any of its Subsidiaries (including any data (including User Data) contained in any hard copy printouts), nor, to the Company's knowledge, has there been any other unauthorized acquisition of any data or information of the Company or any of its Subsidiaries (including any data and information contained in any hard copy printouts).

3.18 Environmental and Safety Matters. The Company and each of its Subsidiaries has conducted its business at all times in compliance, in all material respects, with all applicable Environmental Laws. None of the properties currently or, to the Company's knowledge, formerly owned by the Company or any of its Subsidiaries contain any Hazardous Substance in amounts exceeding the levels permitted by applicable Environmental Laws. Neither the Company nor any of its Subsidiaries has received any written notices, demand letters or requests for information from any Government Authority or other Person, indicating that the Company or any of its Subsidiaries may be in violation of, or liable under, any Environmental Law, that has not heretofore been resolved with such Government Authority or other Person. There are no civil, criminal or administrative Proceedings pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries relating to any violation, or alleged violation, of any Environmental Law. No reports have been filed, or are required to be filed, by the Company or any of its Subsidiaries concerning the Release of any Hazardous Substance or the threatened or actual violation of any Environmental Law which have not heretofore been resolved. No Hazardous Substance has been disposed of, Released or transported in violation of any applicable Environmental Law from any properties owned or operated, or formerly owned or operated, by the Company or any of its Subsidiaries. No remediation or investigation of Hazardous Substances is occurring at any property owned or operated, or formerly owned or operated, by the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries, nor any of their properties, are subject to any Liabilities relating to any Proceeding, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law or relating to a violation or alleged violation of any Environmental Law by the Company, any of its Subsidiaries or any other Person.

3.19 Insurance. Schedule 3.19 lists each insurance policy maintained by, on behalf of, for the benefit of or at the expense of the Company or any of its Subsidiaries and any active claims made thereunder. The Company has provided copies to Parent of all such insurance policies. All such insurance policies are in full force and effect, and neither the Company nor any of its Subsidiaries is in default with respect to its obligations under any such insurance policies, and neither the Company nor any of its Subsidiaries has ever been denied insurance coverage. The Company and each of its Subsidiaries are current in all of its premiums for its insurance policies. Neither the Company nor any of its Subsidiaries has received any written notice or, to the Company's knowledge, other communication regarding any actual or possible (a) cancellation or invalidation of any insurance policy, (b) refusal of any coverage or rejection of any claim under any insurance policy, or (c) material adjustment in the amount of the premiums payable with respect to any insurance policy. Except as disclosed on Schedule 3.19, neither the Company nor any of its Subsidiaries has any self-insurance or co-insurance programs.

3.20 Related Party Transactions. Except as set forth on Schedule 3.20, neither the Company nor any of its Subsidiaries has, since December 31, 2012, extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or officer (or equivalent thereof) of the Company or any of its Subsidiaries or to or for any of the Company's stockholders or holders of Company Options. No officer or director of the Company or any of its Subsidiaries has received since December 31, 2012, nor is entitled to receive, any material compensation from any Person that has engaged in or is engaging in any material transaction with the Company or any of its Subsidiaries. Except as set forth on Schedule 3.20, neither the Company nor any of its Subsidiaries is a party to or bound by any Contract or other commitment or transaction with any Related Party, nor do any Related Parties have any legal or beneficial interest in the Company Intellectual Property Rights or any other assets or property owned or used by the Company or any of its Subsidiaries, in any Contracts to which the Company or any of its Subsidiaries is a party, or in any other Person with which the Company any of its Subsidiaries is or has been party to a Contract. Except as set forth on Schedule 3.20, there are no outstanding claims, accounts payable or receivable, intercompany loans, indebtedness, or other Liabilities, between the Company or any of its Subsidiaries, on the one hand, or any Related Parties, on the other hand, and all such Liabilities have been, or will be prior to Closing, repaid in full. Any such arrangement with a Related Party is referred to herein as a "Related Party Arrangement". The terms and conditions of any such Related Party Arrangement are no less favorable to the Company or any of its Subsidiaries than could have been obtained from an unrelated third party, and such Related Party Arrangement was negotiated and entered into on an arm's-length, commercially reasonable basis. Since December 31, 2015, there has been no change in any Related Party Arrangement. Except as disclosed on Schedule 3.20, no Significant Stockholder nor any other Related Party conducts any of the Company's or any of its Subsidiaries' business, directly or indirectly, other than indirectly through the Significant Stockholders' collective ownership of the Company.

3.21 Customers and Suppliers.

(a) Schedule 3.21(a) identifies the top ten (10) customers (based on current fiscal year revenues) of the Company and its Subsidiaries taken as a whole ("Significant Customers"). The relationship of the Company and its Subsidiaries with each of the Significant Customers is a good working relationship, and since the fiscal year ended December 31, 2015, there has not been any material adverse change in the business relationship of the Company with any of its Significant Customers. Except for the expiration of Contracts in the ordinary course of business, no Significant Customer has terminated or threatened in writing to terminate its relationship with the Company or has during the last twelve (12) months materially decreased, limited or otherwise changed the terms and conditions for the purchase of goods or services from the Company or its Subsidiaries, or threatened in writing to do so, and the Company has not received any written or, to the Company's knowledge, oral communication that indicates any Significant Customer intends to do so at any time within the six-months following the date hereof.

(b) Schedule 3.21(b) identifies the top ten (10) suppliers of goods and services (other than subcontractors of the Company and its Subsidiaries taken as a whole under any Government Contract) of the Company and its Subsidiaries ("Significant Suppliers"), based on aggregate purchases by the Company and its Subsidiaries taken as a whole for the last completed fiscal year, and sets forth the aggregate amount that the Company or its Subsidiaries paid to each supplier during such period. No Significant Supplier has terminated, or threatened in writing or, to the Company's knowledge, orally, to terminate, its relationship with the Company or any of its Subsidiaries or has during the last twelve (12) months materially decreased or limited, or otherwise changed in writing the terms and conditions for, the supply of its goods or services to the Company or any of its Subsidiaries, or threatened in writing to do any of the foregoing. Except as set forth on Schedule 3.21(b), no supplier for the Company or any of its Subsidiaries is a sole source of supply of any good or service to the Company or such Subsidiary.

3.22 Bank Accounts; Powers of Attorney. Schedule 3.22 sets forth a true, correct and complete list of the names and locations of all banks and other financial institutions at which the Company or any of its Subsidiaries maintain an account or safe deposit box, the names of all Persons authorized to withdraw therefrom or have access thereto and the names of all Persons holding powers of attorney from the Company or any of its Subsidiaries as of the date of this Agreement.

3.23 Brokers. Except as set forth on Schedule 3.23, no Person has or will have, as a result of the transactions contemplated by this Agreement, any right, interest or claim against or upon Parent, Merger Sub, the Company or any of its Subsidiaries or the Significant Stockholders or any of their respective Affiliates for any commission, fee or other compensation payable as a finder or broker resulting or arising from any act or omission by the Company or any of its Subsidiaries.

3.24 Disclosure. To the Company's knowledge, no representation or warranty of the Company contained in this Agreement, as modified by the Company Disclosure Schedules, contains any untrue statement of a material fact or omits to state any material fact necessary to make that representation or warranty, as modified by the Company Disclosure Schedules, not materially misleading.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SIGNIFICANT STOCKHOLDERS

As a material inducement to Parent and Merger Sub to enter into this Agreement, and to consummate the transactions contemplated hereby, each Significant Stockholder represents and warrants to Parent and Merger Sub as of the date hereof and as of the Closing, solely with respect to such Significant Stockholder, as follows:

4.1 Authority for Agreement. The Significant Stockholder has full power, authority and legal right to enter into and perform his, her or its respective obligations under this Agreement and each other document contemplated hereby to which the Significant Stockholder is or will be a party and to consummate the transactions contemplated hereby and thereby. This Agreement and the other documents contemplated hereby to which the Significant Stockholder is a party have been or will be duly executed and delivered by the Significant Stockholder, as applicable, and are, assuming due authorization, execution and delivery by the other parties thereto, legal, valid and binding obligations of the Significant Stockholder, enforceable against the Significant Stockholder in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights in general and general principles of equity.

4.2 No Violation to Result. Except as set forth on Schedule 4.2, the execution, delivery and performance by the Significant Stockholder of this Agreement and the other documents contemplated hereby and the consummation by the Significant Stockholder of the transactions contemplated hereby and thereby, do not and will not, directly or indirectly (with or without notice or lapse of time or both): (a) (i) violate, breach, conflict with, constitute a default under, accelerate or permit the acceleration of the performance required by, any Contract to which the Significant Stockholder is a party or by which the Significant Stockholder or the Significant Stockholder's assets are bound or (ii) violate any Law or other legal requirement of any Government Authority applicable to the Significant Stockholder; (b) give any Government Authority or other Person the right to challenge any of the transactions contemplated by this Agreement; or (c) result in the creation or imposition of any Encumbrance, possibility of Encumbrance, or restriction in favor of any Person upon any of the Company Common Stock or any of the properties or assets of the Company. Other than as set forth on Schedule 4.2, no notice to, filing with, or consent of, any Person is necessary in connection with, and no "change of control" provision is, or will be, triggered by, the authorization, approval, execution, delivery or performance by the Significant Stockholder of this Agreement and the other documents contemplated hereby nor the consummation by the Significant Stockholder of the transactions contemplated hereby or thereby. The Significant Stockholder has given all notices, made all filings and obtained all consents with respect to the Significant Stockholder set forth on Schedule 4.2 or will have done so prior to Closing.

4.3 Claims and Litigation. There is no Proceeding pending or threatened in writing against the Significant Stockholder or his, her or its assets before any court, agency, authority or arbitration tribunal that will adversely affect consummation of the Merger or any of the transactions contemplated by this Agreement. To the actual knowledge of the Significant Stockholder, there are no facts in existence as of the date hereof that could reasonably be expected to result in any such Proceeding.

4.4 Brokers. Except as set forth on Schedule 4.4, no Person has or will have, as a result of the transactions contemplated by this Agreement, any right, interest or claim against or upon Parent, Merger Sub, the Company or any of its Subsidiaries for any commission, fee or other compensation payable as a finder or broker resulting or arising from any act or omission by the Significant Stockholder.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Except as set forth in any Parent SEC Reports and the disclosure schedules delivered by Parent to the Company pursuant hereto, each of Parent and Merger Sub represents and warrants to the Company, as of the date hereof and as of the Closing, as follows:

5.1 Organization. Each of Parent and Merger Sub is a corporation, duly organized, validly existing and in good standing under the Laws of the State of Delaware and is qualified to do business and in good standing in each jurisdiction where the character or location of its assets or properties owned, leased or operated by it or the nature of its activities makes such qualification necessary, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect on Parent or Merger Sub, as applicable. Each of Parent and Merger Sub has full corporate power and authority and all licenses, permits and authorizations necessary to own and operate its properties and to conduct its business as conducted.

5.2 Authority for Agreement. Each of Parent and Merger Sub has full power, authority and legal right to enter into and perform its obligations under this Agreement and the other documents contemplated hereby to which Parent or Merger Sub, as applicable, is or will be a party and to consummate the transactions contemplated hereby and thereby. The boards of directors of each of Parent and Merger Sub has authorized the execution, delivery and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby. No other corporate proceedings on the part of Parent or Merger Sub are necessary to approve and authorize the execution, delivery and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby. This Agreement and the other documents contemplated hereby to which Parent or Merger Sub, as applicable, is a party is the legal, valid and binding obligations of Parent or Merger Sub, as applicable, enforceable against Parent or Merger Sub, as applicable, in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights in general.

5.3 No Violation to Result. The execution, delivery and performance by each of Parent and Merger Sub of this Agreement and the other documents contemplated hereby and the consummation by each of Parent and Merger Sub of the transactions contemplated hereby and thereby, do not and will not, directly or indirectly (with or without notice or lapse of time or both): (i) violate, breach, conflict with, constitute a default under, accelerate or permit the acceleration of the performance required by, (A) any of the terms of the certificate of incorporation or bylaws of Parent or the certificate of incorporation of Merger Sub or any resolution adopted by the boards of directors of Parent or Merger Sub or stockholders of Parent or Merger Sub, or (B) any Contract or encumbrance to which Parent or Merger Sub is a party or by which it is bound; or (C) any Law or other legal requirement of any Government Authority applicable to Parent or Merger Sub; (ii) give any Government Authority or other Person the right to challenge any of the transactions contemplated by this Agreement; or (iii) result in the creation or imposition of any Encumbrance, possibility of Encumbrance, or restriction in favor of any Person, upon any of the properties or assets of Parent or Merger Sub. Other than as set forth on Schedule 5.3 and other than (1) the filing with the FTC and the U.S. Department of Justice under the HSR Act and any antitrust notification filings in any other country and (2) the filing of a joint voluntary notice with CFIUS under FINSA and written confirmation by CFIUS of the successful completion of the CFIUS review process, no notice to, filing with, or consent of, any Person is necessary in connection with the execution, delivery or performance by Parent or Merger Sub of this Agreement and the other documents contemplated hereby nor the consummation by Parent or Merger Sub of the transactions contemplated hereby or thereby.

5.4 Interim Operations of Merger Sub. Merger Sub is wholly-owned by Parent, was formed solely for the purpose of engaging in the transactions contemplated by this Agreement, has engaged in no other business activities and has conducted its operations only as contemplated by this Agreement.

5.5 Brokers. Except as set forth on Schedule 5.5, no Person has or will have, as a result of the transactions contemplated by this Agreement, any right, interest or claim against or upon Parent, Merger Sub, the Company or any of its Subsidiaries or the Significant Stockholders or any of their respective Affiliates for any commission, fee or other compensation payable as a finder or broker resulting or arising from any act or omission by Parent or Merger Sub.

ARTICLE VI
ADDITIONAL AGREEMENTS

6.1 Access to Properties and Records. During the period commencing on the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to Article X or the Effective Time (such period, the "Pre-Closing Period"), the Seller Parties shall, and shall cause its Subsidiaries and each of their Representatives to, afford to Parent and its Representatives reasonable access during the Company's normal business hours to all of the assets, properties, books, records and Representatives of the Company and its Subsidiaries in order to afford Parent and its Representatives with the full opportunity to review, examine and investigate of the affairs of the Company and its Subsidiaries, and Parent and its Representatives shall be permitted to (a) make inquiries of Persons having business relationships with the Company and its Subsidiaries (including suppliers, licensors and customers), and the Company shall ensure that each of its Subsidiaries and its Representatives facilitate (and cooperate fully with Parent in connection with) such inquiries, and (b) make extracts from, or take copies of, such books, records (including the stock records and minute books) or other documentation as may be reasonably necessary. Notwithstanding the foregoing, neither Parent nor its Representatives shall contact any employee or customer of the Company or any of its Subsidiaries without the prior written consent of an executive officer of the Company. During the Pre-Closing Period, the Company shall, and shall cause its Subsidiaries to, furnish or cause to be furnished to Parent such reasonable financial and operating data and other information about the Company and its Subsidiaries, their respective businesses as presently conducted, as conducted in the past and as presently proposed to be conducted in the future, and their respective properties and assets that Parent or its Representatives may reasonably request. No information or knowledge obtained by Parent, its Representatives or any Indemnified Parties in any investigation pursuant to this Section 6.1 shall affect or be deemed to modify any representation or warranty of any Seller Party contained herein (or in any list, certificate, schedule or other instrument, document, agreement or writing furnished or to be furnished to or made with Parent pursuant hereto), the conditions to the obligations of the Parties to consummate the transactions contemplated by this Agreement or the indemnification obligations of any Person hereunder. During the Pre-Closing Period, Parent shall cause members of its management team with responsibility for obtaining financing for the Transaction to communicate with members of the Company's management team on a weekly basis.

6.2 Interim Covenants of the Seller Parties. From the date of this Agreement until the Closing Date, except to the extent expressly permitted by this Agreement, or as required by applicable Law, or otherwise consented to by an instrument in writing signed by Parent or as otherwise set forth in Schedule 6.2, the Seller Parties shall, and shall cause the Company's Subsidiaries to, (i) keep intact the Company, its Subsidiaries and their respective businesses, as presently conducted, and as presently proposed to be conducted by the Company, and shall not take or permit to be taken or do or suffer to be done anything other than in the ordinary course of the Company's or any of its Subsidiaries' businesses as the same is presently being conducted; (ii) use commercially reasonable efforts to keep available the services of the directors, officers, employees, independent contractors and agents of the Company and its Subsidiaries; maintain the Company's and its Subsidiaries' insurance policies as currently in effect; retain and maintain good relationships with the Company's and its Subsidiaries' customers and clients; and maintain the Company's and its Subsidiaries' assets and the Facilities in good condition; (iii) perform their obligations under the Contracts and comply with applicable Laws, in each case in all material respects; (iv) use commercially reasonable efforts to maintain the goodwill and reputation associated with the Company and its Subsidiaries; and (v) to the extent requested by Parent, take such action as may be required to terminate any or all of the Company Plans prior to the Closing Date. Without limiting the generality of the foregoing, from the date of this Agreement until the Closing Date, except to the extent expressly permitted by this Agreement, or as required by applicable Law, or otherwise consented to by an instrument in writing signed by Parent (which consent will not be unreasonably withheld, delayed or conditioned) or as otherwise set forth in Schedule 6.2, no Seller Party shall, and the Company shall cause its Subsidiaries not to, cause, authorize or permit the Company or any of its Subsidiaries to:

(a) adopt or propose any change to the certificate of incorporation, bylaws or other organizational documents of the Company or any of its Subsidiaries;

(b) merge or consolidate the Company or any of its Subsidiaries with any other Person or acquire a material amount of shares of capital stock or assets of any other Person or effect any business combination, recapitalization or similar transaction;

(c) sell, lease or dispose of or make any Contract for the sale, lease or disposition of, or make subject to a security interest or any other Encumbrance, any of the Company's or any of its Subsidiaries' properties or assets, other than in the ordinary and usual course of its business, consistent with the representations and warranties contained herein, and not in breach of any of the provisions of this Section 6.2, in each case for a consideration at least equal to the fair value of such property or asset;

(d) (i) grant any salary increase to, or increase the draw of, any of the officers, directors, employees or agents of the Company or any of its Subsidiaries, except for increases in salary, wages or the accrual for payment of bonuses payable to employees in the ordinary course of business consistent with past practices, (ii) enter into any new, or amend or alter any existing, employment, bonus, incentive compensation, deferred compensation, profit sharing, retirement, pension, stock option, group insurance, death benefit or other fringe or other Company Plan, trust agreement or other similar or dissimilar arrangement, or any employment or consulting agreement, (iii) hire, employ or engage (or agree or commit to hire, employ or engage) any new employees or consultants (other than with respect to any existing position that is or has become vacant), or (iv) terminate the employment of any existing employees of the Company or any of its Subsidiaries;

(e) incur any indebtedness or borrowings (other than additional borrowings under Company's current credit facility, which will be repaid in full at the Closing), whether or not in the ordinary course of its business, or issue any notes or commercial paper;

(f) enter into any leases of real property;

(g) enter into any leases of equipment and machinery, except in the ordinary course of business consistent with past practices;

(h) enter into any Significant Contract, except in the ordinary course of business consistent with past practices, or any Contract in which any Affiliate of the Company or any stockholder of the Company has any direct or beneficial interest;

(i) except in the ordinary course of business consistent with past practices, amend or prematurely terminate, or waive any material right or remedy under, any Contract;

(j) write off as uncollectible, discount or establish any extraordinary reserve with respect to, or accelerate the collection of, any account receivable or other receivable or defer or postpone the payment in full or any accounts payable;

(k) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, convertible or exchangeable securities, commitments, subscriptions, rights to purchase or otherwise) any shares of capital stock or any other securities of the Company or any of its Subsidiaries;

(l) redeem, purchase or otherwise acquire, directly or indirectly, any shares of capital stock or debt securities of the Company or any of its Subsidiaries or any option, warrant or other right to purchase or acquire any such shares or securities, or declare, accrue, set aside or pay any dividend or other distribution (whether in cash, capital stock or other property) with respect to such capital stock or securities, other than a distribution of cash immediately prior to the Closing;

(m) create, incur or assume any Liability, except in the ordinary course of business consistent with past practices, or postpone or defer the creation, incurrence, or assumption of any Liability that would otherwise be created, incurred or assumed in the ordinary course of business absent the execution of this Agreement;

(n) change any of its methods of accounting or accounting practices in any respect other than as required by GAAP or as a result of a change in Law;

(o) commence or settle any Proceeding;

(p) make, amend or revoke any election with respect to Taxes, amend any Tax Return, or settle or compromise any Tax Liability, change any accounting method relating to Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes that would have any effect on the Tax Liabilities of the Company or any of its Subsidiaries for any taxable period;

(q) take any action, fail to take any action or enter into any agreement or understanding that causes any Seller Party to be in breach of any of the representations or warranties made in this Agreement or fail to maintain any material Company Registered Intellectual Property Rights;

(r) take or omit to take any action that has or could reasonably be expected to have the effect of materially accelerating sales to customers or revenues to pre-Closing periods that would otherwise be expected to take place or be incurred in post-Closing periods;

(s) (i) sell, license or otherwise distribute any Company Intellectual Property Rights to any Person (or enter into any Contract for the sale or license of any Company Intellectual Property Rights to any Person), other than non-exclusive licenses granted to customers in the ordinary course of business and in accordance with the Company's and its Subsidiaries' standard forms of customer agreement, pursuant to which the Company Intellectual Property Rights are licensed or sold by the Company or any of its Subsidiaries to any third party Person (copies of which have been made available to Parent), (ii) purchase or license any Intellectual Property Rights from any Person (or enter into any Contract for the purchase or license of Intellectual Property Rights from any Person) other than Off-the-Shelf Licenses, or (iii) enter into a Contract with respect to the development of any Intellectual Property Rights with any Person; or

(t) agree or commit in writing to do any of the foregoing.

6.3 Publicity and Disclosure; Confidentiality.

(a) Parent shall determine the form and substance of any press release, publicity or other communication related to this Agreement or the transactions contemplated hereby. Parent shall use reasonable effort to provide the Company with the opportunity to comment on the initial press release announcing this Agreement and the transactions contemplated hereby. No Party shall make any disclosure of this Agreement or the existence, terms and conditions hereof (whether or not in response to an inquiry about the existence or subject matter of this Agreement) to any Person unless previously approved by Parent in writing. Notwithstanding the foregoing, nothing contained herein shall prohibit Parent or Merger Sub from making any disclosure that Parent or Merger Sub in good faith believes is required by, or advisable according to, applicable Laws, regulations or stock market rules.

(b) The Company, the Stockholders' Representative and each Significant Stockholder hereby agrees that he, she or it shall hold, and shall use his, her or its best efforts to cause his, her or its Representatives to hold, in strict confidence from any Person (other than such Representatives), all Parent Confidential Information, except to the extent: (i) compelled to disclosure by judicial or administrative process or by other requirements of Law, (ii) previously known without violation of Law or any confidentiality obligation by the Person receiving such Parent Confidential Information or (iii) in the public domain through no fault of the receiving Person. In the event that the transactions contemplated hereby are not consummated, the Company, the Stockholders' Representative and each of the Significant Stockholders shall, and shall cause their respective Representatives and the Company shall cause its Subsidiaries to, promptly deliver to Parent all copies of Parent Confidential Information and destroy all notes, memoranda, summaries, analyses, compilations and other writings related thereto or based thereon.

