

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

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FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

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For the quarterly period ended March 31, 2017 Commission File Number: 001-36223



**Aramark**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**Aramark Tower**

**1101 Market Street**

**Philadelphia, Pennsylvania**

(Address of principal executive offices)

**20-8236097**

(I.R.S. Employer  
Identification Number)

**19107**

(Zip Code)

**(215) 238-3000**

(Registrant's telephone number, including area code)

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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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

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

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

As of April 28, 2017, the number of shares of the registrant's common stock outstanding is 244,114,162.

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## Special Note About Forward-Looking Statements

This report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views as to future events and financial performance with respect to, without limitation, conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "outlook," "aim," "anticipate," "are confident," "have confidence," "estimate," "expect," "will be," "will continue," "will likely result," "project," "intend," "plan," "believe," "see," "look to" and other words and terms of similar meaning or the negative versions of such words.

Forward-looking statements speak only as of the date made. All statements we make relating to our estimated and projected earnings, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include without limitation: unfavorable economic conditions; natural disasters, global calamities, sports strikes and other adverse incidents; the failure to retain current clients, renew existing client contracts and obtain new client contracts; a determination by clients to reduce their outsourcing or use of preferred vendors; competition in our industries; increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our food and support services contracts; the inability to achieve cost savings through our cost reduction efforts; our expansion strategy; the failure to maintain food safety throughout our supply chain, food-borne illness concerns and claims of illness or injury; governmental regulations including those relating to food and beverages, the environment, wage and hour and government contracting; liability associated with noncompliance with applicable law or other governmental regulations; new interpretations of or changes in the enforcement of the government regulatory framework; currency risks and other risks associated with international operations, including Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption law compliance; continued or further unionization of our workforce; liability resulting from our participation in multiemployer defined benefit pension plans; risks associated with suppliers from whom our products are sourced; disruptions to our relationship with, or to the business of, our primary distributor; the inability to hire and retain sufficient qualified personnel or increases in labor costs; healthcare reform legislation; the contract intensive nature of our business, which may lead to client disputes; seasonality; disruptions in the availability of our computer systems or privacy breaches; failure to achieve and maintain effective internal controls; our leverage; the inability to generate sufficient cash to service all of our indebtedness; debt agreements that limit our flexibility in operating our business; and other factors set forth under the headings Item 1A "Risk Factors," Item 3 "Legal Proceedings" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of our Annual Report on Form 10-K, filed with the SEC on November 23, 2016, as such factors may be updated from time to time in our other periodic filings with the SEC, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and which may be obtained by contacting Aramark's investor relations department via its website [www.aramark.com](http://www.aramark.com). Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the SEC. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, us. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, changes in our expectations, or otherwise, except as required by law.

PART I

Item 1. Financial Statements

ARAMARK AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)

	March 31, 2017	September 30, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 145,484	\$ 152,580
Receivables (less allowances: 2017 - \$45,346; 2016 - \$48,058)	1,508,016	1,476,349
Inventories	571,561	587,155
Prepayments and other current assets	169,520	276,487
Total current assets	2,394,581	2,492,571
Property and Equipment, net	1,004,586	1,023,083
Goodwill	4,640,174	4,628,881
Other Intangible Assets	1,108,524	1,111,883
Other Assets	1,347,478	1,325,654
	<u>\$ 10,495,343</u>	<u>\$ 10,582,072</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term borrowings	\$ 79,568	\$ 46,522
Accounts payable	804,667	847,588
Accrued expenses and other current liabilities	1,167,637	1,290,635
Total current liabilities	2,051,872	2,184,745
Long-Term Borrowings	5,214,759	5,223,514
Deferred Income Taxes and Other Noncurrent Liabilities	978,159	1,003,013
Redeemable Noncontrolling Interest	9,840	9,794
Stockholders' Equity:		
Common stock, par value \$.01 (authorized: 600,000,000 shares; issued: 2017—275,430,258 shares and 2016—272,565,923 shares; and outstanding: 2017—244,099,508 shares and 2016—244,713,580 shares)	2,754	2,726
Capital surplus	2,966,133	2,921,725
Retained earnings/(Accumulated deficit)	119,726	(33,778)
Accumulated other comprehensive loss	(173,647)	(180,783)
Treasury stock (shares held in treasury: 2017—31,330,750 shares and 2016—27,852,343 shares)	(674,253)	(548,884)
Total stockholders' equity	2,240,713	2,161,006
	<u>\$ 10,495,343</u>	<u>\$ 10,582,072</u>

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

**ARAMARK AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

(in thousands, except per share data)

	Three Months Ended	
	March 31, 2017	April 1, 2016
Sales	\$ 3,621,628	\$ 3,574,822
Costs and Expenses:		
Cost of services provided	3,226,196	3,209,710
Depreciation and amortization	125,292	120,291
Selling and general corporate expenses	78,720	72,707
	<u>3,430,208</u>	<u>3,402,708</u>
Operating income	191,420	172,114
Interest and Other Financing Costs, net	97,631	71,751
Income Before Income Taxes	93,789	100,363
Provision for Income Taxes	23,558	33,866
Net income	70,231	66,497
Less: Net income attributable to noncontrolling interest	80	143
Net income attributable to Aramark stockholders	<u>\$ 70,151</u>	<u>\$ 66,354</u>

Earnings per share attributable to Aramark stockholders:			
Basic	\$	0.29	\$ 0.27
Diluted	\$	0.28	\$ 0.27

Weighted Average Shares Outstanding:			
Basic	245,077	241,901	
Diluted	251,723	248,270	

	Six Months Ended	
	March 31, 2017	April 1, 2016
Sales	\$ 7,357,011	\$ 7,285,097
Costs and Expenses:		
Cost of services provided	6,525,526	6,504,233
Depreciation and amortization	251,818	247,809
Selling and general corporate expenses	144,192	146,848
	<u>6,921,536</u>	<u>6,898,890</u>
Operating income	435,475	386,207
Interest and Other Financing Costs, net	163,308	143,071
Income Before Income Taxes	272,167	243,136
Provision for Income Taxes	76,502	83,203
Net income	195,665	159,933
Less: Net income attributable to noncontrolling interest	175	236
Net income attributable to Aramark stockholders	<u>\$ 195,490</u>	<u>\$ 159,697</u>

Earnings per share attributable to Aramark stockholders:			
Basic	\$	0.80	\$ 0.66
Diluted	\$	0.78	\$ 0.64

Weighted Average Shares Outstanding:			
Basic	244,690	241,205	
Diluted	251,937	248,013	

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

**ARAMARK AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)  
(in thousands)

	Three Months Ended	
	March 31, 2017	April 1, 2016
Net income	\$ 70,231	\$ 66,497
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	13,628	16,332
Fair value of cash flow hedges	18,190	(7,864)
Other comprehensive income (loss), net of tax	31,818	8,468
Comprehensive income	102,049	74,965
Less: Net income attributable to noncontrolling interest	80	143
Comprehensive income attributable to Aramark stockholders	\$ 101,969	\$ 74,822