6.4 No Solicitation.

(a) No Seller Party shall (and shall cause its respective Representatives not to, and the Company shall cause its Subsidiaries not to) solicit or encourage the initiation or submission of interest, offers, inquiries or proposals (or consider or entertain any of the foregoing) from any Person (including by way of providing any non-public information concerning the Company, its business or assets to any Person or otherwise), initiate or participate in any negotiations or discussions, or enter into, accept or authorize any agreement or agreement in principle, or announce any intention to do any of the foregoing, with respect to any expression of interest, offer, proposal to acquire, purchase, license, or lease (other than, in the case of licenses or leases, non-exclusive licenses or leases to end users on customary terms in the ordinary course of business consistent with past practices ("Non-Exclusive Licenses")) (a) all or a substantial portion of the Company's or any of its Subsidiaries' businesses or assets (including the Company Intellectual Property Rights), or (b) the Company's or any of its Subsidiaries' capital stock or other securities, in each case, whether by stock purchase, merger, consolidation, combination, reorganization, recapitalization, purchase of assets, tender offer, lease, license (other than Non-Exclusive Licenses) or otherwise (any of the foregoing, a "Competing Transaction"). Each Seller Party shall (and shall cause its respective Representatives to, and the Company shall cause its Subsidiaries to) immediately discontinue any ongoing discussions or negotiations (other than any ongoing discussions with Parent) relating to a possible Competing Transaction, and shall promptly provide Parent with an oral and a written notice of any expression of interest, proposal or offer relating to a possible Competing Transaction that is received by any Seller Party or any of their respective Representatives from any Person, which notice shall contain the nature of the proposal proposed and the material terms of the proposal and include copies of any such notice, inquiry or proposal. Each Seller Party represents and warrants to Parent that (i) this Section 6.4 does not and will not conflict with or violate any agreement, understanding or arrangement, whether written or oral, to which the Company or the Company's officers, employees, stockholders or agents are currently bound, and (ii) no breach or violation of the Letter of Intent has occurred or is continuing.

(b) Each of the Seller Parties acknowledges and agrees that each is aware, and that the Subsidiaries of the Company are aware, (and each of their respective Representatives is aware or, upon receipt of any material nonpublic information of Parent or Merger Sub, will be advised) of the restrictions imposed by the United States federal securities Laws and other applicable foreign and domestic Laws on a Person possessing material nonpublic information about a public company. The Stockholders' Representative and each of the Seller Parties hereby agrees that, while any of them are in possession of such material nonpublic information, none of such Person or Persons shall purchase or sell any securities of Parent, communicate such information to any third party, take any other action with respect to Parent in violation of such Laws, or cause or encourage any third party to do any of the foregoing.

6.5 Notification of Certain Matters.

(a) The Seller Parties shall give prompt notice to Parent of (a) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which could reasonably be expected to cause any representation or warranty of the Seller Parties contained herein to be untrue or inaccurate in any respect at or prior to the Closing and (b) any failure of any Seller Party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Seller Party hereunder. The delivery of any notice pursuant to this Section 6.5(a) shall not be deemed to (i) modify or supplement any of the schedules hereto, (ii) modify the representations or warranties hereunder of any Seller Party, (iii) modify the conditions set forth in Article VII or (iv) limit or otherwise affect the remedies available hereunder to Parent or Merger Sub.

(b) Parent shall give prompt notice to the Stockholders' Representative of (a) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which could reasonably be expected to cause any representation or warranty of Parent or Merger Sub contained herein to be untrue or inaccurate in any respect at or prior to the Closing and (b) any failure of Parent or Merger Sub to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by Parent or Merger Sub hereunder. The delivery of any notice pursuant to this Section 6.5(b) shall not be deemed to (i) modify or supplement any of the schedules hereto, (ii) modify the representations or warranties hereunder of Parent or Merger Sub, (iii) modify the conditions set forth in Article VIII or (iv) limit or otherwise affect the remedies available hereunder to the Seller Parties.

6.6 Tax Matters.

(a) Post-Closing Tax Returns; Reimbursement of Taxes; Tax Refunds.

(i) Parent shall prepare (or cause to be prepared) and file (or cause to be filed) each Tax Return required to be filed by the Company and its Subsidiaries after the Closing Date for a taxable period beginning before the Closing Date (each a "Parent Prepared Return"). To the extent any Tax shown as due on any Parent Prepared Return is payable by the Significant Stockholders (taking into account the inclusion of the Liability therefore in computing the Closing Adjustment and the indemnification obligations of the Significant Stockholders hereunder), (A) each such Parent Prepared Return shall be prepared in a manner consistent with the prior practice of the Company and its Subsidiaries, unless otherwise required by applicable Tax Law or the change from prior practice would neither increase the amount of Tax payable by the Company or its Subsidiaries for which the Significant Stockholders are obligated to indemnify the Indemnified Parties pursuant to Section 9.1(e), (B) each such Parent Prepared Return shall be provided to the Stockholders' Representative for review at least fifteen (15) days before the due date for filing such Parent Prepared Return (or, if required to be filed within thirty (30) days after the Closing or within thirty (30) days after the end of the taxable period to which such Tax Return relates, as soon as reasonably practicable following the Closing), and (C) the Stockholders' Representative shall have the right to review and comment on each such Parent Prepared Return before filing. Parent shall make such revisions to the Parent Prepared Returns as are reasonably requested by the Stockholders' Representative. For purposes of the foregoing, a change in Tax Return reporting position shall be considered unreasonably requested by Stockholder unless (w) there is substantial authority for the Stockholders' Representative's requested position within the meaning of Section 6662 of the Code, (x) no reserve for Tax Liability would be required to be established pursuant to GAAP in the financial statements relating to Parent, Merger Sub or the Company or its Subsidiaries as a result of potential Tax Liability that is not shown as due on such Tax Return, (y) such reporting position will not be binding on Parent, Merger Sub or the Company or its Subsidiaries in the preparation of Tax Returns for any taxable period ending after the Closing Date, and (z) adequate security (determined within the sole reasonable discretion of Parent) is available or provided to Parent to secure the indemnification obligations of the Significant Stockholders under Section 9.1 for Damages that could result from the failure to sustain such Tax Return reporting position.

(ii) Pursuant to, and to the extent of, the indemnity obligation in Section 9.1(e) in connection with any Parent Prepared Return, promptly upon request by Parent made in the form of a claim for indemnification under Section 9.2(d), and, notwithstanding any dispute under Section 9.2(d) that remains unresolved, not less than two (2) business days before the required payment date of the Taxes shown (or reasonably estimated by Parent to be required to be shown) on such Tax Return, the Escrow Agent shall promptly pay to the applicable Indemnified Party out of the Indemnified Escrowed Funds, to an account designated by Parent, the indemnified amount of such Taxes, as requested by Parent; provided that if the Closing Adjustment has not been finally determined as of the date of such request by Parent, any difference between the estimate of such Tax Liability included in the Estimated Closing Balance Sheet and the indemnifiable Tax amount requested to be paid by Parent, the Escrow Agent shall disburse to Parent or its designee the requested amount out of the Working Capital Escrowed Funds, and any difference between the amount so disbursed from the actual indemnifiable Tax Liability as shown on the relevant Tax Return shall be reconciled in the Closing Adjustment or thereafter by direct payment between Parent and the Stockholders' Representative. If Tax with respect to a Parent Prepared Return is paid out of funds disbursed by the Escrow Agent as described above before the Tax Return has been filed, and the amount so paid exceeds the indemnifiable amount of Tax shown on the Tax Return as ultimately filed, Parent shall return the excess amount to the Escrow Agent for deposit into the escrow account from which it was paid. Subject to receipt of indemnification pursuant to Section 9.1, Parent shall pay or cause to be paid the Tax shown as due on each Parent Prepared Return.

(iii) Except to the extent reflected as an asset in the final Closing Balance Sheet or attributable to the carryback of any item of loss or deduction from a taxable period ending after the Closing Date, the Stockholders shall be entitled to all cash Tax refunds that are received by the Company or any Subsidiary attributable to Taxes paid by the Company or any Subsidiary with respect to any taxable period ending on or before the Closing Date. Parent shall pay to the Stockholders' Representative the full amount of any such Tax refund (minus any reasonable costs or expenses incurred by the Parent or the Company in connection with the receipt or payment of each such Tax refund), by wire transfer of immediately available funds to an account designated by the Stockholders' Representative, within five (5) business days after actual receipt of any such refund.

(b) Allocation of Taxes. The Significant Stockholders, Parent and the Company shall, to the extent permitted by applicable Tax Law, cause the taxable period of the Company and its Subsidiaries to end as of the close of the Closing Date. For purposes of this Agreement, Taxes incurred by the Company or its Subsidiaries with respect to a taxable period that includes but does not end on the Closing Date, shall be allocated to the portion of the period ending on the Closing Date as follows: (i) except as provided in (ii) and (iii) below, to the extent feasible, on a specific identification basis, according to the date of the event or transaction giving rise to the Tax, (ii) except as provided in (iii) below, with respect to periodically assessed ad valorem Taxes and Taxes not otherwise feasibly allocable to specific transactions or events, in proportion to the number of days in such period occurring through and including the Closing Date compared to the total number of days in such taxable period, and (iii) in the case of any Tax based upon or related to income or receipts, in an amount equal to the Tax which would be payable if the relevant taxable period ended at the close of business on the Closing Date. For the elimination of doubt, Taxes incurred by reason of the transactions contemplated by this Agreement and any Transfer Taxes imposed on the Company or its Subsidiaries, shall be shall be taken into account as though the relevant taxable period ended at the close of business on the Closing Date. Any Tax credits relating to a taxable period that begins before and ends after the Closing Date shall be taken into account as though the relevant taxable period ended on the Closing Date. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with prior practices of the Company and its Subsidiaries.

(c) Tax Proceedings. Any Party who receives any notice of a pending or threatened Tax audit, assessment, or adjustment against or with respect to the Company or any of its Subsidiaries that may give rise to Liability of another Party (including pursuant to the indemnification provisions of this Agreement), shall promptly notify such other Party within ten (10) business days of the receipt of such notice. The Parties each agree to consult with and to keep the other Parties informed on a regular basis regarding the status of any Tax Proceeding to the extent that such Proceeding could affect a Liability that could reasonably be a basis for a claim pursuant to the indemnity obligations hereunder.

(d) Cooperation, Access to Information, and Record Retention. The Significant Stockholders, Parent and the Company shall cooperate, and shall cause their Affiliates and representatives to cooperate, as and to the extent reasonably requested by any other Party in connection the preparation and filing of Tax Returns as provided herein, any Proceeding with respect to Taxes, and any determination regarding reflection of Tax Liabilities of the Company and its Subsidiaries in financial statements of Parent. Such cooperation shall include the provision of records and information that are reasonably relevant to any such Tax Return, Proceeding relating to Taxes or any preparation of financial statements, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Significant Stockholders, Parent and the Company shall (i) retain all books and records with respect to Taxes of the Company and its Subsidiaries (including Tax Returns) relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations for assessment of Taxes for such respective taxable period and (ii) give the other Parties reasonable written notice prior to transferring, destroying or discarding any such books and records and, if another Party so requests, allow the other Party to either copy or take possession of such books and records.

(e) Tax Certificates. The Parties further agree, upon request, to use reasonable efforts to obtain any certificate or other document from any Government Authority or any other Person that, if obtained and provided by such Party, would mitigate, reduce or eliminate any Tax that could be imposed on any Party; provided that in each case, such cooperation would not cause the required Party to incur any material additional Tax Liabilities or adverse consequences.

(f) Termination of Tax Sharing Agreements. All Tax sharing agreements or similar agreements between the Company or any of its Subsidiaries, on the one hand, and any other Person, on the other hand (other than any such agreement created by the execution of this Agreement), shall be terminated on or before the Closing Date, and after the Closing Date, none of the Company or its Subsidiaries shall be bound thereby or have any Liability thereunder.

(g) Transfer Taxes. Notwithstanding any provision to the contrary in this Agreement, all Transfer Taxes incurred by the Significant Stockholders in connection with the transactions contemplated by this Agreement shall be paid by the Significant Stockholders when due. The Significant Stockholders shall, at their own expense, prepare and file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes. If required by applicable Law, Parent shall, and shall cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

6.7 Litigation Support. In the event and for so long as any Party actively is contesting or defending against any charge, complaint, action, suit, audit, proceeding, hearing, investigation, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Company or any of its Subsidiaries, each of the other Parties will cooperate with such Party or its counsel in the contest or defense, make available its personnel, and provide such testimony and access to its books and records as shall be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Article IX below).

6.8 Reasonable Efforts.

(a) Each Party and the Stockholders' Representative agrees to use all reasonable efforts promptly to take, or cause to be taken, and the Company shall cause its Subsidiaries to take, all actions and do or cause to be done all things necessary, proper or advisable under applicable Laws to (i) obtain all consents, approvals or actions of, make all filings with and give all notices to Government Authorities or any other Person required to consummate the Merger and the other matters contemplated hereby, (ii) provide such other information and communications to such Government Authorities or other public or private Persons as the other Party or such Government Authorities or other public or private Persons may reasonably request in connection therewith, and (iii) execute such further documents, deeds, bills of sale, assignments and assurances and take such further actions as may reasonably be required to consummate and make effective the transactions contemplated by this Agreement, including the satisfaction of all conditions hereto.

(b) Without prejudice to the foregoing, each of the Parties shall, to the extent not filed prior to the date hereof, (i) no later than ten (10) business days after the date of this Agreement file any required or recommended filings with the FTC and the Antitrust Division of the U.S. Department of Justice (the "Antitrust Division") in accordance with the HSR Act, and (ii) no later than ten (10) business days after the date of this Agreement, file an antitrust notification in any other jurisdiction if required by any other applicable antitrust Law, as determined by Parent in its reasonable judgment. Without limiting any Party's obligations under Section 6.8(a), each Party shall use its reasonable best efforts to make as soon as practicable any other required submissions under the HSR Act and any other applicable antitrust Laws that the Company or Parent determines should be made, in each case with respect to the Merger, and to take all other actions necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act and any other applicable antitrust Laws as soon as practicable. Each of the Parties shall furnish promptly to the FTC, the Antitrust Division and any other requesting Government Authority any additional information requested pursuant to the HSR Act or any other antitrust Laws in connection with such filings. Each Party shall notify the other parties promptly upon the receipt of any comments from any officials of any Government Authority in connection with any filings made pursuant to this Section 6.8(b). To the extent permitted by applicable Law, and subject to all applicable privileges (including attorney client privilege), each of the Parties shall consult and cooperate with one another, and consider in good faith the views of one another, in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with Proceedings under or relating to the HSR Act or any other antitrust Law. Each of the Parties shall cooperate reasonably with each other in connection with the making of all such filings or responses and to the extent reasonably practicable and permitted by applicable Law and the applicable Government Authority, all discussions, telephone calls and meetings with a Government Authority regarding the Merger shall include Representatives of the Company and Parent. Notwithstanding the foregoing or anything in this Agreement to the contrary, it is expressly understood and agreed that (i) neither Parent nor Merger Sub shall have any obligation to litigate or contest any administrative or judicial action or any decree, judgment, injunction or other order, whether temporary, preliminary or permanent brought by or before an administrative tribunal, court or other similar tribunal or body, and (ii) nothing shall require Parent or Merger Sub to accept, and no Seller Party shall accept, or permit any Subsidiary of the Company to accept, without Parent's consent, any requirement, condition or arrangement imposed upon Parent, Merger Sub, the Company or any of its Subsidiaries or their respective business operations as a condition to obtaining approval or resolving any objection of a Government Authority with respect to the transactions contemplated hereby, in each case to the extent that such actions, requirements, conditions or arrangements are unacceptable to Parent in its sole discretion.

(c) The Parties shall comply with the applicable requirements of CFIUS under FINSA. The Parties shall submit a draft voluntary joint notification to CFIUS under FINSA as soon as practicable, but in any event no later than five (5) business days following the date hereof, and will promptly provide CFIUS with any additional or supplemental information requested by CFIUS or its member agencies during such pre-filing consultation period, at the end of which the Parties will prepare and file with CFIUS a final joint voluntary notice. Following the submission of the final CFIUS joint voluntary notice, each of Parent and the Company will provide CFIUS with any additional or supplemental information requested by CFIUS or its member agencies during the CFIUS review process within three (3) business days of receipt of such request, or if the Parties agree to seek an extension in relation thereto, such longer period as CFIUS may allow, and, in cooperation with each other, will take all commercially reasonable steps advisable, necessary or desirable to finally and successfully complete the CFIUS review process as promptly as practicable. Each Party will make any other submissions under CFIUS that are requested by CFIUS to be made or that Parent and the Company mutually agree should be made in connection with the matters contemplated hereby. In furtherance of the foregoing, if, at the end of the initial thirty (30)-day CFIUS review period, CFIUS offers the Parties an opportunity to withdraw and resubmit their joint notice regarding the matters contemplated hereby, and Parent opts to request withdrawal and resubmission in response to such offer by CFIUS, then the Company shall agree to join the request for withdrawal and resubmission and promptly resubmit the joint notice. Notwithstanding the foregoing or anything in this Agreement to the contrary, it is expressly understood and agreed that neither Parent nor Merger Sub shall have any obligation to accept, and no Seller Party shall accept, or permit any Subsidiary of the Company to accept, without Parent's consent, any mitigation arrangement or any condition imposed by CFIUS on Parent, Merger Sub, the Company or any of its Subsidiaries, including any mitigation or condition pursuant to Section 5 of FINSA, that is unacceptable to Parent in its sole discretion.

(d) The Company shall cooperate with the Parent to prepare and submit to DSS and, to the extent applicable, any other U.S. Government Authority, notification of the transactions contemplated by this Agreement pursuant to the NISPOM and any other applicable national or industrial security regulations, and to request from DSS approval to operate the business of the Company pursuant to a FOCI mitigation proposal submitted in relation to the transactions contemplated by this Agreement, and acceptable to Parent, in accordance with the NISPOM. The intended FOCI mitigation proposal shall be Parent's existing Security Control Agreement.

(e) Subject to the provisions of Section 6.8(a)-(d) above, none of the Parties shall take any action that would reasonably be expected to hinder or delay the obtaining of clearance or any necessary approval of any Government Authority, or the expiration of any required waiting periods under the HSR Act or any other applicable antitrust Law filing made in any other jurisdiction.

6.9 Company Employees. Prior to the Closing, the Company agrees to cooperate with Parent's reasonable requests for information and other cooperation pertaining to the Company's and its Subsidiaries' employees. The Company also agrees that, promptly after the date hereof, it shall allow Parent to make a presentation to the Company's and each of its Subsidiaries' employees and to interview such employees for continued employment with the Company and its Subsidiaries after the Closing. The Company will use all reasonable efforts to cause the Company's and its Subsidiaries' employees to make available their employment services to the Surviving Corporation after the Closing.

6.10 Takeover Statutes. If any Takeover Statute is or may become applicable to the Merger or any of the other transactions contemplated by this Agreement, the board of directors of the Company shall use commercially reasonable efforts to grant such approvals and take such actions as are reasonably necessary so that the Merger and such other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms set forth in this Agreement and otherwise act to eliminate the effects of any Takeover Statute on the Merger and any of the other transactions contemplated by this Agreement.

6.11 Employee Benefits Matters.

(a) Effective immediately preceding the Closing, the Company and its Subsidiaries will terminate any and all Company Plans intended to qualify as a qualified cash or deferred arrangement under Section 401(k) of the Code (the "401(k) Plans"), and the Company will provide Parent with evidence that such plans have been terminated effective immediately prior to the Closing pursuant to resolutions satisfactory to Parent and duly adopted, at least five (5) days prior to the Closing, by the board of directors of the Company or its Subsidiary, as applicable, or other duly-designated authority. In addition, at the request of Parent, the Company will terminate any one or more Welfare Plans, including any group health, dental, severance, separation or salary continuation plans, programs or arrangements, effective as of the date specified by Parent, and at the request of Parent, the Company will provide Parent with evidence that such Welfare Plans have been so terminated pursuant to resolutions duly adopted by the board of directors of the Company or other duly-designated authority. The Company shall take such other actions in furtherance of terminating such Company Plans as Parent may reasonably require.

(b) The Company shall obtain and deliver to Parent, prior to the initiation of the procedure described in Section 6.11(c), an excess parachute payment waiver, in a form reasonably acceptable to Parent, from each Person whom the Company reasonably believes is, with respect to the Company or any of its Subsidiaries, a "disqualified individual" (within the meaning of Section 280G of the Code) with respect to the transactions contemplated hereby and whom the Company reasonably believes could otherwise receive or have the right or entitlement to receive a "parachute payment" (as defined in Section 280G(b)(2) of the Code) from the Company or any of its Subsidiaries, or from Parent or any trade or business (whether or not incorporated) that is a member of a controlled group or that is under common control with Parent within the meaning of Section 414 of the Code, under Section 280G of the Code as a result of the consummation of the transactions contemplated hereby (including in connection with certain changes in any such Person's employment circumstances following the consummation of the transactions contemplated hereby). By the execution of such waiver agreement, the Person executing such waiver shall agree to waive all of his or her right and entitlement to receive (or, if already paid, his or her right and entitlement to keep) any portion of such "parachute payments" that would cause the Person executing the waiver to receive an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code), unless the Company's stockholders approve such waived payments in accordance with Section 280G(b)(5)(A)(ii) of the Code.

(c) The Company shall submit the payments that are waived pursuant to the waiver agreements described in Section 6.11(b) to its stockholders and the holders of the voting power of any entity stockholder for their approval in accordance with all applicable requirements of such Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder, including Q-7 of Section 1.280G-1 of such Treasury Regulations.

(d) Prior to the Closing, each of the Significant Stockholders and their respective Affiliates and each of the officers, directors, employees and Affiliates of the Company and each of its Subsidiaries shall repay in full, in accordance with their terms, all debts and other obligations, if any, owed to the Company or any of its Subsidiaries.

6.12 Accounts Receivable Management. Following the Closing, Parent shall use, and Parent shall cause the Company and its Subsidiaries to use, commercially reasonable efforts to collect all accounts receivable reflected on the Closing Date Balance Sheet consistent with the collection practices used by Parent and its Affiliates. If any Parent Indemnified Party recovers any Damages pursuant to Article IX as a result of any accounts receivable reflected on the Closing Date Balance Sheet not being collected in full and Parent subsequently receives payment from a debtor in respect of such account receivable, Parent shall remit such payment to the to the Stockholders' Representative promptly after receiving such payment.

6.13 Company Stockholder Approval.

(a) The Company, through its board of directors, shall unanimously recommend to the Stockholders that the Stockholders approve and adopt this Agreement, the Merger and the transactions contemplated hereby and thereby (the "Recommendation"). Immediately after the execution of this Agreement and in accordance with the DGCL, the Company shall submit this Agreement, the Merger and the transactions contemplated hereby and thereby, together with a consent solicitation statement describing the Company, the principal terms of the Merger and the transactions contemplated hereby in form and substance that complies in all respects with the DGCL, the Certificate of Incorporation and the Company's bylaws and which includes the Recommendation (the "Consent Solicitation Statement") to all Stockholders for approval as provided by the DGCL and the Certificate of Incorporation and the Company's bylaws.

(b) The Company shall use its best efforts to solicit and promptly obtain, but in any event within one (1) business day of the date of this Agreement, written consents of the Stockholders constituting the Requisite Vote to approve the Merger (and to enable the Closing to occur as promptly as practicable following the date hereof), this Agreement, the other documents contemplated hereby and the transactions contemplated hereby and thereby ("Written Consents"). Prior to the distribution of the Consent Solicitation Statement or Information Statement (as defined below), or in each, case any amendment or supplement thereto, Parent and its counsel shall be provided with copies of the Consent Solicitation Statement and Information Statement (and any such amendment or supplement) and shall be provided with a reasonable opportunity to review and comment thereon. The Company shall comply with the DGCL and all other applicable Law with respect to the submission of this Agreement, the Merger and the transactions contemplated hereby and thereby, the distribution of the Consent Solicitation Statement and the solicitation of the Written Consents.

(c) Promptly, but in no event more than three (3) business days after the date of the Written Consents, the Company shall (i) deliver notice to each stockholder of the Company that did not execute a Written Consent, if any (the "Nonconsenting Stockholders"), of the action by Written Consent of the Stockholders pursuant to and in accordance with the applicable provisions of the DGCL, including 228(e) of the DGCL, and the Certificate of Incorporation and the Company's bylaws, (ii) deliver the notice required pursuant to Section 262 of the DGCL informing the Nonconsenting Stockholders that appraisal rights are available for their shares pursuant to Section 262 of the DGCL along with such other information as is required by Section 262 of the DGCL, and (iii) without limiting the generality of clause (ii), deliver an information statement (the "Information Statement") containing substantially the same information as is contained in the Consent Solicitation Statement. Each Party agrees that the information supplied by such Party for inclusion in the Consent Solicitation Statement and the Information Statement, if any, will not, on the date the Consent Solicitation Statement and the Information Statement is first sent or furnished to the Stockholders or at any time Written Consents are being solicited, contain any statement which, at such time, is false or misleading with respect to any material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not false or misleading.

(d) Neither the board of directors of the Company nor any committee thereof shall withdraw, amend or modify, or propose or resolve to withdraw, amend or modify the Recommendation.

6.14 Representation and Warranty Insurance. The Seller Parties shall cooperate with Parent to obtain a buyer-side representations and warranties insurance policy issued by an insurer or insurers reasonably acceptable to Parent and the Stockholders' Representative, for the benefit of Parent and any additional insureds named by Parent, on such terms and conditions that are reasonably acceptable to Parent and the Stockholders' Representative (the "R&W Insurance Policy") and otherwise substantially in the form attached hereto as Schedule 6.14. Parent covenants and agrees to refrain from making, entering into or consenting to any termination or material amendment to the R&W Insurance Policy, or otherwise waiving any rights or remedies thereunder, following the Closing without the Stockholders' Representative's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed. Parent must use its commercially reasonable efforts to recover from the R&W Insurance Policy with respect to any Damages that could reasonably be expected to be covered by such policy; provided that any such efforts shall be in accordance with Section 9.4(c).

6.15 Financing Cooperation. Prior to the Closing, the Company shall use commercially reasonable efforts to provide, and shall use commercially reasonable efforts to cause each of its Subsidiaries and Representatives to provide, on a timely basis, all reasonable cooperation requested by Parent and that is customary in connection with the arrangement of the Financing, including using commercially reasonable efforts to (a) facilitate the provision of a credit agreement, guarantees, pledges of collateral and other customary documents in connection with the Financing (in each case, effective as of the Closing), (b) provide financial and other pertinent information regarding the Company and its Subsidiaries as may be reasonably requested by Parent in order to consummate the Financing, (c) provide information with respect to the properties and assets of the Company and its Subsidiaries as may be reasonably requested by Parent, (d) participate in a reasonable number of informational and other meetings in connection with the Financing and (e) assist Parent and its financing sources in the preparation of all agreements (including review of schedules for completeness), offering documents, an offering memorandum and other marketing materials for the Financing (in each case at Parent's sole cost and expense), it being understood and agreed that information and documents provided by the Company may be delivered to agents and lenders under documents in connection with the Financing and their Representatives (subject to customary arrangements for confidentiality that are acceptable to the Company), including consenting to the use of the Company's and its Subsidiaries' logos (provided that such logos are used solely in a manner that is not intended to or reasonably likely to harm or disparage the Company or its Subsidiaries or the reputation or goodwill of the Company or any of its Subsidiaries).

6.16 Tail Insurance. Prior to the Effective Time, the Company shall purchase an extended reporting period endorsement under the Company's existing directors' and officers' liability insurance coverage (the "D&O Tail") for the directors and officers of the Company and each of its Subsidiaries, in a form acceptable to Parent, which shall provide such directors and officers with coverage for six (6) years following the Effective Time and shall have a scope substantially similar to the existing coverage under, and have other terms not materially less favorable to the insured persons than the terms of, the directors' and officers' liability insurance coverage currently maintained by the Company and its Subsidiaries.

6.17 Further Assurances. The Stockholders' Representative, each of the Significant Stockholders and the Company shall, and the Company shall cause its Subsidiaries to, execute such further documents, deeds, bills of sale, assignments and assurances and take such further actions as may reasonably be required by Parent or Merger Sub to consummate the Merger and to effect the other transactions contemplated hereby and purposes hereof.

6.18 2016 Financial Statements. The Company shall initiate, and cooperate and assist with, the audit by the Company's independent auditors of the consolidated balance sheet of the Company and its Subsidiaries and the consolidated statements of income, cash flow and retained earnings of the Company and its Subsidiaries at and for the fiscal year ended December 31, 2016, based on timing and procedures consistent with past practices of the Company.

ARTICLE VII
CONDITIONS TO THE OBLIGATIONS OF PARENT AND MERGER SUB

All obligations of Parent and Merger Sub under this Agreement are subject to the fulfillment and satisfaction, prior to or at the time of the Closing, of each of the following conditions precedent, any one or more of which may be waived, in part or in full, to the extent permitted by Law, by Parent in writing.

7.1 Representations and Warranties. All of the Fundamental Representations of each of the Seller Parties contained in this Agreement shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except that those representations and warranties which speak as of a specific date need only be true, correct and complete on and as of such date). All of the representations and warranties of each of the Seller Parties contained in this Agreement that are not Fundamental Representations shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except that those representations and warranties which speak as of a specific date need only be true, correct and complete on and as of such date, and the words "material," "materially," "Material Adverse Effect," and similar qualifiers shall be disregarded for purposes of determining such accuracy of such representations and warranties).

7.2 Performance. All of the terms, covenants, agreements and conditions of this Agreement to be complied with, performed or satisfied by any Seller Party on or before the Closing Date shall have been duly complied with, performed or satisfied in all material respects, on or before such date.

7.3 No Injunction or Litigation. No temporary restraining order, preliminary or permanent injunction or other order or judgment issued by any court of competent jurisdiction or other legal or regulatory restraint or provision challenging the transactions contemplated hereunder or limiting or restricting the conduct or operation of the Company or any of its Subsidiaries following the Closing shall be in effect, nor shall any Proceeding seeking any of the foregoing be pending. There shall be no Proceeding of any nature, pending or threatened, against Parent, Merger Sub, any Seller Party or any Subsidiary of the Company, their respective properties or any of their respective officers or directors that could reasonably be expected to have a Material Adverse Effect on the Company or Parent.

7.4 No Material Adverse Effect. Parent shall not have determined that there shall have occurred any effect, event or change that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect on any Seller Party, Parent or Merger Sub.

7.5 Governmental, Regulatory and Other Consents and Approvals.

(a) All confirmations, consents, assurances, approvals, assignments and actions of, filings with and notices to any Government Authority required of any Seller Party or Parent to consummate the Closing and the other matters contemplated hereby shall have been obtained, including (i) written confirmation by CFIUS that it has completed its review (or, if applicable, investigation) under FINSA and determined that there are no unresolved national security concerns with respect to the transactions contemplated by this Agreement (or the President shall have made a determination under FINSA not to block the transaction), and, notwithstanding such written confirmation, CFIUS shall not have required any mitigation arrangement or imposed any condition on Parent, Merger Sub or the Company, including mitigation or conditions pursuant to Section 5 of FINSA, that are unacceptable to Parent in its sole discretion; (ii) written approval of DSS to operate the business of the Company pursuant to Parent's existing Security Control Agreement; and (iii) the expiration or termination without the objection of any of the relevant Government Authorities of all applicable waiting periods (and any extensions thereof) under the HSR Act and any filings made under any applicable competition, antitrust or similar Government Authority filing made in any other jurisdiction with a mandatory waiting period.

(b) Any and all consents, waivers, approvals, authorizations and notices which are set forth on Schedule 7.5(b) shall have been obtained or delivered.

7.6 Termination of Company Option Plan; Options. Each outstanding Company Option shall have been cancelled or terminated pursuant to Section 1.7 and the Company Option Termination Agreements, and the Company Option Plan, shall have been terminated. Each holder of Company Options shall have executed and delivered to Parent a Company Option Termination Agreement.

7.7 Key Employee Agreements. Each Key Employee shall have entered into each of the Key Employee Agreements and such Key Employee Agreements shall be in full force and effect, no Key Employee shall have attempted (whether formally or informally) to terminate, rescind or repudiate any such Key Employee Agreement, as applicable, and no Key Employee shall have notified (whether formally or informally) Parent or the Company of such Key Employee's intention of leaving the employ of Parent or the Company or any of its Subsidiaries following the Closing.

7.8 Stockholder Approval. This Agreement shall have been duly adopted by the Requisite Vote, and no Person shall have threatened to challenge or to attempt to revoke the adoption of this Agreement. The holders of at least ninety-five percent (95%) of the issued and outstanding Company Common Stock shall have delivered to the Company properly completed and executed Joinder and Waiver Agreements, in a form reasonably acceptable to Parent (collectively, the "Joinder and Waiver Agreements").

7.9 Dissenting Shares. If applicable, the period within which appraisal rights may be exercised under the DGCL with respect to the Merger shall have expired and there shall not be any shares of Company Common Stock that constitute (or that are or may be eligible to become) Dissenting Shares.

7.10 Termination of Contracts. The Contracts on Schedule 7.10(a) shall have been terminated without further obligations to the Company or any of its Subsidiaries or Parent or Merger Sub. Except as set forth on Schedule 7.10(b), all Related Party Arrangements shall have been terminated without further obligations to the Company or any of its Subsidiaries, Parent or Merger Sub.

7.11 Representation and Warranty Insurance. The R&W Insurance Policy shall have been issued to Parent and shall be in full force and effect.

7.12 Tail Insurance. The Company shall have provided Parent with evidence reasonably satisfactory to Parent of the purchase of the D&O Tail in accordance with Section 6.17 and of the total dollar amount of the premium paid or payable therefor and any other amounts paid or payable by the Company in connection with the D&O Tail.

7.13 Section 280G Stockholder Approval. Any agreements, arrangements or other Contracts that, before giving effect to any waiver described below, would result, separately or in the aggregate, in the payment of any amount or the provision of any benefit that would not be deductible by reason of Section 280G of the Code shall have been approved by such number of stockholders of the Company as is required by the terms of Section 280G of the Code in order for such payments and benefits not to be deemed parachute payments under Section 280G of the Code, with such approval to be obtained in a manner that satisfies all applicable requirements of Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder, including Q-7 of Section 1.280G-1 of such Treasury Regulations (the "280G Stockholder Approval"), or in the absence of the 280G Stockholder Approval, none of those payments or benefits will be paid or provided, in accordance with the waiver of those payments and benefits to be executed by the affected individuals in accordance with Section 6.11.

7.14 Closing Deliveries of the Seller Parties. At the Closing, the Seller Parties shall have performed and delivered the following, subject to waiver, in part or in full, by Parent:

(a) each of the Significant Stockholders shall have transferred all of the shares of Company Common Stock that such Significant Stockholder owns, free and clear of any Encumbrance, in accordance with the procedures set forth in Section 1.13;

(b) the Company shall have executed and delivered to Parent a certificate of its secretary, setting forth its certified Certificate of Incorporation, bylaws and resolutions of its board of directors (or other evidence reasonably satisfactory to Parent) authorizing the execution, delivery and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby, and certifying that (i) such Certificate of Incorporation, bylaws and resolutions have not been amended or rescinded and are in full force and effect, and (ii) its officers executing this Agreement and other documents delivered pursuant to this Agreement are incumbent officers and the specimen signatures on the certificate are their genuine signatures;

(c) the Company's Chief Executive Officer shall have delivered to Parent an officer's certificate certifying that the conditions set forth in this Article VII have been satisfied;

(d) the Company shall have delivered to Parent a spreadsheet, in form and substance reasonably satisfactory to Parent, containing the following information, together with a certificate duly executed on behalf of the Company by the Company's Chief Executive Officer and Chief Financial Officer, containing the representation and warranty of the Company that (x) all of such information is accurate and complete (and in the case of dollar amounts, properly calculated) as of the Closing, and (y) except for the shares of Company Common Stock and Company Options set forth in such spreadsheet, no security of the Company, no security instrument or obligation that is or may become convertible into or exchangeable for any security of the Company, and no subscription, option, share of restricted stock, restricted stock unit, stock appreciation right, call, convertible note, warrant or right (whether or not currently exercisable) to acquire any securities of the Company is authorized or outstanding immediately prior to the Effective Time or will become authorized or outstanding at the Effective Time (such spreadsheet and accompanying certificate, the "Merger Consideration Spreadsheet"):

(i) with respect to each Person who is a stockholder of the Company immediately prior to the Effective Time: (A) the name and address of record of each such stockholder, including such stockholder's email address, if available; (B) the number of shares of Company Common Stock held by such stockholder; (C) the consideration that such stockholder is entitled to receive pursuant to Section 1.6(b)(i) after deduction of amounts to be contributed to the Indemnity Escrow Deposit and Working Capital Escrow Deposit; (D) the amount to be contributed to the Indemnity Escrow Deposit and Working Capital Escrow Deposit with respect to the shares of Company Common Stock held by each such stockholder; (E) whether any Taxes are to be withheld in accordance with Section 1.16 from the consideration that such stockholder is entitled to receive pursuant to Section 1.6(b)(i), or from the amounts to be contributed to the Indemnity Escrow Deposit and Working Capital Escrow Deposit, and, if so, the jurisdiction(s) in which such withholding is required; (F) whether any indebtedness repayment amounts are to be withheld in accordance with Section 1.17 from the consideration that such stockholder is entitled to receive pursuant to Section 1.6(b)(i); and (G) the net cash amount to be paid to such stockholder by Parent upon surrender of such stockholder's shares of Company Common Stock in accordance with Section 1.13 (after deduction of any amounts to be contributed to the Indemnity Escrow Deposit and Working Capital Escrow Deposit, amounts withheld in respect of Taxes in accordance with Section 1.16 and amounts withheld in accordance with Section 1.17, in each case with respect to the shares of Company Common Stock held by such stockholder);

(ii) with respect to each Person who is a holder of Company Options: (A) the name and address of record of each such holder, including such holder's email address, if available; (B) the exercise price per share and the number of shares of Company Common Stock subject to such Company Option; (C) the amount of any Taxes to be withheld in accordance with Section 1.16 from the consideration that the holder of such Company Option is entitled to receive pursuant to Section 1.7(a), and if so, the jurisdiction in which such withholding is required; (D) the net cash amount to be paid to the holder of such Company Option in accordance with Section 1.7(a); and (E) the Tax status of each Company Option held by such holder under Section 422 of the Code;

(e) each director and statutory officer of the Company and its Subsidiaries shall have delivered to the Company or its Subsidiary, as applicable, his or her respective resignation as a director and statutory officer of the Company or its Subsidiary and his or her respective revocation of any power of attorney, all of which shall be effective as of the Closing;

(f) the Company shall have delivered the Certificate of Merger, duly executed by the Company;

(g) the Company shall have delivered, and shall have caused each of its Subsidiaries to deliver, to Parent the original stock and membership interest records of the Company and its Subsidiaries, books of account, minute books, minutes and other records of all meetings of the Company and its Subsidiaries, the corporate seals of the Company and its Subsidiaries and such other documents, records, keys and other items as shall be necessary or desirable for the operation of the businesses of the Company and its Subsidiaries;

(h) the Seller Parties shall have delivered payoff letters, in a form reasonably satisfactory to Parent, with valid payoff amounts as of the Closing Date for the repayment or satisfaction of all Indebtedness and all Transaction Expenses, which payoff letters shall authorize, upon payment of the payoff amount stated therein, the full release of all Encumbrances securing any such Liabilities of the Company and each of its Subsidiaries and shall authorize Parent to file termination statements relating to all financing statements relating to such Liabilities;

(i) the Stockholders' Representative and the Escrow Agent shall have executed and delivered the Escrow Agreement;

(j) all of the stockholders, officers, directors, employees and Affiliates of the Company and its Subsidiaries shall have delivered evidence of repayment in full in accordance with their terms of all debts and other obligations, if any, owed by any of them to the Company or any of its Subsidiaries;

(k) the Company shall have delivered to Parent a good standing certificate from the jurisdiction of its incorporation and each of its Subsidiaries' organization and from each state in which it and each of its Subsidiaries is qualified to do business, each dated as of a date reasonably close to the Closing Date;

(l) the Company shall have delivered to Parent all consents, licenses, permits and approvals as set forth or required to be set forth on Schedule 7.5(b);

(m) the Company shall have delivered to Parent Certificates of Insurance issued by the insurers under the insurance policies listed on Schedule 7.14(m) certifying that (i) each such insurance policy is in full force and effect on the Closing Date and (ii) Parent has been added as an additional insured and such insurance coverage shall continue for all claims or occurrences occurring on or prior to the Closing Date;

(n) the Company shall have executed and delivered a properly executed FIRPTA Notification Letter;

(o) Scott Goss shall have executed and delivered a consultant agreement, effective as of the Closing, in substantially the form attached hereto as Exhibit B, and a non-competition and non-solicitation agreement, in substantially the form attached hereto as Exhibit C;

(p) [reserved];

(q) each of the Key Employees shall have executed and delivered the Key Employee Agreements;

(r) the Company shall have delivered to Parent, the executed consent of the auditors of the Company's audited year-end financial statements for the years ending December 31, 2014 and December 31, 2015, consenting to Parent's inclusion of such audited financial statements in Parent's filings with the Securities and Exchange Commission (SEC), in a form reasonably acceptable to Parent and as necessary to enable Parent to comply with Parent's SEC filing requirements and at Parent's sole cost and expense;

(s) the Company shall have delivered evidence that the Company has taken such action as is necessary to terminate the 401(k) Plans pursuant to Section 6.11(a);

(t) the Company shall have delivered evidence that all Contracts with each Person listed on Schedule 7.14(t) have been terminated without further obligations to the Company or any of its Subsidiaries, Parent or Merger Sub; and

(u) the Company shall have delivered evidence that the 280G Stockholder Approval has been obtained, or in the absence of the 280G Stockholder Approval, evidence that none of such payments or benefits will be paid or provided, in accordance with the waiver of those payments and benefits to be executed by the affected individuals.

ARTICLE VIII
CONDITIONS TO THE COMPANY'S AND THE SIGNIFICANT STOCKHOLDERS' OBLIGATIONS

The obligations of the Company and each Significant Stockholder under this Agreement are subject to the fulfillment and satisfaction, prior to or at the time of the Closing, of each of the following conditions precedent, any one or more of which may be waived, in part or in full, to the extent permitted by Law, by the Stockholders' Representative in writing.

8.1 Representations and Warranties True at the Closing Date. All of the representations and warranties of Parent and Merger Sub contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except that those representations and warranties which speak only as of a specific date need only be true, correct and complete on and as of such date, and the words "material," "materially," "Material Adverse Effect," and similar qualifiers shall be disregarded for purposes of determining such accuracy of such representations and warranties).

8.2 Performance. All of the terms, covenants, agreements and conditions of this Agreement to be complied with, performed or satisfied by Parent or Merger Sub on or before the Closing Date shall have been duly complied with, performed or satisfied in all material respects, on or before such date.

8.3 No Litigation. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or provision challenging the transactions contemplated hereunder shall be in effect, nor shall any Proceeding seeking any of the foregoing be pending.

8.4 Representation and Warranty Insurance. The R&W Insurance Policy shall have been issued to Parent and shall be in full force and effect.

8.5 Closing Deliveries of Parent. At the Closing, Parent shall have performed and delivered the following, subject to waiver, in part or in full, by the Stockholders' Representative:

(a) Parent shall have executed and delivered to the Company a certificate of its secretary, setting forth the resolutions of its board of directors (or other evidence reasonably satisfactory to the Stockholders' Representative) authorizing the execution, delivery and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby, and certifying that such resolutions have not been amended or rescinded and are in full force and effect;

(b) Parent shall have executed and delivered to the Company an officer's certificate certifying that the conditions set forth in this Article VIII have been satisfied; and

(c) Parent shall have executed and delivered the Escrow Agreement.

ARTICLE IX
INDEMNITY

9.1 General Indemnification.

(a) From and after the Closing, each Non-Dissenting Stockholder covenants and agrees to indemnify, defend, protect and hold harmless the Parent Indemnified Parties from, against and in respect of such Non-Dissenting Stockholder's Pro Rata Portion of any Damages suffered, sustained, incurred or paid by any Parent Indemnified Party, in each case in connection with, resulting from or arising out of, directly or indirectly (whether or not involving a third party claim): (i) the breach of any representation or warranty made by the Company in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement; (ii) the breach of any covenant or agreement on the part of the Company set forth in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement; (iii) any Indebtedness, Transaction Expenses or failure to pay any Adjustment Excess; (iv) the Company Plans and any and all benefits accrued under the Company Plans as of the Closing Date and any and all other Liabilities arising out of, or in connection with the form, operation or termination of the Company Plans on or prior to the Closing Date or any claim relating to any Company Option or the cancellation or termination thereof; (v) any Tax or penalty incurred under Code Sections 4980D or 4980H; (vi) any and all Liabilities for (A) all Taxes of the Company and its Subsidiaries incurred in connection with or arising out of the activities or business of the Company or any of its Subsidiaries on or before the Closing Date (determined, with respect to taxable periods that include but do not end on the Closing Date, in accordance with the allocation provisions of Section 6.6(b)) in excess of the amount of such Taxes reflected as a liability in the computation of Closing Net Working Capital or taken into account as Transaction Expenses in determining either the Closing Adjustment or the Post-Closing Adjustment, (B) all Taxes required to be paid by the Company or any of its Subsidiaries by reason of the Company or any of its Subsidiaries (or a predecessor of such entities) having been a member of an affiliated, consolidated, combined, or unitary group at any time on or before the Closing Date, including pursuant to Treasury Regulations Section 1.1502-6 or any analogous or similar state, local, or foreign law, rule, or regulation and (C) all Taxes of any Person (other than the Company and its Subsidiaries) required to be paid by the Company or any of its Subsidiaries by reason of Contract, assumption, transferee liability, or operation of Law, if the liability of the Company or any of its Subsidiaries for such Taxes is attributable to an event or transaction occurring on or before the Closing Date; (vii) with respect to each Dissenting Share, any payments by Parent in respect of demands for appraisal of such Dissenting Shares; (viii) any claim brought by a current or former stockholder of the Company, or any other Person, based upon (A) ownership or rights to ownership of any shares of capital stock or other securities of the Company, (B) any rights of a stockholder (other than the right to receive a portion of the Merger Consideration pursuant to Section 1.6 or with respect to Dissenting Shares), including any option, preemptive rights or rights to notice or to vote, (C) any rights under the Certificate of Incorporation or Bylaws of the Company, (D) any claim that his, her or its shares were wrongfully repurchased by the Company or issued out of compliance with applicable securities Laws, or (E) any claim relating to any Company Option or the exercise thereof; (ix) any alleged improper allocation of the Merger Consideration among the Stockholders; (x) any inaccuracy in any information or amounts or breach of any representation or warranty set forth in the Merger Consideration Spreadsheet; (xi) any matter set forth in Appendix D; (xii) any Fraud in connection with (1) the negotiation, execution, delivery or performance of this Agreement, (2) the due diligence investigation conducted by Parent and its Representatives and Affiliates, and (3) any discussions or information regarding the Company and its Subsidiaries provided or otherwise made available in connection with the transactions contemplated by this Agreement; and (xiii) enforcing the indemnification rights of the Parent Indemnified Parties hereunder.