  

	Six Months Ended	
	March 31, 2017	April 1, 2016
Net income	\$ 195,665	\$ 159,933
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(21,252)	5,760
Fair value of cash flow hedges	28,388	7,710
Other comprehensive income (loss), net of tax	7,136	13,470
Comprehensive income	202,801	173,403
Less: Net income attributable to noncontrolling interest	175	236
Comprehensive income attributable to Aramark stockholders	\$ 202,626	\$ 173,167

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

**ARAMARK AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)  
(in thousands)

	Six Months Ended	
	March 31, 2017	April 1, 2016
<b>Cash flows from operating activities:</b>		
Net income	\$ 195,665	\$ 159,933
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	251,818	247,809
Deferred income taxes	(10,635)	29,832
Share-based compensation expense	34,683	29,373
Changes in operating assets and liabilities	(77,879)	(218,563)
Other operating activities	34,552	3,083
<b>Net cash provided by operating activities</b>	<b>428,204</b>	<b>251,467</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment, client contract investments and other	(215,137)	(237,833)
Disposals of property and equipment	5,131	4,000
Acquisition of certain businesses, net of cash acquired	(67,517)	(58,096)
Other investing activities	1,522	2,595
<b>Net cash used in investing activities</b>	<b>(276,001)</b>	<b>(289,334)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term borrowings	3,555,072	394,528
Payments of long-term borrowings	(3,538,681)	(271,375)
Net change in funding under the Receivables Facility	32,000	—
Payments of dividends	(50,378)	(45,795)
Proceeds from issuance of common stock	11,319	16,524
Repurchase of stock	(100,000)	—
Other financing activities	(68,631)	(30,707)
<b>Net cash provided by (used in) financing activities</b>	<b>(159,299)</b>	<b>63,175</b>
Increase (decrease) in cash and cash equivalents	(7,096)	25,308
Cash and cash equivalents, beginning of period	152,580	122,416
<b>Cash and cash equivalents, end of period</b>	<b>\$ 145,484</b>	<b>\$ 147,724</b>

(dollars in millions)	Six Months Ended	
	March 31, 2017	April 1, 2016
Interest paid	\$ 104.8	\$ 127.5
Income taxes paid	\$ 42.7	\$ 16.1

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

**ARAMARK AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Aramark (the "Company") is a leading global provider of food, facilities and uniform services. The Company's core market is North America (composed of the United States and Canada), which is supplemented by an additional 17-country footprint serving many of the fastest growing global geographies. The Company operates its business in three reportable segments that share many of the same operating characteristics: Food and Support Services North America ("FSS North America"), Food and Support Services International ("FSS International") and Uniform and Career Apparel ("Uniform").

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited consolidated financial statements, and the notes to those statements, included in the Company's Form 10-K filed with the SEC on November 23, 2016. The Condensed Consolidated Balance Sheet as of September 30, 2016 was derived from audited financial statements which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of the Company, the statements include all adjustments, which are of a normal, recurring nature, required for a fair presentation for the periods presented. The results of operations for interim periods are not necessarily indicative of the results for a full year, due to the seasonality of some of the Company's business activities and the possibility of changes in general economic conditions.

The condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling financial interest is maintained. All significant intercompany transactions and accounts have been eliminated. The Company has an ownership interest in a subsidiary with a redeemable noncontrolling interest.

**New Accounting Standard Updates**

In March 2017, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In February 2017, the FASB issued an ASU to clarify the accounting guidance for partial sales of nonfinancial assets. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In January 2017, the FASB issued an ASU to simplify the subsequent measurement of goodwill as part of the impairment test. The guidance is effective for the Company in the first quarter of fiscal 2021 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In January 2017, the FASB issued an ASU to clarify the definition of a business. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In October 2016, the FASB issued an ASU to require entities to recognize the income tax consequences of certain intercompany assets transfers at the transaction date. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In August 2016, the FASB issued an ASU to address the classification of certain cash receipts and cash payments in the Statement of Cash Flows. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In March 2016, the FASB issued an ASU to update several aspects of the accounting for share-based payment transactions. Upon adoption, the ASU requires that excess tax benefits for share-based payments be recorded as a reduction to the provision for income taxes and reflected within cash flows from operating activities rather than being recorded within stockholders' equity and reflected within cash flow from financing activities. The standard also clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on a cash flow statement, and provides an accounting policy election to account for forfeitures as they occur.

The Company elected to early adopt the guidance as of the beginning of its first quarter of fiscal 2017. The impact to the Condensed Consolidated Statements of Income was \$5.9 million and \$12.2 million of excess tax benefit recorded as a reduction to the provision for income taxes for the three and six months ended March 31, 2017. The adoption impact to the Condensed Consolidated Balance Sheets was a cumulative-effect adjustment of approximately \$9.8 million to increase retained earnings



**ARAMARK AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

for previously unrecognized excess tax benefits. The Company applied the guidance related to the presentation in the Condensed Consolidated Statements of Cash Flows on a retrospective basis. The excess tax benefit of \$12.2 million and \$13.8 million for share-based awards is included in operating activities, previously classified in financing activities, and approximately \$22.9 million and \$27.9 million of cash paid for employee taxes for withheld shares is included in financing activities, previously classified in operating activities, for the six months ended March 31, 2017 and April 1, 2016, respectively. As a result of the adoption, the excess tax benefit is no longer included in the calculation of diluted shares under the treasury stock method, which increased the diluted shares outstanding by approximately 1.4 million shares and 1.5 million shares for the three and six months ended March 31, 2017, respectively. The Company elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period.

In February 2016, the FASB issued an ASU requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease arrangements. The guidance is effective for the Company in the first quarter of fiscal 2020 and early adoption is permitted. The Company is in the process of developing an inventory of its lease arrangements in order to determine the impact the adoption of this ASU will have on its condensed consolidated financial statements and related disclosures. Based on the assessment to date, the Company expects adoption of this standard to result in a material increase in lease-related assets and liabilities on its Condensed Consolidated Balance Sheets, but does not expect it to have a significant impact on its Condensed Consolidated Statements of Income or Cash Flows.

In January 2016, the FASB issued an ASU to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In July 2015, the FASB issued an ASU which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. The guidance is effective for the Company in the first quarter of fiscal 2018 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In June 2014, the FASB issued an ASU on stock compensation which requires that a performance target affecting vesting and that could be achieved after the requisite service period be treated as a performance condition. The Company adopted the guidance in the first quarter of fiscal 2017 which did not have an impact on the condensed consolidated financial statements.