(b) From and after the Closing, each Non-Dissenting Stockholder further covenants and agrees to indemnify, defend, protect and hold harmless the Parent Indemnified Parties from, against and in respect of any Damages suffered, sustained, incurred or paid by any Parent Indemnified Party, in each case in connection with, resulting from or arising out of, directly or indirectly (whether or not involving a third party claim): (i) the breach of any representation or warranty made by such Non-Dissenting Stockholder in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement; (ii) the breach of any covenant or agreement on the part of such Non-Dissenting Stockholder set forth in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement; and (iii) enforcing the indemnification rights of the Parent Indemnified Parties hereunder.

(c) From and after the Closing, Parent, Merger Sub, the Company and its Subsidiaries, covenant and agree to indemnify, defend, protect and hold harmless the Seller Indemnified Parties from, against and in respect of any Damages suffered, sustained, incurred or paid by any Seller Indemnified Party, in each case in connection with, resulting from or arising out of, directly or indirectly (whether or not involving a third party claim): (i) the breach of any representation or warranty made by Parent or Merger Sub in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement; (ii) the breach of any covenant or agreement on the part of Parent or Merger Sub set forth in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement; and (iii) enforcing the indemnification rights of the Seller Indemnified Parties hereunder.

9.2 Third Party Claims.

(a) In the event of the assertion or commencement by any Person of any claim, demand or Proceeding with respect to which any Parent Indemnified Party may be entitled to indemnification pursuant to this Article IX, Parent shall have the right, at its election, to proceed with the defense (including settlement or compromise) of such claim, demand or Proceeding on its own; provided, however, that if Parent settles or compromises any such claim, demand or Proceeding without the consent of the Stockholders' Representative, such settlement or compromise shall not be conclusive evidence of the amount of Damages incurred by the Parent Indemnified Party in connection with such claim, demand or Proceeding (it being understood that if Parent requests that the Stockholders' Representative consent to a settlement or compromise, the Stockholders' Representative shall not unreasonably withhold, condition or delay such consent). If Parent so proceeds with the defense of any such claim, demand or Proceeding, and liability for indemnification pursuant to Section 9.1(a) or (b), as the case may be, is finally determined to be due and owing to a Parent Indemnified Party, all reasonable expenses relating to the defense of such claim, demand or Proceeding shall be included in Damages. Parent shall give the Stockholders' Representative prompt notice after it becomes aware of the commencement of any such claim, demand or Proceeding against Parent; provided, however, that any failure on the part of Parent to so notify the Stockholders' Representative shall not limit any of the obligations of any of the Non-Dissenting Stockholders or the Stockholders' Representative, or any of the rights of any Indemnified Party, under this Article IX (except to the extent that such failure materially adversely prejudices the defense of such claim, defense or Proceeding).

(b) If Parent does not elect to proceed with the defense (including settlement or compromise) of any such claim, demand or Proceeding, the Stockholders' Representative shall proceed with the defense of such claim, demand or Proceeding with counsel reasonably satisfactory to Parent; provided, however, that the Stockholders' Representative may not settle or compromise any such claim, demand or Proceeding without the prior written consent of Parent (which consent may not be unreasonably withheld, delayed or conditioned).

(c) Nothing in this Agreement shall be deemed to prevent any Indemnified Party from making a claim, and an Indemnified Party may make a claim hereunder, for potential or contingent claims or demands or Damages; provided that the notice of such claim sets forth the basis for any such potential or contingent claim or demand or Damage to the extent then feasible and the Indemnified Party has reasonable grounds to believe that such a claim or demand may be made.

(d) In the event that any Parent Indemnified Party desires to seek indemnification under this Article IX, Parent shall notify the Stockholders' Representative in writing; provided, however, that any failure on the part of Parent to so notify the Stockholders' Representative shall not limit any of the obligations of any of the Non-Dissenting Stockholders or the Stockholders' Representative, or any of the rights of any Parent Indemnified Party, under this Article IX (except to the extent that such failure materially adversely prejudices the Non-Dissenting Stockholders or the Stockholders' Representative). If the Stockholders' Representative disputes a claim for indemnification or any portion thereof, the Stockholders' Representative shall notify Parent in writing (which writing shall set forth the grounds for such objection) within thirty (30) days after its receipt of notice of such claim for indemnification, whereupon Parent and the Stockholders' Representative shall meet and attempt in good faith to resolve their differences with respect to such claim or any portion of such claim for indemnification. If the dispute has not been resolved within thirty (30) days after the Stockholders' Representative's notice of such dispute, either the Stockholders' Representative or Parent may proceed with pursuing the remedies provided herein to resolve such dispute. If the Stockholders' Representative does not dispute such claim or any portion of such claim for indemnification, Parent may offset the amount thereof pursuant to Section 9.6 and/or Parent and the Stockholders' Representative shall send joint written instructions to the Escrow Agent directing the Escrow Agent to promptly pay the Parent Indemnified Party an amount in cash equal to the amount of such claim. In the event that no written notice disputing or objecting to such claim or any portion of such claim for indemnification is delivered by the Stockholders' Representative prior to the expiration of the thirty (30) days in which the Stockholders' Representative may dispute such claim for indemnification, the claim(s) stated by Parent shall be conclusively deemed to be approved by the Stockholders' Representative.

(e) In the event that any Seller Indemnified Party desires to seek indemnification under this Article IX, the Stockholders' Representative shall notify Parent in writing; provided, however, that any failure on the part of the Stockholders' Representative to so notify Parent shall not limit any of the obligations of Parent, Merger Sub, or any of the rights of any Seller Indemnified Party, under this Article IX (except to the extent that such failure materially adversely prejudices Parent, Merger Sub or, following the Closing, the Company or its Subsidiaries). If Parent disputes a claim for indemnification or any portion thereof, Parent shall notify the Stockholders' Representative in writing (which writing shall set forth the grounds for such objection) within thirty (30) days after its receipt of notice of such claim for indemnification, whereupon Parent and the Stockholders' Representative shall meet and attempt in good faith to resolve their differences with respect to such claim or any portion of such claim for indemnification. If the dispute has not been resolved within thirty (30) days after Parent's notice of such dispute, either the Stockholders' Representative or Parent may proceed with pursuing the remedies provided herein to resolve such dispute. In the event that no written notice disputing or objecting to such claim or any portion of such claim for indemnification is delivered by Parent prior to the expiration of the thirty (30) days in which Parent may dispute such claim for indemnification, the claim(s) stated by the Stockholders' Representative shall be conclusively deemed to be approved by Parent.

9.3 Survival of Representations, Warranties and Covenants. Each covenant and agreement contained in this Agreement or in any agreement or other document delivered pursuant hereto shall survive the Closing and be enforceable until such covenant or agreement has been fully performed. All representations and warranties contained in this Agreement or in any certificate delivered or provided in connection with the consummation of the transactions contemplated by this Agreement shall survive the Closing until the date that is eighteen (18) months after the Closing Date, and shall thereafter expire. The limitations on survival set forth in the preceding sentence of this Section 9.3 shall not apply to (a) the representations and warranties set forth in Sections 3.1 (Organization and Corporate Power), 3.2 (Authority for Agreement), 3.4 (Capitalization), 3.23 (Brokers), 4.1 (Authority for Agreement), 4.3 (Ownership) and 4.4 (Brokers) (collectively, the "Fundamental Representations"), all of which shall survive until, and expire on the date that is, ninety (90) days after expiration of the applicable statute of limitations, including waivers and extensions thereof, (b) the representations and warranties set forth in Section 3.14 (Government Contracts and Bids) (the "Government Contracts Representations"), and the indemnification obligations with respect thereto, which shall survive until, and expire on, the date that is three (3) years from the Closing Date, (c) the representations and warranties set forth in Sections 3.8 (Employee Benefit Plans) and 3.10 (Taxes), which shall survive until, and expire on the date that is, thirty (30) days after expiration of the applicable statute of limitations, or (d) claims based on Fraud, which shall survive without limitation. Notwithstanding anything to the contrary in this Section 9.3, any representation or warranty with respect to which a claim has been made for a breach thereon prior to any of the foregoing dates shall survive until such claim is resolved. Any Indemnified Party may bring a claim hereunder for potential or contingent Damages notwithstanding the fact that the full amount of such potential or contingent Damages is not readily determinable.

9.4 Limitations on Indemnification.

(a) There shall be no Liability for Damages pursuant to Sections 9.1(a)(i) or (iv) unless and until the aggregate amount of all Damages for all claims asserted by the Parent Indemnified Parties thereunder exceeds Eight Hundred Thousand Dollars ($800,000) (the "Threshold Amount"), and after the aggregate amount of Damages thereunder exceeds the Threshold Amount, any Damages in excess of such amount shall be recoverable by the Parent Indemnified Parties; provided that the foregoing limitations shall not apply to the Fundamental Representations or claims based on Fraud, with respect to which, in each case, all Damages in connection therewith shall be recoverable from the first dollar and shall not be counted in determining whether the Threshold Amount has been exceeded.

(b) The indemnification obligations of the Non-Dissenting Stockholders for Damages pursuant to Sections 9.1(a)(i) and (iv) shall be limited to an amount equal to Twenty Million Dollars ($20,000,000) (the "General Cap"); provided that the foregoing limitation shall not apply to (i) claims based on a breach of any of the Fundamental Representations, which shall be limited to an amount, when combined with the aggregate amount of the indemnification obligations of the Non-Dissenting Stockholders for claims based on all other matters under Sections 9.1(a)(i) and (iv) (other than claims based on a breach of any Government Contracts Representations), equal to Eighty Million Dollars ($80,000,000) in excess of the General Cap, (ii) claims based on a breach of any of the Government Contracts Representations, which shall be limited to an amount, when combined with the aggregate amount of the indemnification obligations of the Non-Dissenting Stockholders for claims based on all other matters under Sections 9.1(a)(i) and (iv) (other than claims based on a breach of any Fundamental Representations), equal to Five Million Dollars ($5,000,000) in excess of the General Cap, or (iii) claims based on Fraud, which shall be limited to the aggregate Merger Consideration. With respect to any of the items so excluded from the General Cap pursuant to the preceding sentence, in each case, no Damages incurred in connection with such items shall be counted in determining whether the General Cap in this Section 9.4(b) has been exceeded.

(c) The Parent Indemnified Party shall use commercially reasonable efforts to seek recovery for Damages arising under this Article IX (i) first, against the Indemnity Escrowed Funds, (ii) second, after the amount of Damages distributed to Parent Indemnified Parties in respect of such claims equals an aggregate of $600,000, against the R&W Insurance Policy, to the extent applicable, up to the R&W Insurance Policy coverage limits, (iii) third, against any remaining Indemnity Escrowed Funds, and (iv) fourth, by pursuing such claim directly against the Non-Dissenting Stockholders.

(d) Notwithstanding anything in this Agreement to the contrary, the Non-Dissenting Stockholders' aggregate indemnification obligations pursuant to this Agreement shall be limited to an amount equal to the aggregate Merger Consideration; provided, that indemnification claims in connection with, resulting from or arising out of, directly or indirectly (whether or not involving a third party claim), a materially false representation of a matter of fact made by Joel Jacks or Peter Schulte that deceived and was intended to deceive Parent in connection with its decision to enter into this Agreement shall not be so limited.

(e) For purposes of determining the existence of any inaccuracy in, or breach of, any representation, warranty or covenant and for calculating the amount of any Damages arising from any inaccuracy in, or breach of, any representation, warranty or covenant, all representations, warranties and covenants shall be treated as if the words "materially," "in all material respects," "Material Adverse Effect" or similar words were omitted from such representations, warranties and covenants. The indemnification obligations of the Parties and the rights and remedies that may be exercised by an Indemnified Party shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of any of the Indemnified Parties or any of their Representatives.

(f)

(i) The Indemnified Party shall take commercially reasonable steps to mitigate all indemnifiable Damages upon and after becoming aware of any event that could reasonably be expected to give rise to any Damages hereunder; provided, however, that the exhaustion of all such efforts by the Indemnified Party shall not be a precondition to recovery of Damages by such Indemnified Party in accordance with this Article IX; provided, further, that the foregoing covenant shall not be deemed to require the Parent to seek recovery under any insurance policy the premiums of which are paid for by the Parent or any of its Subsidiaries. For the avoidance of doubt, the parties acknowledge and agree that the foregoing requires the Parent to use, and cause the Company and Preferred Systems Solutions, Inc. to use, commercially reasonably efforts to seek recovery from all former owners of any of the Subsidiaries pursuant to the transaction documents entered into in connection with the acquisitions thereof. In the event Parent does not pursue a claim against a former owner of any of the Subsidiaries pursuant to the transaction documents entered into in connection with the acquisitions thereof, then upon the written request of the Stockholders' Representative, the Parent will assign to the Stockholders' Representative the Company's and Preferred Systems Solutions, Inc.'s rights to assert such claim against such former owner of such Subsidiaries pursuant to the transaction documents entered into in connection with the acquisitions thereof. No Indemnified Party shall be obligated to commence or threaten to commence a Proceeding pursuant to this Section 9.4(f), unless the Indemnifying Party (i) shall have reasonably requested in writing that the Indemnified Party commence such Proceeding, (ii) acknowledges in writing that it is liable for all costs and expenses of such Proceeding and (iii) pays all such costs and expenses as and when incurred in connection with pursuing such Proceeding; it being acknowledged and agreed that, if the Indemnifying Party fails to pay all such costs and expenses as and when incurred, the Indemnified Party shall not be obligated to continue to pursue such Proceeding.

(ii) The amount of Damages with respect to which an Indemnified Party is to be indemnified pursuant to this Agreement shall initially be determined and paid to the Indemnified Party without adjustment for Tax benefit or detriment to the Indemnified Party by reason of the incurrence of the indemnified portion of such Damages and any Tax detriment attributable to receipt of any indemnification payment in respect of such Damages. However, if the Indemnified Party or any of its Affiliates actually receives a Tax benefit by reason of the incurrence of the Damages (either by refund of a Tax overpayment or reduction or credit against Tax otherwise due and payable) or actually incurs a Tax detriment (by an increase in Tax liability over that otherwise required to be paid) attributable to receipt of any indemnification payment, in each case within two (2) years of the date the indemnification claim is made in respect of such Damages or indemnification payment, the Indemnified Party (in the case of a Tax benefit) or the Indemnifying Party (in the case of a Tax detriment) shall promptly pay to the other party the amount of such benefit or detriment upon receipt of such refund or notice of application of such Tax reduction or credit (in the case of a Tax benefit), or on the date that such Tax detriment becomes due and payable. Notwithstanding the foregoing, no payment shall be made to an Indemnified Party pursuant to this Section 9.4(f)(ii) that is or would be reflected in computing a Tax Benefit Payment payable in accordance with the Tax Sharing Provisions. All payments pursuant to this Section 9.4(f)(ii) shall be treated as an adjustment to the initially determined indemnity obligation under this Agreement. To the extent permissible by Law, any indemnification payment by the Seller Parties pursuant to this Agreement shall be treated for Tax purposes as an adjustment to the consideration paid to the Seller Parties pursuant to this Agreement.

(iii) The amount of any Damages indemnifiable under this Agreement shall be net of any amounts actually recovered by the Indemnified Party under insurance policies, third party indemnities or other collateral sources with respect to such Damages. In the event any amounts recovered from such sources or otherwise are not received before a claim for indemnification is paid by the Indemnifying Party pursuant to this Agreement, then the amount of such recovery shall be applied first, to reimburse the Indemnified Party for any out-of-pocket expenses (including reasonable attorney's fees and expenses) expended by them in pursuing such recovery or defending any claims arising therefrom, second, to reimburse the Indemnifying Party for any out-of-pocket expenses (including reasonable attorney's fees and expenses) expended by them in pursuing such recovery or defending any claims arising therefrom, third, to refund any payments made by the Indemnifying Party which would not have been so paid had such recovery been obtained prior to such payment (taking into account the first sentence of this Section 9.4(f)(iii)) and, fourth, any excess to the Indemnifying Party, to the extent of the amount actually paid by the Indemnifying Party pursuant to this Agreement.

(g) Notwithstanding the fact that any Person may have the right to assert claims for indemnification under or in respect of more than one provision of this Agreement in respect to any fact, event, condition or circumstance, no Person shall be entitled to recover the amount of any Damages suffered by such Person more than once under this Agreement in respect of such fact, event, condition or circumstance, and an Indemnifying Party shall not be liable for indemnification to the extent that the amount of the Damage incurred is included as a liability on the Closing Balance Sheet and taken into account in the calculation of the Closing Adjustments, or the Indemnified Party has otherwise been fully compensated on a dollar-for-dollar basis for such Damages pursuant to the Closing Adjustments set forth in Section 1.11.

9.5 Waiver, Release and Discharge. Effective at the Effective Time, except as expressly set forth in this Agreement and the exhibits hereto, each Significant Stockholder, for himself, herself or itself and his, her or its respective Affiliates, hereby irrevocably waives, releases and discharges (a) the Company and each of its Subsidiaries and their respective past and present directors, officers, employees, agents and attorneys, and (b) Parent and Merger Sub and their respective past and present directors, officers, employees, agents and attorneys (collectively, (a) and (b) are referred to as the "Releasees"), from any and all Liabilities to the undersigned of any kind or nature whatsoever that exist or may have existed at or prior to the Effective Time of the Merger, whether in his, her or its capacity as a stockholder or holder of other securities of the Company (and any derivative claims with respect thereto), or as an officer, director, advisor, consultant or employee of the Company, or otherwise, in each case whether absolute or contingent, liquidated or unliquidated, known or unknown, whether under any agreement or understanding or at law or equity or otherwise (including under any federal or state securities laws), and no Significant Stockholder shall seek to recover any amounts in connection therewith or thereunder from any of the Releasees; provided, however, that the Parties acknowledge and agree that this Section 9.5 does not apply to, and shall not constitute a waiver, release or discharge of, (i) any obligations of any released party set forth in this Agreement or in any other agreement or instrument entered into in connection with the Closing, (ii) to the extent that such releasing party is a director or officer of the Company or any of its Subsidiaries, such releasing party's right to any Damages in connection with indemnification obligations of the Company or any of its Subsidiaries pursuant to the organizational documents of the Company and its Subsidiaries as in effect on the date of this Agreement or any Contracts between such releasing party and the Company or any of its Subsidiaries as in effect on the date of this Agreement or (iii) to the extent that such releasing party is an employee of the Company or any of its Subsidiaries, such releasing party's right to any salary or wages, and entitlements to employee expense reimbursements and contributions to Benefit Plans, in each case to the extent accrued, earned or otherwise due to such releasing party prior to the Closing. This release includes but is not limited to any claims for tort, breach of contract or otherwise. Each Significant Stockholder waives, and acknowledges and agrees that he, she or it shall not have and shall not exercise or assert (or attempt to exercise or assert), any right of contribution, right of indemnity, right of advancement of expenses or other similar right or remedy against the Company, Parent, Merger Sub and their respective Affiliates, directors, officers and employees, and, after the Effective Time, the Surviving Corporation, in connection with any actual or alleged breach of any representation, warranty or obligation set forth in this Agreement or any claim for Damages under Section 9.1.

9.6 Right of Offset. In the event that the Stockholders' Representative does not dispute a claim for indemnification hereunder or any Non-Dissenting Stockholder shall have an indemnification obligation for Damages to Parent or any other Indemnified Party, Parent shall have the right (but not the obligation), following prior written notice delivered by Parent to the Stockholders' Representative, to offset the amount of the Damages against any portion of the Indemnity Escrowed Funds in accordance with the Escrow Agreement. If the Stockholders' Representative has disputed any claim for Damages by any Parent Indemnified Party in accordance herewith and such dispute has not been resolved, Parent shall have the right, following prior written notice delivered by Parent to the Stockholders' Representative, to offset the amount of such Damages against any portion of the Indemnity Escrowed Funds in accordance with the Escrow Agreement, after such claim has been resolved pursuant to (a) a written settlement agreement entered into by Parent and the Stockholders' Representative or (b) a final decision, order or award issued in accordance with Section 11.3. No exercise of, nor failure to exercise, the rights set forth in this Section 9.6 shall constitute an election of remedies or limit such Parent Indemnified Party's other rights hereunder or otherwise. From time to time, Parent may amend prior claims to reflect additional Damages under such claims. No limitation on Parent's ability to exercise the rights set forth in this Section 9.6 shall affect any Parent Indemnified Party's rights hereunder or otherwise. Such remedy shall be in addition to and not in limitation of any injunctive relief or other rights or remedies to which Parent or any other Parent Indemnified Party is or may be entitled at law or equity or in any administrative or other proceeding or under this Agreement (including any exhibits hereto).

9.7 Exclusive Remedy. The Parties acknowledge and agree that the remedies set forth in this Article IX shall be the sole and exclusive remedies of the Parties for any and all Damages incurred by the Parties or their successors and assigns arising out of, resulting from or in connection with this Agreement or any certificate delivered at Closing or otherwise arising out of, resulting from or in connection with the transactions contemplated hereby; provided, however, that the foregoing indemnification provisions in this Article IX do not waive or affect any equitable remedies to which a party may be entitled pursuant to Section 11.4.

ARTICLE X
TERMINATION

10.1 Termination.

(a) This Agreement may, by notice given on or prior to the Closing Date, in the manner hereinafter provided, be terminated and abandoned at any time prior to the Closing Date:

(i) by mutual written agreement of the Stockholders' Representative and Parent;

(ii) by the Stockholders' Representative if there has been a breach by Parent of its representations or warranties in this Agreement or a default by Parent or Merger Sub with respect to its due and timely performance of any of Parent's or Merger Sub's covenants and agreements contained in this Agreement, in each case such that the conditions set forth in Sections 8.1 or 8.2 hereof would not be satisfied, and such breach or default shall not have been cured within five (5) days after receipt by Parent of notice specifying particularly such breach or default; provided, however, that the Stockholders' Representative's right to terminate this Agreement under this Section 10.1(a)(ii) shall not be available if any Seller Party is in breach of any representation, warranty, covenant or agreement contained in this Agreement that would result in the failure of a condition set forth in Article VII;

(iii) by Parent if there has been a breach by any Seller Party with respect to any of its respective representations or warranties in this Agreement or a default by any Seller Party with respect to its due and timely performance by any Seller Party of any of its respective covenants and agreements contained in this Agreement, in each case such that the conditions set forth in Sections 7.1 or 7.2 hereof would not be satisfied, and such breach or default shall not have been cured within five (5) days after receipt by the Stockholders' Representative of notice specifying particularly such breach or default; provided, however, that Parent's right to terminate this Agreement under this Section 10.1(a)(iii) shall not be available if Parent or Merger Sub is in breach of any representation, warranty, covenant or agreement contained in this Agreement that would result in the failure of a condition set forth in Article VIII;

(iv) by either the Stockholders' Representative or Parent if the Closing shall not have occurred on or before March 15, 2017 (the "Outside Date"); provided, however, that the party seeking to terminate this Agreement shall not, because of its (and in the case of the Stockholders' Representative, the Company's or any Significant Stockholder's) breach of any representation, warranty or covenant contained herein, have caused the Closing not to have occurred; provided, further, that, in the event that the Closing has not occurred by March 15, 2017, Parent may, in its sole discretion, extend the Outside Date to April 15, 2017 by delivering written notice of such extension to the Stockholders' Representative on or before March 15, 2017;

(v) by Parent if the Written Consents evidencing the Requisite Vote shall not have been delivered, properly completed and executed to approve the Merger, this Agreement and the documents and transactions contemplated hereby within one (1) day of the date hereof, or if any Stockholder shall have indicated to the Company or Parent its intention to exercise dissenter's rights;

(vi) by either the Stockholders' Representative or Parent if (i) there shall be a final nonappealable order of a federal or state court in effect preventing the consummation of the transactions contemplated by this Agreement; or (ii) there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the transactions by any Government Authority which would make the consummation of the transactions illegal;

(vii) by Parent if it shall have determined, in good faith, that there has occurred an effect, event or change which, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect on the Company or any of its Subsidiaries or Parent;

(viii) by either the Stockholders' Representative or Parent, upon written notice to the other Party, if the Closing is required to occur pursuant to Section 2.1 and, within five (5) business days after the Company has delivered written notice to Parent that the Company is ready, willing and able to effect the Closing, the Closing has not occurred as a result of the refusal or failure of any lender or lenders in the Financing to fund the Financing; provided, however, that no party shall be entitled to effect a termination pursuant to this Section 10.1(a)(viii) before March 15, 2017; provided, further, that, in the event the Outside Date is extended by Parent pursuant to Section 10.1(a)(iv), no party shall be entitled to effect a termination pursuant to this Section 10.1(a)(viii) before April 15, 2017; or

(ix) by the Stockholders' Representative, upon written notice to the Parent, if (A) the Seller Parties have notified the Parent of the occurrence or non-occurrence of any event solely based upon the operations of the Company and its Subsidiaries following the date hereof, the occurrence or non-occurrence of which has caused any representation or warranty of the Company set forth in Article III to be untrue or inaccurate in any respect as of the Closing, (B) the Stockholders' Representative provides notice to Parent that it intends to terminate this Agreement if Parent does not waive in writing, irrevocably and unconditionally, the Parent Indemnified Parties' rights to seek indemnification from the Non-Dissenting Stockholders pursuant to Section 9.1(a) or (b) with respect to the breach identified in the notice set forth in subsection (A) above (a "Breach Waiver") and (C) within fifteen (15) days following Parent's receipt of the notice set forth in subsection (B) above, Parent has not provided the Seller Parties the Breach Waiver; provided, however, that the Stockholders' Representative's right to terminate this Agreement pursuant to this Section 10.1(a)(ix) shall not be available if (i) any Seller Party is in breach of any covenant or agreement contained in this Agreement, or (ii) the event identified in the notice set forth in subsection (A) above occurred or failed to occur as a result of any willful act by any of the Seller Parties.

(b) In the event of the termination of this Agreement pursuant to Section 10.1(a), (i) the Merger shall be abandoned; (ii) the provisions of this Article X and Article XI shall remain in full force and effect and survive any termination of this Agreement; (iii) the Company and Parent shall remain bound by and continue to be subject to the Confidentiality Agreement; and (iv) each Party shall remain liable for any breach of this Agreement prior to its termination; provided that, in the event this Agreement is terminated by the Stockholders' Representative or Parent pursuant to Section 10.1(a)(viii), then Parent shall pay the Company, within two (2) business days of the date of such termination, the Termination Fee; and provided, further that, in the event this Agreement is terminated by the Stockholders' Representative pursuant to Section 10.1(a)(ix), then the Company shall pay Parent, within two (2) business days of the date of such termination, the Termination Fee.

(c) Any payments pursuant to Section 10.1(b) shall be paid by wire transfer of immediately available funds to the accounts designated in writing by the payee. Each Party agrees that the payment of the amounts specified in Section 10.1(b) are liquidated damages and not a penalty, and are a reasonable amount that will compensate the Parties for the efforts and resources expended and opportunities foregone while negotiating this Agreement and relying on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision. Notwithstanding anything to the contrary in this Agreement, in the event of the termination of this Agreement, the rights of each Party pursuant to Section 10.1(b) shall be the sole and exclusive remedy (at Law or in equity, on any theory of liability, including on account of punitive damages) of such Party and its Subsidiaries against the other Parties, their Subsidiaries and each of their former, current or future Related Parties for any and all Damages suffered as a result of the failure of the Transactions to be consummated, any breach of this Agreement or otherwise relating hereto or thereto, and upon payment of the amounts contemplated by Section 10.1(b), if and when due, none of such Party or its Related Parties shall have any further liability or obligation relating thereto or arising therefrom.

ARTICLE XI
MISCELLANEOUS

11.1 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns; provided, however, that the Seller Parties may not make any assignment of this Agreement or any interest herein without the prior written consent of Parent. Any such purported assignment without such prior written consent shall be void and of no force or effect. This Agreement and the severable rights and obligations inuring to the benefit of or to be performed by Parent hereunder may be assigned by Parent to a third party, in whole or in part, and to the extent so assigned, the Seller Parties hereby recognize said assignee as the party-in-interest with respect to the rights and obligations assigned and agrees to look solely to said assignee for the purpose of conferring benefits, or requiring performance of obligations, assigned to it by Parent.

11.2 Governing Law. This Agreement shall in all respects be interpreted, construed and governed by and in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles.

11.3 Jurisdiction; Waiver of Jury Trial. Except for disputes to be resolved under Section 1.11 and Section 7.1 of Appendix C, the Parties agree that any Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the Eastern District of Virginia or any Virginia state court with jurisdiction over Fairfax County, Virginia, and each of the Parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such Proceeding and irrevocably waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of the venue of any such Proceeding in any such court or that any such Proceeding brought in any such court has been brought in an inconvenient forum. Process in any such Proceeding may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each Party agrees that service of process on such Party as provided in Section 11.8 shall be deemed effective service of process on such Party. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.4 Specific Performance; Remedies.

(a) Each Party acknowledges that the other Parties shall be irreparably harmed and that there shall be no adequate remedy at Law for any violation by any of them of any of the covenants or other agreements contained in this Agreement. It is accordingly agreed that, subject to Section 11.4(b), in addition to, but not in lieu of, any other remedies that may be available upon the breach of any such covenants or agreements (including monetary Damages), each Party shall have the right to obtain injunctive relief to restrain a breach or threatened breach of, or otherwise to obtain specific performance of, the other Parties' covenants and agreements contained in this Agreement. All rights and remedies of the Parties under this Agreement shall be cumulative, and the exercise of one or more rights or remedies shall not preclude the exercise of any other right or remedy available under this Agreement or applicable Law.

(b) Notwithstanding anything in this Agreement to the contrary (including Section 11.4(a)), the Parties explicitly agree that no Seller Party shall be entitled to seek an injunction or other form of specific performance or equitable relief described in Section 11.4(a), to cause (x) the Closing to be consummated, (y) the Merger Consideration, or any portion thereof, to be paid or (z) the Financing, or any portion thereof, to be funded, unless each of the following conditions has been satisfied:

(i) all of the conditions set forth in Article VII and Article VIII shall have been satisfied or waived (other than those conditions that, by their nature, are to be satisfied at the Closing, which conditions shall be capable of being satisfied);

(ii) Parent is required to complete the Closing pursuant to the terms of this Agreement and Parent fails to complete the Closing in accordance with the terms hereof;

(iii) the lender or lenders in the Financing have funded the Financing; and

(iv) the Seller Parties have irrevocably and unconditionally confirmed to Parent in writing that if specific performance is granted and the Financing is funded, then the Closing will occur.

11.5 Severability. Each section, subsection and lesser section of this Agreement constitutes a separate and distinct undertaking, covenant and/or provision hereof. In the event that any provision of this Agreement shall finally be determined to be unlawful, such provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect; provided, however, that if such unlawful provision is so material to the Party for whose benefit the provision was originally included so that such Party would not have entered into this Agreement without such unlawful provision, the Parties will attempt in good faith to agree to replace such unlawful provision with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other potential purposes of such unlawful provision.

11.6 Amendment. This Agreement may be amended, supplemented or modified only by execution of an instrument in writing signed by Parent and the Stockholders' Representative.

11.7 Waiver. Either Parent, on the one hand, or any Seller Party or the Stockholders' Representative, on the other hand, may to the extent permitted by applicable Law (a) extend the time for the performance of any of the obligations or other acts of the other Parties, (b) waive any inaccuracies in the representations and warranties of the other Parties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements of the other Parties contained herein. No such extension or waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party extending the time of performance or waiving any such inaccuracy or non-compliance. No waiver by any Party of any term of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term of this Agreement on any future occasion.

11.8 Notices. All notices, requests, consents, waivers, and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given (a) if personally delivered, upon delivery or refusal of delivery; (b) if mailed by registered or certified United States mail, return receipt requested, postage prepaid, upon delivery or refusal of delivery; (c) if sent by a nationally recognized overnight delivery service, upon delivery or refusal of delivery; or (d) if sent by electronic mail, upon confirmation of delivery. All notices, consents, waivers or other communications required or permitted to be given hereunder shall be addressed as follows:

(a) If to Parent or to the Company after the Closing:

STG Group, Inc.
11091 Sunset Hills Rd #200
Reston, Virginia 20190
Attention: General Counsel
Telephone: (703) 691-2480
Facsimile: (703) 691-3467

with a copy to:

Morrison & Foerster LLP
1650 Tysons Boulevard
Suite 400
McLean, Virginia 22102
Attention: Lawrence T. Yanowitch, Esq.
Charles W. Katz, Esq.
Telephone: (703) 760-7700
Facsimile: (703) 760-7777

(b) If to the Company prior to the Closing:

Preferred Systems Solutions, Inc.
7925 Jones Branch Drive, Suite 6200
McLean, Virginia 22102

Attention: Scott Goss, Chief Executive Officer
Telephone: (703) 663-2777
Facsimile: (703) 663-2780
with a copy to:

Rees Broome, PC
1900 Gallows Road, Suite 700
Tysons Corner, Virginia 22102
Attention: David J. Charles, Esq.
Telephone: (703) 790-1911
Facsimile: (703) 848-2530

(c) If to any Significant Stockholder or the Stockholders' Representative:

CM Equity Partners
900 Third Avenue
33rd Floor
New York, New York 10022
Telephone: (212) 909-8400
Facsimile: (212) 829-0553

with a copy to:

Rees Broome, PC
1900 Gallows Road, Suite 700
Tysons Corner, Virginia 22102
Attention: David J. Charles, Esq.
Telephone: (703) 790-1911
Facsimile: (703) 848-2530

or at such other address or addresses as the party hereto addressed may from time to time designate in writing pursuant to notice given in accordance with this Section 11.8.

11.9 Waiver of Conflict. The Parties acknowledge that at and prior to the Closing, Rees Broome, PC ("Rees Broome") has acted as counsel for the Company and agree that subsequent to the Closing, any Stockholder or the Stockholders' Representative shall have the right to retain Rees Broome to represent its respective interests, including, without limitation, in any dispute relating in any manner to this Agreement or the transactions contemplated herein or thereby (a "Dispute"). Parent irrevocably waives, consents to and covenants not to assert (and agrees following Closing to cause the Company to waive, and not to assert) any objection, based on conflict of interest or otherwise, to any representation of any Stockholder or the Stockholders' Representative by Rees Broome, including, without limitation, in connection with any Dispute. Parent acknowledges and agrees that (i) all communications between Rees Broome and the Company, or any of the Company's employees, agents or representatives, in each case during the representation by Rees Broome of the Company with respect to the transactions contemplated by this Agreement, constitute privileged attorney-communications, and that the Stockholders' Representative has sole authority to authorize, or refuse to authorize, disclosure of any such communications, and (ii) Parent will not, and it will not cause the Company to, seek to obtain any such communications or any of the files maintained by Rees Broome with respect to matters for the Company or any of its Subsidiaries; provided, however, that the restriction contained in this Section 11.9 shall not apply to any such communication or advice that reflects or demonstrates any Knowledge or intent of the Company, any stockholder of the Company or any Representatives of the Company in connection with any dispute concerning (A) any actual or alleged breach of any representation or warranty contained in this Agreement that is qualified by the Company's knowledge or (B) any claim of Fraud.

11.10 Fees and Expenses.

(a) Except as otherwise provided in Article IX and this Section 11.10, all Transaction Expenses of the Company (including any fee, cost or premium paid or payable for the D&O Tail) shall constitute Transaction Expenses hereunder and shall be deducted from the Merger Consideration pursuant to Article I hereof. Except as otherwise provided in Article IX and this Section 11.10, all Transaction Expenses of Parent shall be the responsibility of Parent, except to the extent that such costs and expenses represent Damages indemnifiable by the Significant Stockholders under this Agreement; provided, however, that (i) Parent shall bear and pay the filings fee incurred in connection with the filing by Parent and Company of the premerger notification and report forms under the HSR Act, and (ii) Parent shall bear and pay the actual, documented out-of-pocket costs and expenses paid by the Company in connection with the deliverables set forth in Section 7.14(r). All Transaction Expenses of any Significant Stockholder shall be the responsibility of such Significant Stockholder.

(b) The Company shall be pay as additional Transaction Expenses the premiums payment for the R&W Insurance Policy in the amount in excess of $250,000. To the extent unpaid as of the Closing, such amounts will be an adjustment to the Purchase Price in accordance with Section 1.10.

(c) If any Proceeding relating to this Agreement or the enforcement of any provision of this Agreement (other than with respect to a claim for indemnification, compensation or reimbursement pursuant to Article IX that is brought and resolved in accordance with Article IX) is brought by one Party against another Party, the Party that substantially prevails shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which that Party may be entitled). For these purposes, "substantially prevails" means: (x) with respect to an action or proceeding for monetary damages, a final award that is mathematically closer to the position of one Party (for example, if that Party seeks monetary damages of One Hundred Thousand Dollars ($100,000), the other Party denies liability, and a court issues a judgment for the plaintiff in the amount of Forty-Nine Thousand Nine Hundred Ninety-Nine Dollars ($49,999) or less, the defendant will be deemed to have "substantially prevailed"); and (y) with respect to an action or proceeding for specific performance or other equitable relief, the plaintiff will be deemed to have "substantially prevailed" if the court grants such an award or relief and the defendant will be deemed to have "substantially prevailed" if the court denies such an award or dismisses such action or proceeding with prejudice on other grounds.

11.11 Complete Agreement. This Agreement, those documents expressly referred to herein, including all exhibits and schedules hereto, and the other documents of even date herewith, together with the Confidentiality Agreement and the Letter of Intent, embody the complete agreement and understanding among the Parties and supersede and preempt any prior understandings, agreements or representation by or among the Parties, written or oral, which may have related to the subject matter herein.

11.12 Absence of Third Party Beneficiary Rights. Except for Article IX (which shall be for the benefit of the Indemnified Parties), no provision of this Agreement is intended, nor will be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, Affiliate, stockholder, employee or partner of any Party or any other Person.

11.13 Mutual Drafting. This Agreement is the mutual product of the Parties, and each provision hereof has been subject to the mutual consultation, negotiation and agreement of each of the Parties, and shall not be construed for or against any Party.

11.14 Further Representations. Each Party acknowledges and represents that it has been represented by its own legal counsel in connection with the transaction contemplated by this Agreement, with the opportunity to seek advice as to its legal rights from such counsel. Each Party hereto further represents that it is being independently advised as to the Tax or securities consequences of the transactions contemplated by this Agreement and is not relying on any representation or statements made by any other Party as to such Tax and securities consequences.

11.15 Interpretation. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement. Unless the context clearly indicates otherwise, where appropriate, the singular shall include the plural and the masculine shall include the feminine or neuter, and vice versa, to the extent necessary to give the terms defined herein and/or the terms otherwise used in this Agreement the proper meanings. The words "including," "include" or "includes" shall mean including without limitation. Any reference in this Agreement to a statute shall be to such statute, as amended from time to time prior to the Closing, and to the rules and regulations promulgated thereunder. When reference is made in this Agreement to an Exhibit, Appendix, Schedule, Article, Section or subsection, such reference shall be to an Exhibit, Appendix, Schedule, Article, Section or subsection to or of this Agreement unless otherwise indicated. Any reference in this Agreement to the Company or any other person having made available" any information, documents or materials to Parent means that such information, documents or materials were (i) uploaded and available to Parent on a virtual data room in connection with the transactions contemplated by this Agreement and (ii) included on that certain CD ROM labeled "Due Diligence Materials" delivered to Parent no later than two (2) business days prior to the date hereof.

11.16 Counterparts. This Agreement may be executed in two or more counterparts, each of which when executed and delivered shall be deemed an original and all of which, taken together, shall constitute the same agreement. This Agreement and any document or schedule required hereby may be executed by electronic or facsimile signature, which shall be considered legally binding for all purposes.

[*Signatures appear on following pages.*]

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be signed by its officer thereunto duly authorized as of the date first above written.

STG GROUP, INC.

By: /s/ Phillip E. Lacombe
Name: Phillip E. Lacombe
Title: President and Chief Operating Officer

RIPCORD ACQUISITION CORP.

By: /s/ Phillip E. Lacombe
Name: Phillip E. Lacombe
Title: President and Chief Executive Officer

PSS HOLDINGS, INC.

By: /s/ Scott Goss
Name: Scott Goss
Title: President and CEO

SIGNIFICANT STOCKHOLDERS:

PSS CO-INVESTORS, L.P.

By: PSS PE I, LLC, its General Partner

By: /s/ Joel R. Jacks
Name: Joel R. Jacks
Title: Managing Member

PSS PE I, L.P.

By: PSS PE I, LLC, its General Partner

By: /s/ Joel R. Jacks
Name: Joel R. Jacks
Title: Managing Member

WWC CAPITAL FUND II, L.P.

By: WWC Capital Management II, LLC, its General Partner

By: /s/ Michael J. Cromwell, III
Name: Michael J. Cromwell, III
Title: Managing Member

SPRING CAPITAL PARTNERS II, L.P.

By: Spring Capital Investors II, LLC, its General Partner

By: /s/ John C. Acker
Name: John C. Acker
Title: Managing Member

/s/ Scott Goss
SCOTT GOSS

STOCKHOLDERS' REPRESENTATIVE:

/s/ Peter M. Schulte
Peter M. Schulte

APPENDIX A

DEFINED TERMS

(1) "401(k) Plans" shall have the meaning set forth in Section 6.11(a).

(2) "Accounting Firm" means an accounting firm mutually satisfactory to Parent and the Stockholders' Representative.

(3) "Adjustment Excess" shall have the meaning set forth in Section 1.11(e).

(4) "Affiliate" means as to any Party, any Person which directly or indirectly is in control of, is controlled by, or is under common control with, such Party, including any Person who would be treated as a member of a controlled group under Section 414 of the Code and any officer or director of such Party. For purposes of this definition, an entity shall be deemed to be "controlled by" a Person if the Person possesses, directly or indirectly, power either to (i) vote ten percent (10%) or more of the securities (including convertible securities) having ordinary voting power or (ii) direct or cause the direction of the management or policies of such entity whether by contract or otherwise; and, as to a Party who is a natural person, such person's spouse, parents, siblings and lineal descendants. For the avoidance of doubt, from and after the Closing, Parent's Affiliates shall include the Company and its Subsidiaries.

(5) "Agreement" shall have the meaning set forth in the Introduction.

(6) "Balance Sheet" means the unaudited balance sheet of the Company at December 31, 2016.

(7) "Balance Sheet Date" means the date of the Balance Sheet.

(8) "Certificate of Incorporation" means the Company's Certificate of Incorporation, as amended from time to time.

(9) "Certificate of Merger" shall have the meaning set forth in Section 1.2.

(10) "CFIUS" means the Committee on Foreign Investment in the United States.

(11) "Closing" means the closing of the transactions contemplated by this Agreement.

(12) "Closing Adjustments" means the Closing Net Working Capital Adjustment, the Indebtedness Adjustment and the Transaction Expenses Adjustment, collectively.

(13) "Closing Amount" means an amount equal to the Merger Consideration (as adjusted pursuant to Section 1.10, but not Section 1.11), less the sum of (i) the Indemnity Escrow Deposit and (ii) the Working Capital Escrow Deposit.

(14) "Closing Balance Sheet" means a balance sheet of the Company and its Subsidiaries prepared as of 11:59 p.m., Eastern Time, on the Closing Date in accordance with GAAP and, to the extent consistent with GAAP, in accordance with the practices and procedures of the Company and its Subsidiaries, in each case, in accordance with the form, methodology and principles used in preparing the Reference Balance Sheet.

(15) "Closing Date" means the date on which the Closing occurs.

(16) "Closing Net Working Capital" means the book value of the total current assets of the Company and its Subsidiaries (including cash, accounts receivable, unbilled accounts receivable, other receivables, inventory and prepaid expenses, but excluding any Tax assets of the Company and its Subsidiaries), less the book value of the total current liabilities of the Company and its Subsidiaries, including deferred revenue and all taxes payable (but excluding Indebtedness and Transaction Expenses, in each case to the extent that such item reduces the Closing Amount pursuant to Section 1.10, and excluding deferred tax liabilities), in each case determined as of 11:59 p.m., Eastern Time, on the Closing Date in accordance with GAAP and, to the extent consistent with GAAP, in accordance with the practices and procedures of the Company and its Subsidiaries, in each case, in accordance with the form, methodology and principles used in preparing the Reference Balance Sheet.

(17) "Code" means the Internal Revenue Code of 1986, as amended.

(18) "Company" shall have the meaning set forth in the Introduction.

(19) "Company Common Stock" means the Company's Common Stock, $0.01 par value per share.

(20) "Company Employees" shall have the meaning set forth in Section 3.9(a).