In May 2014, the FASB issued an ASU on revenue from contracts with customers which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. In July 2015, the FASB voted to defer the effective date of the new revenue standard by one year, but to permit entities to adopt one year earlier if they choose (i.e., the original effective date). The guidance is effective for the Company beginning in the first quarter of fiscal 2019. As the new standard will supersede most existing revenue guidance affecting the Company, it could impact revenue and cost recognition on contracts across all reportable segments. The Company has been closely monitoring the FASB activity related to the new standard and continues to work to conclude on specific interpretative issues. The Company also continues to make progress on a comprehensive contract review project in order to develop a full understanding of the adoption impact on the consolidated financial statements.

**Comprehensive Income**

Comprehensive income includes all changes to stockholders' equity during a period, except those resulting from investments by and distributions to stockholders. Components of comprehensive income include net income, changes in foreign currency translation adjustments (net of tax), pension plan adjustments (net of tax), changes in the fair value of cash flow hedges (net of tax) and changes to the share of any equity investees' comprehensive income or loss (net of tax).

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The summary of the components of comprehensive income (loss) is as follows (in thousands):

	Three Months Ended					
	March 31, 2017			April 1, 2016		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			\$ 70,231			\$ 66,497
Foreign currency translation adjustments	17,690	(4,062)	13,628	23,611	(7,279)	16,332
Fair value of cash flow hedges	29,820	(11,630)	18,190	(12,998)	5,134	(7,864)
Other comprehensive income (loss)	47,510	(15,692)	31,818	10,613	(2,145)	8,468
Comprehensive income			102,049			74,965
Less: Net income attributable to noncontrolling interest			80			143
Comprehensive income attributable to Aramark stockholders			<u>\$ 101,969</u>			<u>\$ 74,822</u>

	Six Months Ended					
	March 31, 2017			April 1, 2016		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			\$ 195,665			\$ 159,933
Foreign currency translation adjustments	(25,958)	4,706	(21,252)	13,048	(7,288)	5,760
Fair value of cash flow hedges	46,538	(18,150)	28,388	3,081	4,629	7,710
Other comprehensive income (loss)	20,580	(13,444)	7,136	16,129	(2,659)	13,470
Comprehensive income			202,801			173,403
Less: Net income attributable to noncontrolling interest			175			236
Comprehensive income attributable to Aramark stockholders			<u>\$ 202,626</u>			<u>\$ 173,167</u>

Accumulated other comprehensive loss consists of the following (in thousands):

	March 31, 2017	September 30, 2016
Pension plan adjustments	\$ (65,267)	\$ (65,267)
Foreign currency translation adjustments	(89,713)	(68,461)
Cash flow hedges	(7,985)	(36,373)
Share of equity investee's accumulated other comprehensive loss	(10,682)	(10,682)
	<u>\$ (173,647)</u>	<u>\$ (180,783)</u>

**Other Assets**

Other assets consist primarily of client contract investments, investments in 50% or less owned entities, computer software costs and long-term receivables. Client contract investments generally represent a cash payment provided by the Company to help finance improvement or renovation at the facility from which the Company operates. These amounts are generally amortized over the contract period. If a contract is terminated prior to its maturity date, the Company is generally reimbursed for the unamortized client contract investment amount. Client contract investments, net of accumulated amortization, were \$877.9 million and \$865.0 million as of March 31, 2017 and September 30, 2016, respectively.

**Income Taxes**

Effective for the first quarter of fiscal 2017, the earnings since the beginning of the fiscal year of certain of the Company's foreign subsidiaries are intended to be indefinitely reinvested in operations outside the U.S. and, therefore, U.S. taxes have not been recorded on those earnings.

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**NOTE 2. ACQUISITIONS:****Acquisitions**

During the six month period of fiscal 2017, the Company paid cash consideration of approximately \$67.5 million for various acquisitions, mainly for a third party procurement company. The sales, net income, assets and liabilities of the acquisitions did not have a material impact on the Company's condensed consolidated financial statements.

**Avoca Handweavers Limited**

During the second quarter of fiscal 2016, the Company completed the purchase of Avoca Handweavers Limited ("Avoca"), an Irish retail and cafe business, for cash consideration of approximately \$65.8 million (approximately \$59.2 million, net of cash acquired). The sales, net income, assets and liabilities of Avoca did not have a material impact on the Company's condensed consolidated financial statements.

**NOTE 3. SEVERANCE:**

The Company previously initiated a series of actions and developed plans for streamlining and improving the efficiencies and effectiveness of its selling, general and administrative functions. As of March 31, 2017 and September 30, 2016, the Company had an accrual of approximately \$14.0 million and \$26.1 million, respectively, related to the unpaid obligations for these actions. During the three and six month periods of fiscal 2016, the Company recorded a net severance charge of approximately \$8.0 million.

**NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS:**

Goodwill represents the excess of the fair value of consideration paid for an acquired entity over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is subject to an impairment test that the Company conducts annually or more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists, using discounted cash flows.

Changes in total goodwill during the six months ended March 31, 2017 follow (in thousands):

Segment	September 30, 2016	Acquisition	Translation	March 31, 2017
FSS North America	\$ 3,635,614	\$ 27,220	\$ (25)	\$ 3,662,809
FSS International	418,488	—	(15,902)	402,586
Uniform	574,779	—	—	574,779
	<u>\$ 4,628,881</u>	<u>\$ 27,220</u>	<u>\$ (15,927)</u>	<u>\$ 4,640,174</u>

The FSS North America segment includes an acquisition during the second quarter of fiscal 2017, which may be revised upon final determination of the purchase price allocation.

Other intangible assets consist of the following (in thousands):

	March 31, 2017			September 30, 2016		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationship assets	\$ 1,332,632	\$ (1,011,915)	\$ 320,717	\$ 1,793,739	\$ (1,462,058)	\$ 331,681
Trade names	787,807	—	787,807	781,835	(1,633)	780,202
	<u>\$ 2,120,439</u>	<u>\$ (1,011,915)</u>	<u>\$ 1,108,524</u>	<u>\$ 2,575,574</u>	<u>\$ (1,463,691)</u>	<u>\$ 1,111,883</u>

During the second quarter of fiscal 2017, the Company acquired customer relationship assets and a trade name with preliminary values of approximately \$31.0 million and \$11.0 million, respectively. Acquisition-related intangible assets consist of customer relationship assets and the Aramark and other trade names. Customer relationship assets are being amortized principally on a straight-line basis over the expected period of benefit, 3 to 24 years, with a weighted average life of approximately 14 years. The Aramark and other trade names are indefinite lived intangible assets and are not amortizable but are evaluated for impairment at least annually.