(21) "Company Intellectual Property Rights" means (i) the Intellectual Property Rights that are used in, necessary for or related to the conduct of the business of the Company or any of its Subsidiaries as currently conducted and as proposed to be conducted, and (ii) any other material Intellectual Property Rights owned by or licensed to the Company or any of its Subsidiaries.

(22) "Company Internet Names" shall have the meaning set forth in Section 3.16(h).

(23) "Company Option Plan" means the PSS Holdings, Inc. 2007 Long-Term Equity Incentive Plan.

(24) "Company Options" means all options to purchase shares of Company Common Stock granted pursuant to the Company Option Plan.

(25) "Company Option Termination Agreement" shall have the meaning set forth in Section 1.7(a).

(26) "Company Owned Intellectual Property Rights" shall have the meaning set forth in Section 3.16(a).

(27) "Company Plan" shall have the meaning set forth in Section 3.8(a).

(28) "Company Registered Intellectual Property Rights" shall have the meaning set forth in Section 3.16(b).

(29) "Company's knowledge" or words of similar import means the actual knowledge of Scott Goss, Mark Kockler, James Ballard, Susan Day and Rosemarie Floyd, and any such knowledge that could reasonably be expected to have been known by any of the foregoing Persons (i) after reasonable inquiry of such Person's direct reports, and (ii) in the ordinary course of performing their respective responsibilities.

(30) "Competing Transaction" shall have the meaning set forth in Section 6.4(a).

(31) "Confidentiality Agreement" means the Confidentiality Agreement, dated as of May 5, 2016, by and between the Company and Parent.

(32) "Consent Solicitation Statement" shall have the meaning set forth in Section 6.13(a).

(33) "Content" shall have the meaning set forth in Section 3.16(h).

(34) "Contract" means any note, bond, mortgage, debt instrument, security agreement, contract, commitment, license, lease, sublease, power of attorney, proxy, indenture, purchase and sale order, or other agreement, oral or written, to which the Company is a party or by which the Company or any of its assets or properties are bound.

(35) "Current Government Contracts" has the meaning given to such term in Section 3.14(a).

(36) "D&O Tail" has the meaning given to such term in Section 6.17.

(37) "Damages" means all losses, demands, damages (including incidental and consequential damages), assessments, adjustments, judgments, settlement payments, penalties, fines, Taxes and costs and expenses (including costs of investigations and reasonable attorneys' fees and disbursements of every kind, nature and description, whether incurred in connection with a third party claim, demand or Proceeding in seeking to enforce the Agreement (including the indemnification obligations set forth in Article IX)), or otherwise, but expressly excluding punitive damages (except to the extent any Indemnified Party is liable to the same pursuant to any third party claim).

(38) "DCAA" has the meaning given to such term in Section 3.14(k).

(39) "DGCL" means the Delaware General Corporation Law.

(40) "Direct Costs" has the meaning given to such term in 48 C.F.R. Section 2.101.

(41) "Dissenting Shares" shall have the meaning set forth in Section 1.15.

(42) "Domain Names" means any network or web site domain name or other universal resource locator (URL).

(43) "Effective Time" shall have the meaning set forth in Section 1.2.

(44) "Encumbrance" means any claim, lien, pledge, assignment, option, charge, easement, security interest, right-of-way, encumbrance, mortgage or other right (including with respect to any shares of Company Common Stock, any preemptive right, right of first refusal, put, call or other restriction on transfer).

(45) "Environment" means navigable waters, waters of the contiguous zone, ocean waters, natural resources, surface waters, ground water, drinking water supply, land surface, subsurface strata, ambient air, both inside and outside of buildings and structures, man-made buildings and structures, and plant and animal life on earth.

(46) "Environmental Laws" means all Laws relating to pollution, protection of the Environment, public or worker health and safety, or the emission, discharge, release or threatened release of pollutants, contaminants or industrial, medical, toxic or hazardous substances or wastes into the Environment or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or industrial, medical, toxic or hazardous substances or wastes, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et. seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et. seq., the Toxic Substances Control Act, 15 U.S.C. Section 2601 et. seq., the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Section 121 et. seq., the Occupational Safety and Health Act, 29 U.S.C. Section 651 et. seq., the Asbestos Hazard Emergency Response Act, 15 U.S.C. Section 2601 et. seq., the Safe Drinking Water Act, 42 U.S.C. Section 300f et. seq., the Oil Pollution Act of 1990 and analogous state acts.

(47) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(48) "ERISA Affiliate" means each Person which is or was required to be treated as a single employer with the Company or any of its Subsidiaries under Section 414 of the Code or Section 4001(b)(1) of ERISA.

(49) "Escrow Agent" has the meaning given to such term in Section 1.9.

(50) "Escrow Agreement" has the meaning given to such term in Section 1.9.

(51) "Estimated Closing Adjustment" shall have the meaning set forth in Section 1.10.

(52) "Estimated Closing Balance Sheet" means an estimated balance sheet of the Company and its Subsidiaries prepared as of 11:59 p.m., Eastern Time, on the Closing Date in accordance with GAAP and, to the extent consistent with GAAP, in accordance with the practices and procedures of the Company and its Subsidiaries, in each case, in accordance with the form, methodology and principles used in preparing the Reference Balance Sheet.

(53) "Estimated Net Working Capital" means the estimated book value of the total current assets of the Company and its Subsidiaries (including cash, accounts receivable, unbilled accounts receivable, other receivables, inventory and prepaid expenses, but excluding any Tax assets of the Company and its Subsidiaries), less the estimated book value of the total current liabilities of the Company and its Subsidiaries, including deferred revenue and all taxes payable (but excluding Indebtedness and Transaction Expenses of the Company and its Subsidiaries, in each case to the extent such item reduces the Closing Amount pursuant to Section 1.10 and excluding deferred tax liabilities), in each case determined as of 11:59 p.m., Eastern Time, on the Closing Date in accordance with GAAP and, to the extent consistent with GAAP, in accordance with the practices and procedures of the Company and its Subsidiaries, in each case, in accordance with the form, methodology and principles used in preparing the Reference Balance Sheet.

(54) "Estimated Net Working Capital Deficit" means the amount, if any, determined as of the Closing Date, by which the Target Net Working Capital exceeds the Estimated Net Working Capital.

(55) "Estimated Net Working Capital Surplus" means the amount, if any, determined as of the Closing Date, by which the Estimated Net Working Capital exceeds the Target Net Working Capital.

(56) "Excess Working Capital Adjustment" shall have the meaning set forth in Section 1.11(d).

(57) "Exchange Fund" shall have the meaning set forth in Section 1.13(b).

(58) "Exploit" means develop, design, test, modify, make, use, sell, have made, used and sold, import, export, copy, reproduce, publish, market, distribute, commercialize, support, maintain, correct, translate and create derivative works of, in any medium or means of storage or transmission, now known or hereafter invented.

(59) "Facilities" shall have the meaning set forth in Section 3.11(a).

(60) "FAR" has the meaning given to such term in Section 3.14(b).

(61) "FAR Ethics Rules" has the meaning given to such term in Section 3.14(y).

(62) "Financial Statements" means the Year-End Financials and the Interim Financials.

(63) "Financing" means a debt and/or equity financing by a lender or lenders on such terms and conditions that are reasonably acceptable to Parent.

(64) "FINSA" means the Foreign Investment and Security Act of 2007, 50 U.S.C. App. §2170.

(65) "FIRPTA" means the Foreign Investment and Real Property Tax Act of 1980, as amended.

(66) "FIRPTA Notification Letter" means a letter from the Company stating that shares of the Company Common Stock do not constitute "United States real property interests" under Section 897(c) of the Code, for purposes of satisfying Parent's obligations under Treasury Regulations Section 1.1445-2(c)(3) and a form of notice to the IRS in accordance with the requirements of Treasury Regulations Section 1.897-2(h)(2).

(67) "FOCI" means foreign ownership, control, or influence.

(68) "Fraud" means common law fraud or intentional misrepresentation on the part of (i) any current, former or alleged stockholder, option holder, warrant holder or other security holder of the Company, (ii) the Company or any of its Subsidiaries or (iii) any of the Company's or its Subsidiaries' employees, officers, directors or Representatives.

(69) "FTC" means the U.S. Federal Trade Commission.

(70) "Fully Diluted Share Number" means the sum of, without duplication, (x) the aggregate number of shares of Company Common Stock outstanding as of immediately prior to the Effective Time, plus (y) the aggregate number of shares of Company Common Stock into which all options, warrants, or other rights to acquire or receive shares of Company Common Stock, whether vested or unvested, outstanding immediately prior to the Effective Time, if any, could be converted, plus (z) the aggregate number of shares of other capital stock of the Company outstanding as of immediately prior to the Effective Time and shares of other capital stock of the Company into which all options, warrants, or other rights to acquire or receive such shares, whether vested or unvested, outstanding immediately prior to the Effective Time, if any, could be converted.

(71) "Fundamental Representations" shall have the meaning set forth in Section 9.3.

(72) "GAAP" means United States generally accepted accounting principles, consistently applied.

(73) "General Cap" shall have the meaning set forth in Section 9.4(b).

(74) "Government Authority" means any nation or government, any state or other instrumentality or political subdivision thereof (including any county or city), and any entity exercising executive, legislative, judicial, military, regulatory or administrative functions of or pertaining to government.

(75) "Government Contract Bids" has the meaning given to such term in Section 3.14(a).

(76) "Government Contract" means any Contract, including an individual task order, delivery order, purchase order, or blanket purchase agreement, between the Company and the U.S. Government or any other Government Authority, as well as any subcontract or other arrangement by which (i) the Company has agreed to provide goods or services to a prime contractor, to the Government Authority, or to a higher-tier subcontractor or (ii) a subcontractor or vendor has agreed to provide goods or services to the Company, where, in either event, such goods or services ultimately will benefit or be used by the Government Authority, including any closed Contract or subcontract as to which the right of the U.S. Government or a higher-tier contractor to review, audit, or investigate has not expired.

(77) "Government Contracts Representations" has the meaning given to such term in Section 9.3.

(78) "Hazardous Substance" means any toxic waste, pollutant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or waste, petroleum or petroleum-derived substance or waste, radioactive substance or waste, or any constituent of any such substance or waste, or any other substance regulated under or defined by any Environmental Law.

(79) "Holder" means a holder of Company Common Stock or Company Options.

(80) "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(81) "Indebtedness" means, without duplication, (i) all obligations of the Company or any of its Subsidiaries for borrowed money, (ii) all obligations of the Company or any of its Subsidiaries evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company or any of its Subsidiaries is responsible or liable, (iii) all obligations of the Company or any of its Subsidiaries issued or assumed for deferred purchase price payments, (iv) all obligations of the Company or any of its Subsidiaries under leases required to be capitalized in accordance with GAAP, as consistently applied by the Company or any of its Subsidiaries, as applicable, (v) all obligations of the Company or any of its Subsidiaries for the reimbursement of any obligor on any letter of credit, banker's acceptance, guarantee or similar credit transaction, in each case, that has been drawn or claimed against, (vi) all interest rate and currency swaps, caps, collars and similar agreements or hedging devices under which payments are obligated to be made by the Company or any of its Subsidiaries, whether periodically or upon the happening of a contingency, (vii) all obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Company or any of its Subsidiaries (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (viii) all obligations of the Company or any of its Subsidiaries or another Person secured by an Encumbrance on any asset of the Company or any of its Subsidiaries, whether or not such obligation is assumed by the Company or any of its Subsidiaries, and (ix) any guaranty of any Indebtedness of any other Person. For the avoidance of doubt, the parties acknowledge that none of the payments pursuant to Section 1.03 of that certain Share Purchase Agreement, dated as of September 30, 2016, by and among the Company, Preferred Systems Solutions, Inc., a Virginia corporation, Synaptic Solutions, Inc., a Virginia corporation, Derrick Henley, a resident of the Commonwealth of Virginia, and Joshua Cury, a resident of the Commonwealth of Virginia, or Section 1.03 of that certain Stock Purchase Agreement, dated as of July 31, 2014, by and among the Company, Preferred Systems Solutions, Inc., a Virginia corporation, GSS Holdco II, Inc., a Delaware corporation, Global Services & Solutions, Inc., a Maryland corporation, James C. Ballard, a resident of the Commonwealth of Virginia, and the stockholders named therein, shall be included in "Indebtedness" or "Transaction Expenses" or otherwise reduce the Merger Consideration.

(82) "Indemnified Party" means any Parent Indemnified Party or Seller Indemnified Party.

(83) "Indemnity Escrow Contribution Amount" means an amount equal to the quotient obtained by dividing (a) the Indemnity Escrow Deposit, by (b) the aggregate number of shares of Company Common Stock held by the Non-Dissenting Stockholders as of the Effective Time.

(84) "Indemnity Escrow Deposit" has the meaning given to such term in Section 1.9.

(85) "Indemnity Escrowed Funds" means the Indemnity Escrow Deposit, plus the amount of any interest, dividends and other income resulting from the investment of the Indemnity Escrow Deposit and earnings thereon and proceeds thereof.

(86) "Indirect Costs" has the meaning given to such term in 48 C.F.R. Section 2.101.

(87) "Information Statement" shall have the meaning set forth in Section 6.14(c).

(88) "Intellectual Property Rights" means all world-wide intellectual property rights, including all (i) patents, patent applications, patent disclosures, utility models, design registrations, certificates of invention and other governmental grants for the protection of inventions or industrial designs (including provisional applications, continuations, continuations-in-part, divisionals, renewals, extensions, reissues and reexaminations), (ii) Trademarks (registered and unregistered), (iii) copyrights (registered or unregistered), works of authorship) and copyrightable works and registrations and applications for registration thereof, together with all authors' and moral rights, (iv) mask works and registrations and applications for registration thereof, (v) computer software (including source code, object code, macros, scripts, objects, routines, modules and other components), data, data bases and documentation thereof, (vi) trade secrets and other confidential information (including ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, processes, techniques, methods, research and development information and results, drawings, specifications, designs, plans, proposals, technical data, marketing and business data, marketing and business plans and customer, prospect and supplier lists and information), (vii) AdWords, AdCenter, SmartAds and other search, advertising and directory keyword rights; and applications for each of the foregoing, (viii) publicity and privacy rights, (ix) other intellectual property rights (including inventors' rights and moral rights) throughout the world relating to the foregoing (including remedies against infringement thereof and rights of protection of interest therein under the Laws of all jurisdiction), (x) "technical data" as defined in 48 Code of Federal Regulations, Part 52 and underlying agency supplements, and (xi) copies and tangible embodiments thereof (in whatever form or medium).

(89) "Interim Financials" means the Balance Sheet and the unaudited statement of income of the Company for the twelve-month period ended December 31, 2016.

(90) "Internet Names" means all Domain Names and Facebook, Instagram, Linkedin, Twitter, and other social networking names, tags and registrations.

(91) "IRS" means the Internal Revenue Service or any successor agency thereto.

(92) "Key Employees" means the key Company Employees set forth on Appendix B.

(93) "Key Employee Agreements" means a non-competition and non-solicitation agreement, in a form reasonably satisfactory to Parent, and an employment arrangement with Parent or a Subsidiary thereof to be effective as of the Closing Date consisting of an offer letter and a non-disclosure agreement on Parent's standard form.

(94) "Laws" means all laws, statutes, ordinances, rules and regulations of any Government Authority, including all orders, judgments, injunctions, awards, decisions or decrees of any court having effect of law.

(95) "Letter of Intent" means the Letter of Intent, dated as of September 20, 2016, by and among the Company, PSS PE I, L.P., Scott Goss and Parent (together with Exhibit A thereto).

(96) "Letter of Transmittal" shall have the meaning set forth in Section 1.13(a).

(97) "Liability" or "Liabilities" means, without limitation, any direct or indirect liability, indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, either accrued, absolute, contingent, mature, unmature or otherwise and whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured.

(98) "Material Adverse Effect" means any effect, event or change which, individually or in the aggregate, has or could reasonably be expected to have a material adverse effect on (i) the operations, assets, the business or the financial condition, properties, Liabilities, reserves, working capital, earnings, technology, or relations with customers, suppliers, distributors, employees or regulators, or (ii) the right or ability to consummate the transactions contemplated hereby.

(99) "Merger" shall have the meaning set forth in the Recitals.

(100) "Merger Consideration" shall have the meaning set forth in Section 1.6(a).

(101) "Merger Consideration Spreadsheet" shall have the meaning set forth in Section 7.14(d).

(102) "Merger Sub" shall have the meaning set forth in the Introduction.

(103) "Merger Sub Common Stock" means the Common Stock, $0.01 par value per share, of Merger Sub.

(104) "NISPOM" means the National Industrial Security Program Operating Manual.

(105) "Nonconsenting Stockholders" shall have the meaning set forth in Section 6.14(c).

(106) "Non-Dissenting Stockholder" means each holder of Company Common Stock that does not properly assert or perfect such holder's appraisal under the DGCL and is otherwise entitled to receive consideration pursuant to Section 1.6 of the Agreement.

(107) "Non-Exclusive Licenses" shall have the meaning set forth in Section 6.4(a).

(108) "Open Source Software" means any software that is licensed, distributed or conveyed as "open source software", "free software", "copyleft" or under a similar licensing or distribution model (including Software licensed under the GNU General Public License (GPL), GNU Affero General Public License (AGPL), GNU Lesser General Public License (LGPL), Business Source License (BSL), Mozilla Public License (MPL), BSD licenses, Microsoft Shared Source License, Common Public License, Artistic License, Netscape Public License, Sun Community Source License (SCSL), Sun Industry Standards License (SISL), Apache License and any license listed at www.opensource.org).

(109) "Parent" shall have the meaning set forth in the Introduction.

(110) "Parent Confidential Information" means all documents and information concerning Parent or the Company or any of its Subsidiaries or any of their respective Representatives furnished in connection with this Agreement or the transactions contemplated hereby (including any claim or dispute arising out of or related to this Agreement or the transactions contemplated hereby, or the interpretation, making, performance, breach or termination thereof).

(111) "Parent Indemnified Party" means Parent, Merger Sub and, after the Closing, the Surviving Corporation, and their respective officers, directors, employees, stockholders, assigns, successors, agents, attorneys and Affiliates.

(112) "Parent Prepared Return" shall have the meaning set forth in Section 6.6(a)(i).

(113) "Parent SEC Reports" means all forms, reports, schedules, statements, certifications and other documents (including all exhibits, amendments and supplements thereto) required to be filed or otherwise transmitted, as applicable, by Parent subsequent to the date of this Agreement through and including the Closing Date, with the SEC.

(114) "Party" and "Parties" shall have the meanings set forth in the Introduction.

(115) "Paying Agent" shall have the meaning set forth in Section 1.13(a).

(116) "Per Share Amount" means an amount equal to the quotient obtained by dividing (i) an amount equal to the Merger Consideration (as adjusted pursuant to Section 1.10, but not Section 1.11), divided by (ii) the Fully Diluted Share Number.

(117) "Per Share Tax Benefit Amount" means, with respect to any disbursement of a Tax Benefit Payment from time to time by Parent to all Holders pursuant to the Tax Sharing Provisions, an amount equal to (i) the amount of the Tax Benefit Payment actually being disbursed at such time, divided by (ii) the Fully Diluted Share Number.

(118) "Per Share Working Capital Disbursement Amount" means, with respect to any cash disbursement required to be made from the Working Capital Escrowed Funds to the Holders pursuant to the Escrow Agreement, an amount equal to (i) the amount of such disbursement, divided by (ii) the Fully Diluted Share Number.

(119) "Person" means any person, limited liability company, partnership, trust, unincorporated organization, corporation, association, joint stock company, business, group, Government Authority or other entity.

(120) "Post-Closing Adjustment" shall have the meaning set forth in Section 1.11(f).

(121) "Privacy Policies" shall have the meaning set forth in Section 3.17(a).

(122) "Pro Rata Portion" means, for each Non-Dissenting Stockholder, a percentage equal to the quotient of: (x) the number of shares of Company Common Stock owned by such Non-Dissenting Stockholder immediately prior to the Effective Time; divided by (y) the total number of shares of Company Common Stock outstanding and owned by all Non-Dissenting Stockholders as of immediately prior to the Effective Time.

(123) "Proceeding" means any action, arbitration, audit, examination, investigation, hearing, litigation, suit or appeal (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, and whether public or private) commenced, brought, conducted, heard by or before or otherwise involving any Government Authority or arbitrator.

(124) "Product" means any software, hardware, firmware, appliance, sensor, server, equipment or device now or within the past seven (7) years offered for sale, license or distribution or for use on a service or subscription basis by the Company or any of its Subsidiaries (including the DataCall System, DataCall Software and any customizations thereto), together with all user documentation, code (source and object), data, scripts, macros, modules, libraries, objects and other files and information supplied, sold or licensed with such software, hardware, firmware, appliance, sensor, server, equipment or device.

(125) "R&W Insurance Policy" shall have the meaning set forth in Section 6.15.

(126) "Recommendation" shall have the meaning set forth in Section 6.14(a).

(127) "Reference Balance Sheet" means the reference balance sheet and sample Closing Statement as set forth in Appendix E.

(128) "Related Party" means any officer, director, employee, stockholder or Affiliate of the Company or any of its Subsidiaries, any individual related by blood, marriage or adoption to any of the foregoing individuals or any entity in which any such Person or individual owns any beneficial interest.

(129) "Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into, onto or through the indoor or outdoor Environment or into, through or out of any property, including the movement of Hazardous Substances through or in the air, soil, surface water, ground water or property.

(130) "Releasees" shall have the meaning set forth in Section 9.5.

(131) "Representatives" means, as to a Person, such Person's Affiliates and stockholders and any officers, directors, employees, consultants, advisors, trustees, accountants, agents, representatives and attorneys, or any representative thereof, including any broker disclosed in Article III or Article V hereof.

(132) "Requisite Vote" means the affirmative vote of the holders of at least a majority of the shares of the Company's capital stock, calculated on an as-if-converted to Common Stock basis, voting together as a single class.

(133) "Seller Indemnified Party" means each Stockholder and such Stockholder's successors, assigns and Affiliates.

(134) "Services" means any services provided by the Company or any of its Subsidiaries to its customers, including maintenance services, support services, consulting services and the provision of functionality through software that is hosted, maintained and operated by the Company, or any other Person on behalf of the Company, including Platform-as-a-Service, Software-as-a-Service, ASP, or other hosted service offerings.