Amortization of intangible assets for the six months ended March 31, 2017 and April 1, 2016 was approximately \$44.1 million and \$54.7 million, respectively.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**NOTE 5. BORROWINGS:**

Long-term borrowings, net, are summarized in the following table (in thousands):

	March 31, 2017	September 30, 2016
Senior secured revolving credit facility, due March 2022	\$ —	\$ —
Senior secured term loan facility, due September 2019	—	840,305
Senior secured term loan facility, due February 2021	—	2,450,749
Senior secured term loan facility, due March 2022	843,041	—
Senior secured term loan facility, due March 2024	1,740,473	—
5.750% senior notes, due March 2020	—	227,032
5.125% senior notes, due January 2024	904,374	905,095
4.750% senior notes, due June 2026	493,175	492,886
5.000% senior notes, due April 2025	589,166	—
3.125% senior notes, due April 2025	341,859	—
Receivables Facility, due May 2019	300,000	268,000
Capital leases	72,211	78,615
Other	10,028	7,354
	5,294,327	5,270,036
Less—current portion	(79,568)	(46,522)
	<u>\$ 5,214,759</u>	<u>\$ 5,223,514</u>

As of March 31, 2017, there was approximately \$551.6 million of outstanding foreign currency borrowings.

**Fiscal 2017 Refinancing Transactions**

On March 22, 2017, Aramark Services, Inc. ("ASI"), an indirect wholly owned subsidiary of the Company, issued \$600.0 million of 5.000% Senior Notes due April 1, 2025 (the "5.000% 2025 Notes"). On March 27, 2017, Aramark International Finance S.à r.l. ("AIFS" and, together with ASI, "the Issuers"), an indirect wholly owned subsidiary of the Company, issued €325.0 million of 3.125% Senior Notes due April 1, 2025 (the "3.125% 2025 Notes" and, together with the 5.000% 2025 Notes, the "Notes").

On March 28, 2017, ASI and certain of its subsidiaries entered into a Credit Agreement (the "Credit Agreement"), which replaced the existing Amended and Restated Credit Agreement, originally dated January 26, 2007, and last amended on March 28, 2014 (the "Previous Credit Agreement"). Among other things, the Credit Agreement provides for the following:

- A U.S. dollar denominated term loan to ASI in the amount of \$650.0 million, due 2022, ("U.S. Term Loan A") and \$1,750.0 million, due 2024 ("U.S. Term Loan B");
- A Canadian dollar denominated term loan to Aramark Canada Ltd. in the amount of CAD133.4 million (approximately \$100.2 million, due 2022) ("Canadian Term Loan");
- A yen denominated term loan to ASI in the amount of ¥11,107.0 million (approximately \$99.7 million, due 2022) ("Yen Term Loan"); and
- a revolving credit facility available for loans in U.S. dollars, Canadian dollars, euros and pounds sterling to ASI and certain foreign borrowers with aggregate commitments under the Credit Agreement of \$1,000.0 million and a final maturity date of March 28, 2022.

The net proceeds from the Notes and borrowings under the senior secured term loan facilities under the Credit Agreement were used to repay all existing outstanding borrowings under the term loans under the Previous Credit Agreement, to redeem ASI's 5.750% senior notes, due March 2020 (the "2020 Notes"), and to pay certain fees and related expenses. During the second quarter of fiscal 2017, the Company recorded \$27.0 million of charges to "Interest and Other Financing Costs, net" in the Condensed Consolidated Statements of Income consisting of \$23.7 million of non-cash charges for the write-off of deferred financing costs and original issue discount and \$3.3 million for the call premium on the 2020 Notes.

During the second quarter of fiscal 2017, the Company capitalized third-party costs of approximately \$15.1 million directly attributable to the Notes and approximately \$16.4 million directly attributable to the new senior secured term loan facilities under the Credit Agreement, which are included in "Long-Term Borrowings" in the Condensed Consolidated Balance Sheets. The Company also capitalized third-party costs of approximately \$8.2 million during the second quarter of fiscal 2017, directly

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

attributable to the senior secured revolving credit facility, which are included in "Other Assets" in the Condensed Consolidated Balance Sheets.

**Senior Secured Credit Agreement**

The applicable margin spread for the U.S. Term Loan B is 1.75% to 2.00% (as of March 31, 2017—2.00%) with respect to eurocurrency (LIBOR) borrowings, subject to a LIBOR floor of 0.00%, and 0.75% to 1.00% (as of March 31, 2017—1.00%) with respect to base-rate borrowings, subject to a minimum base rate of 0.00%. The applicable margin spread for the U.S. Term Loan A, Canadian Term Loan and the senior secured revolving credit facility is 1.50% to 2.25% (as of March 31, 2017—1.75%) with respect to eurocurrency (LIBOR) borrowings, bankers' acceptance ("BA") rate borrowings and letters of credit fees and 0.50% to 1.25% (as of March 31, 2017—0.75%) with respect to U.S. and Canadian base rate borrowings. The applicable margin for the Yen Term Loan is 1.75%. In addition to paying interest on outstanding principal under the senior secured credit facilities, the Company is required to pay a commitment fee to the lenders under the revolving credit facility in respect of the unutilized commitments thereunder. The commitment fee rate ranges from 0.25% to 0.40% per annum (as of March 31, 2017—0.30%). The actual spreads within all ranges referred to above are based on a Consolidated Leverage Ratio, as defined in the Credit Agreement.

The Company's revolving credit facility includes a \$250.0 million sublimit for letters of credit.

The Credit Agreement provides that the Company has the right at any time to request one or more incremental term loan facilities or increases under existing term loan facilities and/or additional revolving credit facilities or increases under the existing revolving credit facility in an amount up to \$1,400.0 million of incremental commitments in the aggregate plus an unlimited amount so long as the pro forma Consolidated Secured Debt to Covenant Adjusted EBITDA ratio (each as defined in the Credit Agreement (the "Consolidated Secured Debt Ratio")) would not exceed 3.00 to 1.00, plus any amount of loans and commitments optionally prepaid and terminated under the senior secured credit facilities. The lenders under these facilities are not under any obligation to provide any such incremental facilities or commitments, and any such addition of or increase in facilities or commitments will be subject to customary conditions precedent. The revolving credit facility may be drawn by ASI as well as by certain foreign subsidiaries of ASI. Each foreign borrower is subject to a sublimit of \$150.0 million with respect to borrowings under the revolving credit facility.

As of March 31, 2017, there was approximately \$998.5 million available for borrowing under the revolving credit facility.

**Prepayments and Amortization**

The Credit Agreement requires us to prepay outstanding term loans, subject to certain exceptions, with:

- 50% of ASI's annual excess cash flow (as defined in the Credit Agreement) with stepdowns to 25% and 0% upon ASI's reaching certain Consolidated Secured Debt Ratio thresholds; provided, further, that such prepayment shall only be required to the extent excess cash flow for the applicable year exceeds \$10.0 million;
- 100% of the net cash proceeds of all nonordinary course asset sales or other dispositions of property subject to certain exceptions and customary reinvestment rights; provided, further, that such prepayment shall only be required to the extent net cash proceeds exceeds \$100.0 million; and
- 100% of the net cash proceeds of any incurrence of debt, but excluding proceeds from certain debt permitted under the Credit Agreement.

The foregoing mandatory prepayments will be applied to the term loan facilities on a pro rata basis and will reduce the obligations to make scheduled amortization payments on a dollar for dollar basis as directed by the Company. Based on the Company's Consolidated Secured Debt Ratio as of and for the twelve months ended March 31, 2017, the Company would not be required to make an annual excess cash flow prepayment of term loans. The Company may voluntarily repay outstanding loans under the senior secured credit facilities at any time without premium or penalty, other than (i) customary "breakage" costs with respect to LIBOR loans and (ii) with respect to any voluntary prepayments of the U.S. Term Loan B in connection with any repricing transaction (as defined in the Credit Agreement) effected prior to September 28, 2017, a 1% prepayment premium. Prepaid term loans may not be reborrowed.

If a change of control as defined in the Credit Agreement occurs, this will cause an event of default under the Credit Agreement. Upon an event of default, the new senior secured credit facilities may be accelerated, in which case the Company would be required to repay all outstanding loans plus accrued and unpaid interest and all other amounts outstanding under the new senior secured credit facilities under the Credit Agreement.

The Company is required to make quarterly principal repayments on the U.S. Term Loan B and the Yen Term Loan in quarterly amounts of 1.00% per annum of their funded total principal amount. The Company is required to make quarterly principal repayments on the U.S. Term Loan A and the Canadian Term Loan in quarterly amounts of 5.0%, 5.0%, 7.5%, 10.0% and

**ARAMARK AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

15.0% per annum of their funded total principal amount in the first, second, third, fourth and fifth years after the closing date of the senior secured credit facilities under the Credit Agreement, respectively.

**Guarantees**

All obligations under the Credit Agreement are unconditionally guaranteed by Aramark Intermediate HoldCo Corporation and, subject to certain exceptions, substantially all of ASI's existing and future wholly-owned domestic subsidiaries excluding certain immaterial subsidiaries, receivables facility subsidiaries, certain other customarily excluded subsidiaries and certain subsidiaries designated under the Credit Agreement as "unrestricted subsidiaries", referred to, collectively, as the U.S. Guarantors. All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured by (i) a pledge of 100% of the capital stock of ASI, (ii) pledges of 100% of the capital stock (or 65% of voting stock and 100% of non-voting stock, in the case of the stock of foreign subsidiaries) held by ASI, Aramark Intermediate HoldCo Corporation or any of the U.S. Guarantors and (iii) a security interest in, and mortgages on, substantially all tangible assets of Aramark Intermediate HoldCo Corporation, ASI or any of the U.S. Guarantors.

**Certain Covenants**

The Credit Agreement contains certain covenants that, among other things, restrict, subject to certain exceptions, ASI's ability and the ability of its restricted subsidiaries to: incur additional indebtedness; issue preferred stock or provide guarantees; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends, make distributions or repurchase its capital stock; make investments, loans or advances; repay or repurchase any subordinated debt, except as scheduled or at maturity; create restrictions on the payment of dividends or other transfers to ASI from its restricted subsidiaries; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing ASI's subordinated debt; and fundamentally change ASI's business. In addition, the Credit Agreement requires ASI to comply with a maximum Consolidated Secured Debt Ratio maintenance covenant. The Credit Agreement also contains certain customary affirmative covenants, such as financial and other reporting, and certain events of default. At March 31, 2017, ASI was in compliance with all of these covenants.

The Credit Agreement requires ASI to maintain a maximum Consolidated Secured Debt Ratio, defined as consolidated total indebtedness secured by a lien to Covenant Adjusted EBITDA, of 5.125x. Consolidated total indebtedness secured by a lien is defined in the Credit Agreement as total indebtedness outstanding under the Credit Agreement, capital leases, advances under the Receivables Facility and any other indebtedness secured by a lien reduced by the amount of cash and cash equivalents on the consolidated balance sheet that is free and clear of any lien. Non-compliance with the maximum Consolidated Secured Debt Ratio could result in the requirement to immediately repay all amounts outstanding under the Credit Agreement, which, if ASI's revolving credit facility lenders failed to waive any such default, would also constitute a default under the indentures governing the senior notes.

The Credit Agreement establishes an incurrence-based minimum Interest Coverage Ratio, defined as Covenant Adjusted EBITDA to consolidated interest expense, as a condition for ASI and its restricted subsidiaries to incur additional indebtedness and to make certain restricted payments. The minimum Interest Coverage Ratio is 2.00x for the term of the Credit Agreement. If ASI does not maintain this minimum Interest Coverage Ratio calculated on a pro forma basis for any such additional indebtedness or restricted payments, it could be prohibited from being able to incur additional indebtedness, other than the additional funding provided for under the Credit Agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions.

A failure to pay any obligations under the Credit Agreement as they become due or any event causing amounts to become due prior to their stated maturity could result in a cross-default and potential acceleration of the Company's other outstanding debt obligations, including the senior notes.

**Senior Notes****5.000% Senior Notes due 2025 and 3.125% Senior Notes due 2025**

The 5.000% 2025 Notes were issued pursuant to an indenture, dated as of March 22, 2017 (the "5.000% 2025 Notes Indenture"), entered into by and among ASI, the Company and certain other Aramark entities, as guarantors, and The Bank of New York Mellon, as trustee. The 5.000% 2025 Notes were issued at par. The 3.125% 2025 Notes were issued pursuant to an indenture, dated as of March 27, 2017 (the "3.125% 2025 Notes Indenture"), entered into by and among AIFS, the Company and certain other Aramark entities, as guarantors, The Bank of New York Mellon, as trustee and registrar, and The Bank of New York Mellon, London Branch, as paying agent and transfer agent. The 3.125% 2025 Notes were issued at par.

The Notes are senior unsecured obligations of the respective Issuers. Each series of the Notes ranks equal in right of payment to all of the respective Issuer's existing and future senior indebtedness, including the senior secured credit facilities under the Credit Agreement, and, in the case of the 5.000% 2025 Notes with respect to ASI, ASI's 5.125% Senior Notes due 2024 (the "2024 Notes") and 4.750% Senior Notes due 2026 and will rank senior in right of payment to the respective Issuer's future

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subordinated indebtedness. The Notes are guaranteed on a senior, unsecured basis by the Company and substantially all of the domestic subsidiaries of ASI and the 3.125% 2025 Notes are guaranteed on a senior, unsecured basis by ASI. The guarantees of the Notes rank equal in right of payment to all of the senior obligations of such guarantor, including guarantees of the senior secured credit facilities, the 2024 Notes, the 4.750% Notes due 2026 and the 5.000% 2025 Notes or 3.125% 2025 Notes, as applicable, and in the case of the 3.125% 2025 Notes with respect to ASI, ASI's obligations under the senior secured credit facilities, the 2024 Notes, the 4.750% Notes due 2026 and the 5.000% 2025 Notes. Each series of the Notes and the related guarantees thereof are effectively subordinated to all of the respective Issuers' existing and future secured indebtedness, including obligations and/or guarantees of the senior secured credit facilities under the Credit Agreement, to the extent of the value of the assets securing that indebtedness, and structurally subordinated to all of the liabilities of any of ASI's subsidiaries that do not guarantee the Notes. Interest on the Notes is payable on April 1 and October 1 of each year, commencing on October 1, 2017. Interest accrues from March 22, 2017 for the 5.000% 2025 Notes and interest accrues from March 27, 2017 for the 3.125% 2025 Notes.