(135) "Significant Contract" means each Contract of the Company or any of its Subsidiaries in effect as of the date of this Agreement to which the Company or any of its Subsidiaries is a party or which affects the Company or any of its Subsidiaries or their respective businesses or assets, (i) with a dealer, broker, sales agency, advertising agency or other Person engaged in sales or promotional activities; (ii) which requires aggregate payments by or to the Company or any of its Subsidiaries, or involve an unperformed commitment or services, in each case, having a value, in excess of Fifty Thousand Dollars ($50,000); (iii) pursuant to which the Company or any of its Subsidiaries has made or will make loans or advances (other than for ordinary course travel and expenses consistent with past practices of the Company and its Subsidiaries), or has or will incur debts or become a guarantor or surety or pledged its credit on or otherwise become responsible with respect to any undertaking of another; (iv) which is an indenture, credit agreement, loan agreement, note, mortgage, security agreement, lease of real property or personal property or agreement for financing; (v) involving a partnership, joint venture or other cooperative undertaking; (vi) involving restrictions relating to the Company or any of its Subsidiaries or their respective businesses with respect to the geographical area of operations or scope or type of business of the Company or any of its Subsidiaries or the Company's or any of its Subsidiaries' right to hire or solicit any Person as an employee, consultant or independent contractor; (vii) which is a power of attorney or agency agreement or written arrangement with any Person pursuant to which such Person is granted the authority to act for or on behalf of the Company or any of its Subsidiaries; (viii) which contains warranties with respect to the products manufactured and/or sold or licensed by the Company or any of its Subsidiaries (including any Products) other than any Government Contract or those warranties expressly made in the literature accompanying such products or in the Company's or any of its Subsidiaries' standard license agreement; (ix) which provides for the acquisition, directly or indirectly (by merger or otherwise), of material assets (whether tangible or intangible) or the capital stock of another Person; (x) which is an employment, consulting or professional advisor agreement (other than offer letters and consulting agreements on the Company's standard form); (xi) which involves the sale, issuance or repurchase of any capital stock or securities of the Company or any of its Subsidiaries or the securities of any other Person; (xii) which requires the consent of any other party thereto or triggers a change-of-control provision therein, in each case in connection with the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby; (xiii) which is a letter of intent providing for the potential sale of the Company or any of its Subsidiaries, directly or indirectly, by asset or stock sale, merger or otherwise; or (xiv) which is not made in the ordinary course of business and which is to be performed at or after the date of this Agreement.

(136) "Significant Customers" shall have the meaning set forth in Section 3.21(a).

(137) "Significant Stockholders" shall have the meaning set forth in the Introduction.

(138) "Significant Suppliers" shall have the meaning set forth in Section 3.21(b).

(139) "Statement of Closing Liabilities" means a schedule setting forth the amount of Indebtedness and Transaction Expenses on the Closing Date as of immediately prior to the Closing.

(140) "Statement of Estimated Closing Liabilities" means a schedule setting forth the estimated amount of Indebtedness and Transaction Expenses on the Closing Date as of immediately prior to the Closing.

(141) "Stockholders" means the holders of the Company Common Stock.

(142) "Stockholders' Representative" shall have the meaning set forth in Section 2.3(a).

(143) "Subsidiary" of a Person means any other Person more than fifty percent (50%) of the voting stock (or of any other form of other voting or controlling equity interest in the case of a Person that is not a corporation) of which is beneficially owned by the Person directly or indirectly through one or more other Persons.

(144) "Surviving Corporation" shall have the meaning set forth in Section 1.1.

(145) "Takeover Statute" means any "fair price," "moratorium," "control share acquisition" or other similar antitakeover statute or regulation enacted under state or federal Laws in the United States.

(146) "Target Net Working Capital" means Eight Million Three Hundred Thousand Dollars ($8,300,000).

(147) "Tax" means (i) all taxes, and all fees, levies, assessments or charges of a similar nature, imposed by any Government Authority, including all income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, ad valorem, value added, inventory, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, unclaimed property, escheat, sales, use, transfer, registration, alternative, minimum, or estimated tax, and (ii) any interest, penalty, or addition arising with respect to the foregoing or the obligation to file Tax Returns, whether disputed or not.

(148) "Tax Benefit Payment" shall have the meaning set forth in Appendix C.

(149) "Taxing Authority" means any Government Authority responsible for the assessment, determination, collection or administration of any Tax.

(150) "Tax Return" means any report, return, statement, claim for refund, election, declaration or other information with respect to any Tax required to be filed or actually filed with a Government Authority, including any schedule or attachment thereto, and including any amendment thereof, and where relevant, any statement required by a Government Authority be provided to a third party with respect to Taxes.

(151) "Tax Sharing Provisions" shall have the meaning set forth in Section 1.12.

(152) "Termination Fee" means Six Hundred Twenty-Five Thousand Dollars ($625,000).

(153) "Third Party Intellectual Property Rights" means any Company Intellectual Property Rights specifically designated as not owned by the Company or any of its Subsidiaries on Schedule 3.16(b)(ii) that are necessary to or useful in the conduct of the business of the Company or any of its Subsidiaries as currently conducted and proposed to be conducted.

(154) "Threshold Amount" shall have the meaning set forth in Section 9.4(a).

(155) "Trademarks" means any trademarks, service marks, trade dress, trade names, logos, Internet Names, corporate names, doing business as designations (DBAs), fictitious names, service marks, and common law trademarks and service marks and trade dress, together with all of the goodwill associated therewith.

(156) "Transaction Expenses" means (i) all fees, costs, commissions and expenses incurred by, paid or payable by the Company or any of its Subsidiaries in connection with the transactions contemplated hereby, including financial advisory fees, legal fees and expenses, broker and finder fees, fees and expenses of accountants, and bank fees and (ii) any Liability for severance or other compensation (including accrued payroll and pension payable) provided or payable to employees or consultants of the Company or any of its Subsidiaries or any holder of Company Options in connection with the Merger (including any retention payments, bonuses or cash compensation payable upon, as a result of, or contingent upon, the consummation of the Merger and any severance obligations, contingent upon the consummation of the Merger, for employees who terminate employment prior to Closing or within six (6) months after the Closing), including, in each case, any employee withholding Taxes and any employer payroll or employment Taxes thereon.

(157) "Transfer Taxes" means any transfer, documentary, sales, use, stamp, registration or other similar Taxes and fees.

(158) "U.S. Government" means any agency or instrumentality of the United States of America or any state or territory or subdivision thereof and any agency or instrumentality of any of the foregoing.

(159) "User Data" means, to the extent collected or acquired by or on behalf of the Company or any of its Subsidiaries, (i) all data related to impression and click-through activity of licensees or users, including user identification, licensing transactions and associated activities, at a website and all other data associated with a user's or licensee's behavior on a website, including any e-mail lists or other user or licensee information acquired by the Company or any of its Subsidiaries directly or indirectly from a third party that collected such information, (ii) all data that contains a natural person's full name (or last name if associated with an address), telephone number, e-mail address, physical address, photograph, identifier uniquely associated with a natural person such as a social security number, driver's license number, credit or debit card number, passport number or customer number (but excluding an identifier which is randomly or otherwise assigned so that it cannot reasonably be used to identify the person), or any other information that, alone or in combination, allows the identification of a natural person, (iii) known, assumed or inferred information or attributes about a user, and (iv) all derivatives and aggregations of (i), (ii) and (iii), including user profiles.

(160) "Welfare Plan" means any employee welfare benefit plan within the meaning of Section 3(1) of ERISA that is currently maintained, administered or contributed to (directly or indirectly through a professional employer organization or otherwise) by the Company or any of its Subsidiaries.

(161) "Working Capital Escrow Contribution Amount" means an amount equal to the quotient obtained by dividing (a) the Working Capital Escrow Deposit, by (b) the Fully Diluted Share Number.

(162) "Working Capital Escrow Deposit" has the meaning given to such term in Section 1.9.

(163) "Working Capital Escrowed Funds" means the Working Capital Escrow Deposit, plus the amount of any interest, dividends and other income resulting from the investment of the Working Capital Escrow Deposit and earnings thereon and proceeds thereof.

(164) "Written Consents" shall have the meaning set forth in Section 6.14(b).

(165) "Year-End Financials" means the audited balance sheet of the Company and the audited statements of income cash flow and retained earnings of the Company at and for the fiscal years ended December 31, 2013, 2014 and 2015.

Exhibit 2.2

AMENDMENT AND WAIVER TO AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT AND WAIVER TO AGREEMENT AND PLAN OF MERGER (this " Amendment"), is made and entered into as of May 8, 2017, by and between STG Group, Inc., a Delaware corporation ("Parent"), Ripcord Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub"), PSS Holdings, Inc., a Delaware corporation (the "Company"), PSS PE I, L.P., a Delaware limited partnership, PSS Co-Investors, L.P., a Delaware limited partnership, WWC Capital Fund II, L.P., a Delaware limited partnership, Spring Capital Partners II, L.P., a Maryland limited partnership, and Scott Goss (collectively, the "Significant Stockholders") and Peter M. Schulte (the "Stockholders' Representative"). All capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement (as defined below).

WHEREAS, Parent, Merger Sub, the Company, the Significant Stockholders and the Stockholders' Representative are parties to that certain Agreement and Plan of Merger, dated February 18, 2017 (the "Merger Agreement"), providing for, among other things, the merger of Merger Sub with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent;

WHEREAS, Section 11.6 of the Merger Agreement provides that the Merger Agreement may be amended if such amendment is in writing and signed by Parent and the Stockholders' Representative;

WHEREAS, Parent and the Stockholders' Representative desire to amend the Merger Agreement as set forth in this Amendment; and

WHEREAS, the parties to this Amendment desire to waive, release and discharge certain breaches of the Agreement occurring prior to the date hereof and any claims related thereto.

NOW, THEREFORE, the parties agree as follows:

1. Merger Consideration. Section 1.6(a) of the Merger Agreement is hereby amended by replacing the phrase "One Hundred Nineteen Million Five Hundred Thousand Dollars ($119,500,000)" with the phrase "One Hundred Nineteen Million Eight Hundred Thousand Dollars ($119,800,000)".

2. Advance Payment. Section 1.8 of the Merger Agreement is hereby amended and restated in its entirety as follows:

"1.8 Advance Payment. On the date hereof, Parent shall pay to the Stockholders' Representative by wire transfer in immediately available funds, an amount equal to Nine Hundred Twenty-Five Thousand Dollars ($925,000) (the "Advance Payment"). The Advance Payment shall be held by the Stockholders' Representative as earnest money, to be disbursed by the Stockholders' Representative in accordance with this Agreement. Upon the Closing, the Stockholders' Representative shall deposit with the Paying Agent, in trust for the benefit of the Holders of shares of Company Common Stock for exchange in accordance with Article I of the Merger Agreement, the Advance Payment, and the Advance Payment shall become a part of the Exchange Fund as if paid by Parent to the Paying Agent pursuant to Section 1.13(b)."

3 . Adjustments at Closing to Merger Consideration. The second sentence of Section 1.10 of the Merger Agreement is hereby amended and restated in its entirety as follows:

"The Merger Consideration shall be subject to adjustment based upon the Estimated Closing Balance Sheet and the Statement of Estimated Closing Liabilities."

4. Financing Cooperation. The following sentence shall be added to the end of Section 6.15:

"Parent shall provide the Stockholders' Representative with reasonable updates on the status of the Financing upon written request from the Stockholders' Representative, and Parent shall use reasonable best efforts to arrange a weekly meeting by teleconference among Parent's financial advisor, members of the Company's management team and members of Parent's management team."

5. 2016 Financial Statements. Section 6.18 of the Merger Agreement is hereby amended and restated in its entirety as follows:

"6.18 2016 Financial Statements. The Company shall use its reasonable best efforts to cause to be completed and delivered to Parent (i) as soon as reasonably practicable but not later than June 1, 2017, the audit by the Company's independent auditors of the consolidated balance sheet of the Company and its Subsidiaries and the consolidated statements of income, cash flow and retained earnings of the Company and its Subsidiaries at and for the fiscal year ended December 31, 2016 and (ii) promptly following the request by Parent, the unaudited balance sheet of the Company and its Subsidiaries and the consolidated statements of income, cash flow and retained earnings of the Company and its Subsidiaries for the three month period ended March 31, 2017 and such other periods as reasonably requested by Parent."

6. Key Employee Agreements. Section 7.7 of the Merger Agreement is hereby amended and restated in its entirety as follows:

"7.7 Key Employee Agreements. Each Key Employee shall have entered into each of the Key Employee Agreements and such Key Employee Agreements shall be in full force and effect, no Key Employee shall have attempted (whether formally or informally) to terminate, rescind or repudiate any such Key Employee Agreement, as applicable, and no Key Employee shall have notified (whether formally or informally) Parent or the Company of such Key Employee's intention of leaving the employ of Parent or the Company or any of its Subsidiaries following the Closing; provided, that, the foregoing condition precedent in this Section 7.7 shall have no force or effect unless Parent delivers the Key Employee Agreements to the Company on or before May 24, 2017."

7. Consent of the Auditors. Section 7.14(r) of the Merger Agreement is hereby amended and restated in its entirety as follows:

"(r) the Company shall have delivered to Parent a letter from the auditors of the Company's audited year-end financial statements for the years ending December 31, 2015 and December 31, 2016, consenting to Parent's inclusion of such audited financial statements in Parent's filings with the Securities and Exchange Commission (SEC), substantially in the form of the letter dated March 29, 2017, from Stout, Causey & Horning, P.A. attached as Exhibit A hereto, and at Parent's sole cost and expense;"

8. Financing. A new Section 7.15 is hereby added to the Merger Agreement as follows:

"7.15 Financing. Parent shall have consummated, and the lender or lenders shall have funded, the Financing, on terms and conditions reasonably satisfactory to Parent, in an amount such that, at the Effective Time, Parent and Merger Sub shall have available funds sufficient to enable Parent and Merger Sub to pay the Merger Consideration and the other amounts payable pursuant to Article I, to consummate the Merger and the other transactions contemplated hereby, to refinance any indebtedness required to be refinanced in connection with the consummation of the Merger and the other transactions contemplated hereby, and to pay related fees and expenses."

9. Termination.

A. Section 10.1(a)(iv) of the Merger Agreement is hereby amended and restated in its entirety as follows:

"(iv) by either the Stockholders' Representative or Parent if the Closing shall not have occurred on or before June 30, 2017 (the "Outside Date"); provided, however, that the party seeking to terminate this Agreement shall not, because of its (and in the case of the Stockholders' Representative, the Company's or any Significant Stockholder's) breach of any representation, warranty or covenant contained herein, have caused the Closing not to have occurred;"

B. Section 10.1(a)(viii) of the Merger Agreement is hereby amended and restated in its entirety as follows:

"(viii) [Reserved]; or"

C. Section 10.1(b) of the Merger Agreement is hereby amended and restated in its entirety as follows:

"(b) In the event of the termination of this Agreement pursuant to Section 10.1(a), (i) the Merger shall be abandoned; (ii) the provisions of this Article X and Article XI shall remain in full force and effect and survive any termination of this Agreement; (iii) the Company and Parent shall remain bound by and continue to be subject to the Confidentiality Agreement; and (iv) each Party shall remain liable for any breach of this Agreement prior to its termination; provided, however, that:

(A) in the event that this Agreement is terminated (w) by the Stockholders' Representative and Parent pursuant to Section 10.1(a)(i), (x) by the Stockholders' Representative pursuant to Section 10.1(a)(ii), (y) by either the Stockholders' Representative or Parent pursuant to Section 10.1(a)(iv); provided that Parent has not delivered written notice to the Company, prior to the date of such termination pursuant to Section 10.1(a)(iv), that Parent is ready, willing and able to effect the Closing and the Closing is required to occur pursuant to Section 2.1, or (z) by either the Stockholders' Representative or Parent pursuant to Section 10.1(a)(vi), or by Parent pursuant to Section 10.1(a)(vii), the Stockholders' Representative shall pay the Advance Payment on behalf of Parent to the Company, by wire transfer in immediately available funds, and the Company shall be entitled to keep the Advance Payment;

(B) in the event this Agreement is terminated (x) by Parent pursuant to Section 10.1(a)(iii), Section 10.1(a)(v) or (y) by either the Stockholders' Representative or Parent pursuant to Section 10.1(a)(iv) following the date that Parent has delivered written notice to the Company that Parent is ready, willing and able to effect the Closing and the Closing is required to occur pursuant to Section 2.1, but the Closing does not occur within the three (3) business day period provided for in Section 2.1 as a result of any act or failure to act by a Seller Party, the Stockholders' Representative shall repay the Advance Payment to Parent, by wire transfer in immediately available funds, within two (2) business days of the effective date of such termination; and

(C) in the event this Agreement is terminated by the Stockholders' Representative pursuant to Section 10.1(a)(ix), then the Stockholders' Representative shall pay Parent, within two (2) business days of the effective date of such termination, the Termination Fee, by wire transfer in immediately available funds from the Advance Payment, and the Stockholders' Representative shall pay an amount equal to the Advance Payment, minus the Termination Fee, on behalf of Parent to the Company, by wire transfer in immediately available funds and the Company shall be entitled to keep such amount."

D. Section 10.1(c) of the Merger Agreement is hereby amended and restated in its entirety as follows:

"(c) Any payments pursuant to Section 10.1(b) shall be paid by wire transfer of immediately available funds to the accounts designated in writing by the payee. Each Party agrees that the payment of the amounts specified in Section 10.1(b) by or on behalf of any party (but not the amounts of the Advance Payment that are repaid to Parent) are liquidated damages and not a penalty, and are a reasonable amount that will compensate the Parties for the efforts and resources expended and opportunities foregone while negotiating this Agreement and relying on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision. Notwithstanding anything to the contrary in this Agreement, in the event of the termination of this Agreement, the rights of each Party pursuant to Section 10.1(b) shall be the sole and exclusive remedy (at Law or in equity, on any theory of liability, including on account of punitive damages) of such Party and its Subsidiaries against the other Parties, their Subsidiaries and each of their former, current or future Related Parties for any and all Damages suffered as a result of the failure of the Transactions to be consummated, any breach of this Agreement or otherwise relating hereto or thereto, and upon payment of the amounts contemplated by Section 10.1(b) (or the obligation of the Stockholders Representative to pay to the Company, to the extent applicable), if and when due, none of such Party or its Related Parties shall have any further liability or obligation relating thereto or arising therefrom.

10. Definitions.

A. The definition of "Closing Amount" in Appendix A of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

""Closing Amount" means an amount equal to the Merger Consideration (as adjusted pursuant to Section 1.10, but not Section 1.11), less the sum of (i) the Indemnity Escrow Deposit, plus (ii) the Working Capital Escrow Deposit, plus (iii) the Advance Payment."

B. The definition of "Target Net Working Capital" in Appendix A of the Merger Agreement is hereby amended and restated in its entirety to read as follows:

""Target Net Working Capital" means Eight Million Two Hundred Sixty-Four Thousand Nine Hundred Dollars ($8,264,900)."

11. Schedules. Schedule 7.5(b) is hereby amended and restated in its entirety to read as follows:

"None"

12. Appendix B. Appendix B is hereby amended by deleting "7. Tanaz Shahrzad."

13. Governmental, Regulatory and Other Consents and Approvals. Parent hereby acknowledges and agrees that all confirmations, consents, assurances, approvals, assignments and actions of, filings with and notices to any Governmental Authority required by Section 7.5(a) of the Agreement, and all consents, waivers, approvals, authorizations and notices required by Section 7.5(b) of the Agreement have been obtained and delivered to Parent and that such condition precedent to the Closing has been, and will be deemed for all purposes, fully satisfied.

14. Reimbursement of Audit Costs. If the Closing does not occur, for whatever reason, in addition to Parent's obligations, if any, Parent shall pay the Company $35,100 to reimburse the Company for certain additional fees, costs and expenses the Company expects to incur to obtain the 2016 Financial Statements in the form requested by Parent.

15. Waiver. By executing this Amendment, each Seller Party, for himself, herself or itself and his, her or its respective Affiliates, hereby irrevocably waives, releases and discharges Parent and Merger Sub and their respective past and present directors, officers, employees, agents and attorneys (collectively, the "Releasees"), from any and all Liabilities to the Seller Parties of any kind or nature whatsoever that exist or may have existed at or prior to the date hereof in connection with any breach, threatened breach or alleged breach of the Agreement, whether in his, her or its capacity as a stockholder or holder of other securities of the Company (and any derivative claims with respect thereto), or as an officer, director, advisor, consultant or employee of the Company, or otherwise, in each case whether absolute or contingent, liquidated or unliquidated, known or unknown, whether under any agreement or understanding or at law or equity or otherwise (including under any federal or state securities laws), and no Seller Party shall seek to recover any amounts in connection therewith or thereunder from any of the Releasees.

16. References. All references to the Merger Agreement (including "hereof," "herein," "hereunder," "hereby" and "this Agreement") shall refer to the Merger Agreement as amended by this Amendment.

17. Effect on the Merger Agreement. Except as specifically amended by this Amendment, the Merger Agreement, as amended, shall remain in full force and effect. This Amendment and the matters set forth herein shall be governed by the terms and conditions of the Merger Agreement, as amended hereby, which are incorporated by reference into this Amendment. Each Party agrees that the Merger Agreement, as amended by this Amendment, constitutes the complete and exclusive statement of the agreement between the parties, and supersedes all prior proposals and understandings, oral and written, relating to the subject matter contained herein.

18. Amendment. This Amendment shall not be amended, supplemented, modified or rescinded except in a writing signed by Parent and the Stockholders' Representative.

19. Governing Law. This Amendment shall be governed and construed in accordance with the laws of the State of Delaware without giving effect to rules of conflict of laws that would result in the application of Laws of any other jurisdiction.

20. Headings. The underlined headings contained in this Amendment are for convenience of reference only, shall not be deemed to be a part of this Amendment and shall not be referred to in connection with the construction or interpretation of this Amendment.

21. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same amendment, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. Delivery of an executed counterpart of a signature page to this Amendment by facsimile, email in "portable document format" (".pdf") form, or by other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

[***Signature Page Follows***]

IN WITNESS WHEREOF, each of the parties has caused this Amendment to be executed and delivered on its behalf by its officers thereunto duly authorized, all at or on the date and year first above written.

STG GROUP, INC.

By: /s/ Phillip E. Lacombe
Name: Phillip E. Lacombe
Title: President

RIPCORD ACQUISITION CORP.

By: /s/ Phillip E. Lacombe
Name: Phillip E. Lacombe
Title: President

PSS HOLDINGS, INC.

By: /s/ Scott Goss
Name: Scott Goss
Title: President

SIGNIFICANT STOCKHOLDERS:

PSS CO-INVESTORS, L.P.

By: PSS PE I, LLC, its General Partner

By: /s/ Joel R. Jacks
Name: Joel R. Jacks
Title: Managing Member

PSS PE I, L.P.

By: PSS PE I, LLC, its General Partner

By: /s/ Joel R. Jacks
Name: Joel R. Jacks
Title: Managing Member

WWC CAPITAL FUND II, L.P.

By: WWC Capital Management II, LLC, its General Partner

By: /s/ Michael J. Cromwell, III
Name: Michael J. Cromwell, III
Title: Managing Member

SPRING CAPITAL PARTNERS II, L.P.

By: Spring Capital Investors II, LLC, its General Partner

By: /s/ John C. Acker
Name: John C. Acker
Title: Managing Member

/s/ Scott Goss
SCOTT GOSS

STOCKHOLDERS' REPRESENTATIVE:

/s/ Peter M. Schulte
Peter M. Schulte

Exhibit 10.2

SEPARATION AGREEMENT

I, Dale R. Davis, residing at 4404 Seascape Drive, Kitty Hawk, NC 27949, on behalf of myself and my estate, heirs, representatives, successors and assigns, and STG, Inc., a Virginia corporation and its subsidiaries and other affiliates (collectively and severally, the "Company"), agree to the following for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and with the intent to be legally bound:

1. My employment with the Company will end on 4/3/2017 (the "Termination Date"). I will comply with all Company employee exit procedures, including, but not limited to, returning all Company-owned property and execution of normal exit documentation.