In the event of certain types of changes of control, the holders of the Notes may require the applicable Issuer to purchase for cash all or a portion of their Notes at a purchase price equal to 101% of the principal amount of such Notes, plus accrued and unpaid interest, if any, to, but not including, the purchase date. Beginning April 1, 2020, ASI has the option to redeem all or a portion of the 5.000% 2025 Notes at any time at the redemption prices set forth in the 5.000% 2025 Notes Indenture, plus accrued and unpaid interest. Beginning April 1, 2020, AIFS has the option to redeem all or a portion of the 3.125% 2025 Notes at any time at the redemption prices set forth in the 3.125% 2025 Notes Indenture, plus accrued and unpaid interest.

The 5.000% 2025 Notes Indenture and the 3.125% 2025 Notes Indenture contain covenants limiting ASI's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; limit the ability of restricted subsidiaries to make payments to ASI; enter into sale and leaseback transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of ASI's and its restricted subsidiaries assets; and designate ASI's subsidiaries as unrestricted subsidiaries. The 5.000% 2025 Notes Indenture and the 3.125% 2025 Notes Indenture also provide for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the applicable series of Notes to become or to be declared due and payable. Further, a failure to pay any obligations under the 5.000% 2025 Notes Indenture or the 3.125% 2025 Notes Indenture as they become due or any event causing amounts to become due prior to their stated maturity could result in a cross-default and potential acceleration of the Company's other outstanding debt obligations, including the other senior notes and obligations under the Credit Agreement.

**Future Maturities**

After giving effect to the refinancing activity during the second quarter of fiscal 2017, at March 31, 2017, annual maturities on long-term borrowings maturing between fiscal years 2017 and 2022 and thereafter (excluding the \$50.3 million reduction to long-term borrowings from debt issuance costs and the increase of \$16.3 million from the premium on the 2024 Notes) are as follows (in thousands):

2017	\$	45,619
2018		75,756
2019		362,265
2020		115,047
2021		121,897
2022		607,779
Thereafter		3,999,937

**NOTE 6. DERIVATIVE INSTRUMENTS:**

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, foreign currency exposures and exposure to fluctuating gasoline and diesel fuel prices. Derivative instruments utilized during the period include interest rate swap agreements, foreign currency forward exchange contracts and gasoline and diesel fuel agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each quarter. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to the risk of credit loss in the event of nonperformance by these counterparties. The Company continually monitors its positions and the credit ratings of its counterparties, and does not anticipate nonperformance by the counterparties. For designated hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed



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prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

**Cash Flow Hedges**

The Company previously entered into \$2.4 billion notional amount of outstanding interest rate swap agreements, fixing the rate on a like amount of variable rate borrowings. As a result of the Credit Agreement, the Company de-designated the interest rate swap agreements as the terms of the interest rate swaps did not match the terms of the new term loans. Prior to the Credit Agreement, these agreements met the required criteria to be designated as cash flow hedging instruments. The Company then amended the interest rate swap agreements to match the terms of the new term loans under the Credit Agreement to meet the criteria to be designated as cash flow hedging instruments. As a result of the de-designation, the Company recorded charges to "Interest and Other Financing Costs, net" in the Condensed Consolidated Statements of Income during the second quarter of fiscal 2017 of approximately \$2.9 million for the changes in market value of the interest rate swaps.

Changes in the fair value of a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged item affects earnings. Approximately (\$8.0) million and (\$36.4) million of unrealized net of tax losses related to the interest rate swaps were included in "Accumulated other comprehensive loss" as of March 31, 2017 and September 30, 2016, respectively. As of March 31, 2017, such amount principally represents the fair value of the original interest rate swap agreements on the de-designation date, which will be recognized in income over the original anticipated cash flow period. The hedge ineffectiveness for these cash flow hedging instruments during the six months ended March 31, 2017 and April 1, 2016 was not material.

The following table summarizes the effect of our derivatives designated as cash flow hedging instruments (effective portion) on Other comprehensive income (loss) (in thousands):

	Three Months Ended	
	March 31, 2017	April 1, 2016
Interest rate swap agreements	\$ 25,237	\$ (22,086)
	Six Months Ended	
	March 31, 2017	April 1, 2016
Interest rate swap agreements	\$ 35,982	\$ (14,969)
Cross currency swap agreements	—	(2,116)
	\$ 35,982	\$ (17,085)

**Derivatives not Designated in Hedging Relationships**

The Company entered into a series of pay fixed/receive floating gasoline and diesel fuel agreements based on the Department of Energy weekly retail on-highway index in order to limit its exposure to price fluctuations for gasoline and diesel fuel. As of March 31, 2017, the Company has contracts for approximately 24.2 million gallons outstanding for fiscal 2017 and fiscal 2018. The Company does not record its gasoline and diesel fuel agreements as hedges for accounting purposes. The impact on earnings related to the change in fair value of these unsettled contracts was a loss of approximately \$5.5 million and approximately \$1.0 million for the three and six months ended March 31, 2017, respectively. The impact on earnings related to the change in fair value of these unsettled contracts was a loss of approximately \$1.9 million and \$2.8 million for the three and six months ended April 1, 2016, respectively.

As of March 31, 2017, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €64.3 million, £79.5 million and CAD15.0 million to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. Gains and losses on these foreign currency exchange contracts are recognized in income as the contracts were not designated as hedging instruments, substantially offsetting currency transaction gains and losses on the short-term intercompany loans.