2. The Company shall pay me **$201,833.38**, which is equal to seven (7) months of my base salary (the "Amount"). The Amount, which I agree is not otherwise payable to me by the Company except by virtue of this Agreement, will be paid over the 14 pay periods immediately following the termination date in equal installments, on the normal STG payroll dates, provided I have signed and delivered this Agreement to the Company, and will be subject to all applicable deductions and withholdings, including, but not limited to, taxes or other items which the Company is required or permitted to withhold or remit.

3. The Company shall pay me **$10,987.62** in one lump sum payment following the termination date.

4. I understand that, from and after the last day of the month during which the Termination Date occurs, I will not be entitled to any employee-related benefits, except as required by law.

5. For the consideration provided me under this Agreement, and to the maximum extent permitted by law, I, on behalf of myself, and on behalf of my estate, heirs, personal representatives, successors and assigns, hereby release and covenant not to sue the Company, all of its past, present and future parents, subsidiaries, affiliates, shareholders, directors, officers, employees and agents, and all of its and their respective heirs, representatives, successors and assigns, from, and with respect to, any and all claims, counterclaims, demands, actions, damages, losses, liabilities, costs and expenses (including attorneys' fees and disbursements) that I might otherwise have asserted in connection with or arising out of each and every matter or thing of whatever kind and nature (either known or unknown, suspected or unsuspected, and whether arising at law or in equity, under common law, statutory law, administrative rule, requirement or regulation, or any other law or otherwise) that now exists or has ever existed at any time prior to the date of this Agreement, including, but not limited to, any matter or thing related to my employment with and/or separation from the Company.

   I further agree that in the event that any person or entity should file a charge, claim, complaint or action on my behalf, I hereby waive and forfeit any right to recovery under such claims and will exercise every good faith effort to have such claim dismissed. This Agreement does not affect the right or ability of the Equal Employment Opportunity Commission ("EEOC") to enforce applicable employment discrimination statutes and it should not be construed as a restriction of the EEOC's right to independently take whatever actions that are authorized by the EEOC's enabling statute.

6. I acknowledge, understand and agree that as a consequence of my signing this Agreement, I am giving up, among other things, any and all rights I might otherwise have, as of the date of this Agreement, under the following: (1) the Age Discrimination in Employment Act of 1967, as amended; (2) all other federal, state and municipal laws prohibiting discrimination in employment on the basis of sex, race, national origin, religion, age, handicap or other protected status; and (3) any and all theories of contract or tort law, whether based upon common law or otherwise.

7. I also acknowledge, understand and agree to the following: (1) the Company advised me in writing to consult with an attorney prior to signing this Agreement; (2) I was given a period of at least 45 days within which to consider this Agreement; and (3) I have been advised by the Company of my statutory right to revoke my acceptance of this Agreement at any time within 7 days after the date I execute this Agreement. I agree that, if I exercise such right to revoke, I will do the following: (a) notify in writing of my intent to revoke this Agreement; and (b) simultaneously return to the Company all consideration paid to me under this Agreement.

8. For a period of one year following the Termination Date, I shall not, directly (including without limitation me individually or through any firm, partnership, limited liability company, corporation or other entity owned in whole or in part by me) or indirectly (including without limitation as an employee or consultant of any person, firm, partnership, limited liability company, corporation, government (or agency, department or other unit thereof), association, institution or other entity) do either or both of the following:

   (1) solicit, employ, retain, hire or obtain the services of, or attempt to solicit, employ, retain, hire or obtain the services of, or assist in any manner whatsoever any person, firm, partnership, limited liability company, corporation, government (or agency, department or other unit thereof), association, institution or other entity in soliciting, employing, hiring, retaining or obtaining the services of, or attempting to solicit, employ, hire, retain or obtain the services of, any employee of the Company; or

   (2) solicit, seek, market, make any offers with respect to, respond to any solicitation or request for proposal with respect to, contract for, or in any manner whatsoever obtain or attempt to obtain, or assist in any manner whatsoever any person, firm, partnership, limited liability company, corporation, government (or agency, department or other unit thereof), association, institution or other entity in soliciting, seeking, marketing, making any offers with respect to, responding to any solicitation or request for proposal with respect to, contracting for, or in any manner whatsoever obtaining or attempting to obtain, any business of any nature whatsoever (including without limitation any contract, work, tasks or services) with respect to any programs, projects, work, tasks or services, whether currently existing or contemplated (including without limitation any related or follow-on programs, projects, work, tasks or services), as to which I was involved or of which I have knowledge by virtue of or arising from my employment with the Company.

9. I represent that, as of the Termination Date, I have surrendered to the Company, all information and data ("Confidential Information") in my possession, in any form or format (including, without limiting the generality of the foregoing, information relating to strategic information, marketing strategies or plans, financial information and pricing policies or plans) including without limitation all complete and partial originals, reproductions, copies (handwritten or otherwise), notes and other items (including photographs), which is a trade secret of, or confidential or proprietary in nature to, the Company. Further, I shall at all times treat all Confidential Information in a secret and confidential manner, and I shall not, directly or indirectly, without the prior written consent of the Company, reproduce, copy, disseminate, publish, furnish, disclose, provide or otherwise make available to any person, firm, partnership, limited liability company, corporation, government (or agency, department or other unit thereof), association, institution or other entity, any Confidential Information.

10. As applicable, I shall, in a timely manner to ensure that there is no violation or potential violation thereof, advise each and every person, firm, partnership, limited liability company, corporation, government (or agency, department or other unit thereof), association, institution or other entity with whom I am employed, retained or engaged or may be employed, retained or engaged in any other relationship of the restrictions and limitations imposed upon me under Section 8 hereof.

11. I further agree that following the execution of this Agreement, I will not make any negative and/or disparaging remarks, oral or written, about the Company, and/or any of its past, present and future parents, subsidiaries, affiliates, shareholders, directors, officers, employees and agents, and/or any of its and their respective heirs, representatives, successors and assigns.

12. I understand and agree that the terms of this Agreement, including any discussion and negotiations leading up to its execution, are strictly confidential and may not be disclosed by me to anyone or used by me or on my behalf in any proceeding whether by way of discovery, evidence, offer of proof, or otherwise for any purpose. Notwithstanding the foregoing, the terms of this Agreement may be disclosed to my spouse, counsel and/or accountants or tax advisors, or in any action seeking to enforce the terms of this Agreement or remedy any breaches of this Agreement.

13. It is understood and agreed that this is a compromise and settlement of all claims which I have or may have against the Company and that the furnishing of consideration by the Company is in compromise and settlement, and the request by the Company for the release of all such claims shall not be deemed or construed as an admission of liability or responsibility by either party at any time for any purpose.

14. I may not assign, sell, transfer or convey this agreement, or any right, duty, commitment or obligation hereunder, in whole or in part, without the prior written consent of the Company. Any such assignment, sale, transfer or conveyance made without such consent will be void.

15. If any part of this Agreement is judicially determined to be invalid and unenforceable, that part will be severed here from and the remainder of this Agreement will remain in full force and effect.

16. The failure of either the Company or me to enforce at any time any provision of this Agreement will not constitute a waiver of such provision in any way or the right of either at any time to pursue those remedies which may be available.

17. I acknowledge that irreparable injury and damage to the Company will result from any breach of this Agreement by me, and that monetary damages may not be sufficient remedy for any such breach. Accordingly, the Company shall be entitled, without waiving any additional rights or remedies available to it at law, in equity, by statute or otherwise, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction. In the event that I breach or threaten to breach any provision of this Agreement and the Company retains counsel to cure the breach or threatened breach, in addition to whatever damages or other relief that the Company might otherwise be entitled to under this Agreement or applicable law, I also agree that I shall be liable for all costs and expenses, including attorney fees and disbursements, incurred by the Company.

18. I warrant and represent that my decision to accept this Agreement (1) was entirely voluntary on my part, (2) was not made in reliance on any inducement, promise or representation, whether expressed or implied, other than the inducements, representations and promises expressly set forth herein and (3) did not result from any threats or other coercive activities to induce acceptance of this Agreement. Also, I fully understand and appreciate the consequences of my signing this Agreement.

19. This Agreement is governed by the laws of the Commonwealth of Virginia, excluding its laws on conflict of laws, and constitutes the entire and integrated agreement between the Company and me, superseding any prior or contemporaneous agreements, understandings or contracts regarding the subject matter hereof. The exclusive jurisdiction and venue for any action or suit under or with respect to this Agreement shall, as applicable, be the U.S. District Court for the Eastern District of Virginia (Alexandria Division) or the applicable Commonwealth of Virginia court in Fairfax County, Virginia, it being understood that the parties expressly waive the right to bring any such action or suit in any other jurisdiction or venue. This Agreement may be amended only by written instrument executed by both the Company and me.

20. IN ANY ACTION, CAUSE OF ACTION, SUIT, PROCEEDING, DEFENSE, MATTER OR ISSUE RELATING TO OR ARISING FROM THIS AGREEMENT, I HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT I MAY OTHERWISE HAVE TO A TRIAL BY JURY.

IN WITNESS, WHEREOF, the parties execute this Agreement on March 20, 2017.

(Date)

Dale R. Davis

/s/ Dale R. Davis
(Signature)

STG, Inc.

By: /s/ Phil Lacombe
(Signature)

Phil Lacombe
President & COO

Exhibit 10.3

EXECUTION VERSION

LIMITED WAIVER TO CREDIT AGREEMENT

THIS LIMITED WAIVER TO CREDIT AGREEMENT (this **"Waiver")** is entered into as of March 31, 2017 by and among STG GROUP, INC., a Delaware corporation **("Holdings"),** STG, INC., a Virginia corporation (the **"Administrative Borrower"),** ACCESS SYSTEMS, INCORPORATED, a Virginia corporation **("Access"),** STG GROUP HOLDINGS, INC., a Delaware corporation **("Parent",** and together with Holdings, the Administrative Borrower, and Access, collectively, the **"STG Parties"),** the lenders party hereto (the **"Required Lenders")** and MC ADMIN CO LLC, a Delaware limited liability company, as administrative agent under the Credit Agreement (as defined below) (in such capacity, the **"Administrative Agent").**

RECITALS

WHEREAS, Holdings, the Administrative Borrower, Access, Parent, the Lenders, the Administrative Agent and PNC BANK, NATIONAL ASSOCIATION, as collateral agent (in such capacity, the **"Collateral Agent")** entered into that certain Credit Agreement, dated as of November 23, 2015 (as it may amended, restated, supplemented or otherwise modified from time to time, the **"Credit Agreement";** capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement);

WHEREAS, the Administrative Borrower has informed the Administrative Agent and the Lenders that Holdings and the Borrowers have failed to comply with the covenants set forth in Section 11.08 through 11.10 of the Credit Agreement as of the last day of the fiscal quarter ending on December 31, 2016 and such events constitute Events of Default under Section 12.03 of the Credit Agreement (collectively, the **"Financial Covenant Defaults");**

WHEREAS, on February 24, 2017, the STG Parties, the Administrative Agent and certain Lenders entered into that certain Limited Forbearance to Credit Agreement with respect to the Financial Covenant Defaults (the **"Existing Forbearance");**

WHEREAS, the Administrative Borrower has requested that the Administrative Agent and the Required Lenders waive the Financial Covenant Defaults; and

WHEREAS, the Administrative Agent and the Required Lenders are willing to waive the Financial Covenant Defaults on the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the premises and the mutual agreements set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1 . Waiver. Upon the occurrence of the Waiver Effective Date (as defined below), the Financial Covenant Defaults are hereby waived. For the avoidance of doubt, this Waiver shall apply only to the Borrowers' failure to comply with the covenants set forth in Section 11.08 through 11.10 of the Credit Agreement as of the last day of the fiscal quarter ending on December 31, 2016, and not to any other fiscal period or to any other Event of Default. For the avoidance of doubt, on and after the Waiver Effective Date, no further Additional Interest (as defined in the Existing Forbearance) shall accrue in respect of the Loans.

2. Additional Interest. Notwithstanding the waiver in Section 1, the Additional Interest (as defined in the Existing Forbearance) shall continue to accrue on the outstanding amount of the Loans, until the earliest of (x) the date on which all Loans are repaid and all Commitments under the Credit Agreement are terminated, (I) the date the Borrowers have delivered the financial statements and certificates required by Section 10.01(b) and (g) for the fiscal quarter ended March 31, 2017 and no Default or Event of Default shall exist and be continuing or (z) the date on which additional interest is payable pursuant to Section 2.08(c) or (f) (provided that, in the case of this clause (z), Additional Interest shall begin to accrue again on the date on which additional interest is no longer payable pursuant to Section 2.08(c) or (f), unless either of the conditions in clauses (x) or (y) above have been satisfied at such time, and shall continue to accrue until one of the conditions in clause (x), (y) or (z) have been satisfied following such date). Any accrued but unpaid Additional Interest shall be payable on the date of each interest payment.

3. Revolving Loans. Subject to all of the terms and conditions set forth herein and in the Credit Agreement, following the Waiver Effective Date, the STG Parties agree that the Administrative Borrower may request Revolving Loans, and the RL Lenders may, but shall not be obligated to, in their sole discretion advance the requested Revolving Loans; provided that each of the conditions set forth in Section 8 of the Credit Agreement shall be satisfied.

4. Cure Rights. The STG Parties agree that, following the Waiver Effective Date, the Cure Right may not be exercised in respect of the fiscal quarter ended March 31, 2017.

5. Condition to Effectiveness. This Waiver shall be effective upon Administrative Agent's receipt of or satisfaction of the following conditions (each in form and substance satisfactory to Administrative Agent in its reasonable discretion):

(a) this Waiver shall have been duly executed by the STG Parties, the Administrative Agent and the Required Lenders; and

(b) the Administrative Borrower shall have paid in full all fees and expenses due under the Credit Documents, including the fees and expenses of DLA Piper LLP (US), counsel to the Administrative Agent, and Blank Rome LLP, counsel to the Collateral Agent, required to be paid pursuant to the Credit Agreement.

The date on which each of the foregoing conditions is satisfied is referred to herein as the **"Waiver Effective Date".**

6. Effect Upon Credit Agreement. Nothing in this Waiver, nor any of the Administrative Agent's and the Required Lenders' entry into this Waiver or any of the documents referenced herein, their negotiations with any party with respect to any STG Party, their conduct of any analysis or investigation of any Collateral for the Obligations or any Credit Document, their acceptance of any payment from any STG Party or any other party, or any other action or failure to act on the part of the Administrative Agent or any Lender, shall (i) constitute an extension, modification or waiver of, or give rise to any obligation on the part of the Administrative Agent or any Lender to extend, modify or waive, any term, condition or other aspect of the Credit Agreement or the other Credit Documents except as expressly set forth herein; (ii) extend the terms of the Credit Agreement or the due date of any of the Obligations; or (iii) give rise to any defenses or counterclaims to the right of the Administrative Agent and the Lenders to compel payment of the Obligations or to otherwise enforce their rights and remedies described in the Credit Agreement and the other Credit Documents. This Waiver shall not constitute a course of dealing with the Administrative Agent or any Lender at variance with the Credit Agreement such as to require further notice by the Administrative Agent or the Lenders to require strict compliance with the terms of the Credit Agreement and the other Credit Documents in the future. The STG Parties acknowledge and expressly agree that the Administrative Agent and the Lenders reserve the right to, and does in fact, require strict compliance with all terms and provisions of the Credit Agreement and the other Credit Documents.

7. Representations and Warranties. In order to induce the Administrative Agent and the Lenders to enter into this Waiver, each of the STG Parties represents and warrants to the Administrative Agent and the Lenders, that the following statements are true and correct on and as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date):

(a) Each STG Party has the corporate power and authority to execute, deliver and perform the terms and provisions of this Waiver and has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Waiver. Each STG Party has duly executed and delivered the Waiver, and this Waiver constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law);

(b) neither the execution, delivery or performance by any STG Party of this Waiver, nor compliance by it with the terms and provisions thereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or Governmental Authority, (ii) will conflict with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of any STG Party or any of its Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement or loan agreement, or any other material agreement, contract or instrument, in each case to which any STG Party or any of its Subsidiaries is a party or by which it or any its property or assets is bound or to which it may be subject, or (iii) will violate any provision of the certificate or articles of incorporation, certificate of formation, limited liability company agreement or by-laws (or equivalent organizational documents), as applicable, of any STG Party or any of its Subsidiaries;

(c) after giving effect to this Waiver and the transactions contemplated hereby, each of the representations and warranties contained in the Credit Agreement and the other Credit Documents is true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to "material," "Material Adverse Effect" or dollar thresholds) on and as of the date hereof (except to the extent that such representation or warranty expressly relates to an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date); and

(d) after giving effect to this Waiver and the transactions contemplated hereby, no Default or Event of Default shall have occurred and be continuing or would result immediately from the effectiveness of this Waiver or the consummation of the transactions contemplated hereby.

8 . Acknowledgment of Rights; Release of Claims. Each of Holdings, the Administrative Borrower, Access and Parent unconditionally and irrevocably acquits and fully and forever releases, remises, relieves and discharges and shall be deemed to have forever acquitted, remised, released and discharged the Administrative Agent and its affiliates and its and their respective past and present partners, members, subsidiaries, affiliates, officers, employees, agents, attorneys, principals, directors and shareholders and each of their respective heirs, legal representatives, successors and assigns (collectively, the **"Releasees"**) on the date hereof from any and all manner of action and actions, cause and causes of action, (including, without limitation, a claim for contribution), charge, counterclaim, debt, demand, dues, suit, sum of money, account, reckoning, bond, bill, specialty, covenant, contract, controversy, damages, judgment, expense, execution, lien, claim of liens, claim of costs, penalties, attorneys' fees, or any other compensation, recovery or relief on account of any liability, obligation, demand or cause of action of whatever nature, whether in law, equity or otherwise (including, without limitation, interest or other carrying costs, penalties, legal, accounting and other professional fees and expenses, and incidental, consequential and punitive damages payable to any third party), whether known or unknown, fixed or contingent, joint and/or several, secured or unsecured, due or not due, primary or secondary, liquidated or unliquidated, contractual or tortious, direct, indirect or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore accrue against any or all of the Releasees, whether held in a personal or representative capacity, and which is based on any act, fact, event or omission or other matter, cause or thing occurring at or from the beginning of time to and including the date hereof directly or indirectly with respect to, based on, arising out of or in any way related to this Waiver, the other Credit Documents or any other related documents, instruments, agreements or matters or the enforcement or attempted or threatened enforcement by any of the Releasees of any of their respective rights, remedies or recourse related thereto (collectively, the **"Released Claims"**). Each of Holdings, the Administrative Borrower, Access and Parent covenants and agrees never to commence, voluntarily aid in any way, prosecute or cause to be commenced or prosecuted against any of the Releasees any action or other proceeding based upon any of the Released Claims.

9 . Reaffirmation. Each STG Party as borrower, debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which the such STG Party 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 Credit Documents to which it is a party (after giving effect hereto) and (ii) to the extent such STG Party granted liens on or security interests in any of its property pursuant to any such Credit Document as security for or otherwise guaranteed Obligations under or with respect to the Credit 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 STG Party hereby consents to this Waiver and acknowledges that, except as expressly set forth herein, each of the Credit Documents remains in full force and effect and is hereby ratified and reaffirmed. Except as expressly set forth herein, the execution of this Waiver shall not operate as a waiver of any right, power or remedy of Administrative Agent or the Lenders, constitute a waiver of any provision of any of the Credit Documents or serve to effect a novation of the Obligations. This Waiver shall constitute a Credit Document.

10. Execution in Counterparts. This Waiver may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Administrative Borrower and the Administrative Agent. Delivery of an executed counterpart hereof by facsimile or electronic transmission shall be as effective as delivery of any original executed counterpart hereof.

11. Entire Agreement. **THIS WAIVER AND THE OTHER CREDIT DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

12. Miscellaneous. Sections 14.04, 14.07, 14.08 and 14.11 of the Credit Agreement are incorporated herein by reference and are made a part hereof and are applicable to this Waiver as if fully set forth herein, *mutatis mutandis*.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Waiver as of the date first above written.

STG GROUP, INC., as Holdings

By: /s/ Phillip Lacombe
Name: Phillip Lacombe
Title: President

STG GROUP HOLDINGS, INC., as Parent

By: /s/ Phillip Lacombe
Name: Phillip Lacombe
Title: President

STG, INC.

By: /s/ Phillip Lacombe
Name: Phillip Lacombe
Title: President

ACCESS SYSTEMS, INCORPORATED

By: /s/ Phillip Lacombe
Name: Phillip Lacombe
Title: President

MC ADMIN CO LLC,
as Administrative Agent under Credit Agreement

By: /s/ A. Nayyar
Name:
Title:

SIGNATURE PAGE TO THE LIMITED WAIVER TO CREDIT AGREEMENT DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG STG GROUP, INC., STG GROUP HOLDINGS, INC., STG, INC., ACCESS SYSTEMS, INCORPORATED, THE LENDERS PARTY HERETO AND MC ADMIN CO LLC, AS ADMINISTRATIVE AGENT

NAME OF INSTITUTION:

CERBERUS PNC FUNDING LLC

By: /s/ Daniel E Wolf
Name: Daniel E Wolf
Title: Vice President

SIGNATURE PAGE TO THE LIMITED WAIVER TO CREDIT AGREEMENT DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG STG GROUP, INC., STG GROUP HOLDINGS, INC., STG, INC., ACCESS SYSTEMS, INCORPORATED, THE LENDERS PARTY HERETO AND MC ADMIN CO LLC, AS ADMINISTRATIVE AGENT

NAME OF INSTITUTION:

MC CREDIT FUND I LP

By: /s/ A. Nayyar
Name:
Title:

SIGNATURE PAGE TO THE LIMITED WAIVER TO CREDIT AGREEMENT DATED AS OF THE DATE FIRST WRITTEN ABOVE, AMONG STG GROUP, INC., STG GROUP HOLDINGS, INC., STG, INC., ACCESS SYSTEMS, INCORPORATED, THE LENDERS PARTY HERETO AND MC ADMIN CO LLC, AS ADMINISTRATIVE AGENT

NAME OF INSTITUTION:

MC CREDIT FUND II LP

By: /s/ A. Nayyar
Name:
Title:

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a – 14(a) or RULE 15d – 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Phillip E Lacombe, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2017 of STG Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 22, 2017

/s/ Phillip E. Lacombe

Phillip E. Lacombe
President and Chief Operating Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a – 14(a) or RULE 15d – 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Charles L. Cosgrove, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2017 of STG Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 22, 2017

/s/ Charles L. Cosgrove

Charles L. Cosgrove
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of STG Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip E. Lacombe, President and Chief Operating Officer of STG Group, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 22, 2017

/s/ Phillip E. Lacombe

Phillip E. Lacombe
President and Chief Operating Officer
(principal executive officer)

A signed original of this written statement required by Section 906 has been provided to STG Group, Inc. and will be retained by STG Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of STG Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles L. Cosgrove, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 22, 2017

/s/ Charles L. Cosgrove
Charles L. Cosgrove
Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to STG Group, Inc. and will be retained by STG Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.