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The following table summarizes the location and fair value, using Level 2 inputs, of the Company's derivatives designated and not designated as hedging instruments in the Condensed Consolidated Balance Sheets (in thousands):

	Balance Sheet Location	March 31, 2017	September 30, 2016
<b>ASSETS</b>			
<i>Not designated as hedging instruments:</i>			
Gasoline and diesel fuel agreements	Prepayments and other current assets	\$ 2,676	\$ 3,878
<b>LIABILITIES</b>			
<i>Designated as hedging instruments:</i>			
Interest rate swap agreements	Accrued expenses and other current liabilities	\$ 2,142	\$ 5,929
Interest rate swap agreements	Other Noncurrent Liabilities	14,786	34,919
		<u>16,928</u>	<u>40,848</u>
<i>Not designated as hedging instruments:</i>			
Foreign currency forward exchange contracts	Accounts payable	752	447
		<u>\$ 17,680</u>	<u>\$ 41,295</u>

The following table summarizes the location of (gain) loss reclassified from "Accumulated other comprehensive loss" into earnings for derivatives designated as hedging instruments and the location of (gain) loss for the Company's derivatives not designated as hedging instruments in the Condensed Consolidated Statements of Income (in thousands):

	Income Statement Location	Three Months Ended	
		March 31, 2017	April 1, 2016
<i>Designated as hedging instruments:</i>			
Interest rate swap agreements	Interest expense	\$ 4,583	\$ 9,088
<i>Not designated as hedging instruments:</i>			
Gasoline and diesel fuel agreements	Costs of services provided / Selling and general corporate expenses	\$ 5,067	\$ 4,571
Foreign currency forward exchange contracts	Interest expense	2,597	4,315
		<u>7,664</u>	<u>8,886</u>
		<u>\$ 12,247</u>	<u>\$ 17,974</u>
	Income Statement Location	Six Months Ended	
		March 31, 2017	April 1, 2016
<i>Designated as hedging instruments:</i>			
Interest rate swap agreements	Interest Expense	\$ 10,556	\$ 18,105
Cross currency swap agreements	Interest Expense	—	2,061
		<u>10,556</u>	<u>20,166</u>
<i>Not designated as hedging instruments:</i>			
Gasoline and diesel fuel agreements	Costs of services provided / Selling and general corporate expenses	\$ 383	\$ 7,076
Foreign currency forward exchange contracts	Interest Expense	(4,808)	(775)
		<u>(4,425)</u>	<u>6,301</u>
		<u>\$ 6,131</u>	<u>\$ 26,467</u>

At March 31, 2017, the net of tax loss expected to be reclassified from "Accumulated other comprehensive loss" into earnings over the next twelve months based on current market rates is approximately \$5.4 million.

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**NOTE 7. STOCKHOLDERS' EQUITY:**

During the six months ended March 31, 2017 and April 1, 2016, the Company paid dividends of approximately \$50.4 million and \$45.8 million to its stockholders, respectively. On May 3, 2017, the Company's Board declared a \$0.103 dividend per share of common stock, payable on June 6, 2017, to shareholders of record on the close of business on May 17, 2017.

During the second quarter of fiscal 2017, the Board of Directors authorized a new share repurchase program of up to \$250 million worth of Aramark common stock over the next two years, of which the Company repurchased approximately 2.8 million shares of its common stock for \$100.0 million in the period.

**NOTE 8. SHARE-BASED COMPENSATION:**

The following table summarizes the share-based compensation expense and related information for Time-Based Options ("TBOs"), Time-Based Restricted Stock Units ("RSUs"), Performance Stock Units and Performance Restricted Stock ("PSUs"), and Deferred Stock and Other Units classified as "Selling and general corporate expenses" in the Condensed Consolidated Statements of Income (in millions).

	Three Months Ended		Six Months Ended	
	March 31, 2017	April 1, 2016	March 31, 2017	April 1, 2016
TBOs	\$ 5.2	\$ 4.8	\$ 10.5	\$ 9.7
RSUs	5.0	5.4	11.4	11.1
PSUs	7.8	3.3	11.4	7.3
Deferred Stock and Other Units	0.5	0.6	1.4	1.3
	<u>\$ 18.5</u>	<u>\$ 14.1</u>	<u>\$ 34.7</u>	<u>\$ 29.4</u>
Taxes related to share-based compensation	\$ 6.9	\$ 5.5	\$ 12.9	\$ 11.5

The below table summarizes the number of shares granted and the weighted-average grant-date fair value per unit during the six months ended March 31, 2017:

	Shares Granted (in millions)	Weighted-Average Grant-Date Fair Value (dollars per share)
TBOs	2.6	\$ 8.46
RSUs	1.4	\$ 34.08
PSUs	0.4	\$ 34.08
	<u>4.4</u>	

## ARAMARK AND SUBSIDIARIES

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**NOTE 9. EARNINGS PER SHARE:**

Basic earnings per share is computed using the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share is computed using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of share-based awards.

The following table sets forth the computation of basic and diluted earnings per share attributable to the Company's stockholders (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	March 31, 2017	April 1, 2016	March 31, 2017	April 1, 2016
<b>Earnings:</b>				
Net income attributable to Aramark stockholders	\$ 70,151	\$ 66,354	\$ 195,490	\$ 159,697
<b>Shares:</b>				
Basic weighted-average shares outstanding	245,077	241,901	244,690	241,205
Effect of dilutive securities	6,646	6,369	7,247	6,808
Diluted weighted-average shares outstanding	251,723	248,270	251,937	248,013
<b>Basic Earnings Per Share:</b>				
Net income attributable to Aramark stockholders	\$ 0.29	\$ 0.27	\$ 0.80	\$ 0.66
<b>Diluted Earnings Per Share:</b>				
Net income attributable to Aramark stockholders	\$ 0.28	\$ 0.27	\$ 0.78	\$ 0.64

Share-based awards to purchase 4.5 million shares were outstanding for both the three months ended March 31, 2017 and April 1, 2016, but were not included in the computation of diluted earnings per common share, as their effect would have been antidilutive. In addition, PSUs related to 1.2 million shares and 0.7 million shares were outstanding for the three month periods of March 31, 2017 and April 1, 2016, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.

Share-based awards to purchase 3.9 million shares were outstanding for both the six months ended March 31, 2017 and April 1, 2016, but were not included in the computation of diluted earnings per common share, as their effect would have been antidilutive. In addition, PSUs related to 1.2 million shares and 0.7 million shares were outstanding for the six month period of March 31, 2017 and April 1, 2016, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.

**NOTE 10. COMMITMENTS AND CONTINGENCIES:**

Certain of the Company's lease arrangements, primarily vehicle leases, with terms of one to eight years, contain provisions related to residual value guarantees. The maximum potential liability to the Company under such arrangements was approximately \$103.3 million at March 31, 2017 if the terminal fair value of vehicles coming off lease was zero. Consistent with past experience, management does not expect any significant payments will be required pursuant to these arrangements. No amounts have been accrued for guarantee arrangements at March 31, 2017.

From time to time, the Company and its subsidiaries are a party to various legal actions, proceedings and investigations involving claims incidental to the conduct of their business, including actions by clients, consumers, employees, government entities and third parties, including under federal, state, international, national, provincial and local employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy and security laws and alcohol licensing and service laws, or alleging negligence and/or breaches of contractual and other obligations. Based on information currently available, advice of counsel, available insurance coverage, established reserves and other resources, the Company does not believe that any such actions are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or cash flows.

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**NOTE 11. BUSINESS SEGMENTS:**

The Company reports its operating results in three reportable segments: FSS North America, FSS International and Uniform. Corporate includes general expenses not specifically allocated to an individual segment and share-based compensation expense (see note 8). In the Company's food and support services segments, approximately 80% of the global sales is related to food services and 20% is related to facilities services. Financial information by segment follows (in millions):

	Sales	
	Three Months Ended	
	March 31, 2017	April 1, 2016
FSS North America	\$ 2,559.5	\$ 2,520.2
FSS International	674.4	664.0
Uniform	387.7	390.6
	<u>\$ 3,621.6</u>	<u>\$ 3,574.8</u>

	Operating Income	
	Three Months Ended	
	March 31, 2017	April 1, 2016
FSS North America	\$ 152.0	\$ 137.2
FSS International	31.0	24.6
Uniform	45.5	43.7
	<u>228.5</u>	<u>205.5</u>
Corporate	(37.1)	(33.4)
Operating Income	191.4	172.1
Interest and Other Financing Costs, net	(97.6)	(71.7)
Income Before Income Taxes	<u>\$ 93.8</u>	<u>\$ 100.4</u>

	Sales	
	Six Months Ended	
	March 31, 2017	April 1, 2016
FSS North America	\$ 5,222.3	\$ 5,142.9
FSS International	1,351.6	1,358.9
Uniform	783.1	783.3
	<u>\$ 7,357.0</u>	<u>\$ 7,285.1</u>

	Operating Income	
	Six Months Ended	
	March 31, 2017	April 1, 2016
FSS North America	\$ 337.2	\$ 305.5
FSS International	62.8	54.6
Uniform	99.2	94.1
	<u>499.2</u>	<u>454.2</u>
Corporate	(63.7)	(68.0)
Operating Income	435.5	386.2
Interest and Other Financing Costs, net	(163.3)	(143.1)
Income Before Income Taxes	<u>\$ 272.2</u>	<u>\$ 243.1</u>

**ARAMARK AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****NOTE 12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are classified based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels related to the subjectivity of the valuation inputs are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement

**Recurring Fair Value Measurements**

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivatives. Management believes that the carrying value of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values. In conjunction with the fair value measurement of the derivative instruments, the Company made an accounting policy election to measure the credit risk of its derivative instruments that are subject to master netting agreements on a net basis by counterparty portfolio. The fair value of the Company's debt at March 31, 2017 and September 30, 2016 was \$5,419.1 million and \$5,365.6 million, respectively. The carrying value of the Company's debt at March 31, 2017 and September 30, 2016 was \$5,294.3 million and \$5,270.0 million, respectively. The fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods. The inputs utilized in estimating the fair value of the Company's debt have been classified as level 2 in the fair value hierarchy levels.

**NOTE 13. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF ARAMARK AND SUBSIDIARIES:**

The following condensed consolidating financial statements of the Company have been prepared pursuant to Rule 3-10 of Regulation S-X.

The condensed consolidating financial statements are presented for: (i) Aramark (the "Parent"); (ii) Aramark Services, Inc. and Aramark International Finance S.à r.l. (the "Issuers"); (iii) the guarantors; (iv) the non guarantors; (v) elimination entries necessary to consolidate the Parent with the Issuers, the guarantor and non guarantors; and (vi) the Company on a consolidated basis. Each of the guarantors is wholly-owned, directly or indirectly, by the Company. All other subsidiaries of the Company, either direct or indirect, are non guarantors and do not guarantee the 2024 Notes, the 4.750% Senior Notes due 2026 and the Notes. The guarantors also guarantee certain other debt. See note 5 for additional descriptions of the Notes. These condensed consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the condensed consolidated financial statements. Interest expense and certain other costs are partially allocated to all of the subsidiaries of the Company. Goodwill and other intangible assets have been allocated to the subsidiaries based on management's estimates.

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING BALANCE SHEETS**
**March 31, 2017**
**(in thousands)**

	Aramark (Parent)	Issuers	Guarantors	Non Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 38,422	\$ 27,821	\$ 79,236	\$ —	\$ 145,484
Receivables	—	409	311,186	1,196,421	—	1,508,016
Inventories	—	15,678	481,380	74,503	—	571,561
Prepayments and other current assets	—	10,309	66,204	93,007	—	169,520
Total current assets	5	64,818	886,591	1,443,167	—	2,394,581
Property and Equipment, net	—	29,641	759,603	215,342	—	1,004,586
Goodwill	—	173,104	4,062,203	404,867	—	4,640,174
Investment in and Advances to Subsidiaries	2,240,708	5,596,636	456,310	795,139	(9,088,793)	—
Other Intangible Assets	—	29,729	979,812	98,983	—	1,108,524
Other Assets	—	81,207	1,005,613	262,660	(2,002)	1,347,478
	<u>\$ 2,240,713</u>	<u>\$ 5,975,135</u>	<u>\$ 8,150,132</u>	<u>\$ 3,220,158</u>	<u>\$ (9,090,795)</u>	<u>\$ 10,495,343</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term borrowings	\$ —	\$ 50,997	\$ 15,166	\$ 13,405	\$ —	\$ 79,568
Accounts payable	—	145,341	386,441	272,885	—	804,667
Accrued expenses and other current liabilities	—	176,960	713,160	277,428	89	1,167,637
Total current liabilities	—	373,298	1,114,767	563,718	89	2,051,872
Long-term Borrowings	—	4,760,926	56,862	396,971	—	5,214,759
Deferred Income Taxes and Other Noncurrent Liabilities	—	419,812	508,390	49,957	—	978,159
Intercompany Payable	—	—	5,054,986	1,032,348	(6,087,334)	—
Redeemable Noncontrolling Interest	—	—	9,840	—	—	9,840
Total Stockholders' Equity	2,240,713	421,099	1,405,287	1,177,164	(3,003,550)	2,240,713
	<u>\$ 2,240,713</u>	<u>\$ 5,975,135</u>	<u>\$ 8,150,132</u>	<u>\$ 3,220,158</u>	<u>\$ (9,090,795)</u>	<u>\$ 10,495,343</u>

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING BALANCE SHEETS**
**September 30, 2016**
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc.	Guarantors	Non Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 47,850	\$ 31,344	\$ 73,381	\$ —	\$ 152,580
Receivables	—	167	265,124	1,211,058	—	1,476,349
Inventories	—	15,284	492,855	79,016	—	587,155
Prepayments and other current assets	—	69,033	98,779	108,675	—	276,487
Total current assets	5	132,334	888,102	1,472,130	—	2,492,571
Property and Equipment, net	—	30,201	782,347	210,535	—	1,023,083
Goodwill	—	173,104	3,982,737	473,040	—	4,628,881
Investment in and Advances to Subsidiaries	2,161,101	5,450,692	598,759	230,488	(8,441,040)	—
Other Intangible Assets	—	29,729	894,274	187,880	—	1,111,883
Other Assets	—	56,850	1,028,887	241,919	(2,002)	1,325,654
	<u>\$ 2,161,106</u>	<u>\$ 5,872,910</u>	<u>\$ 8,175,106</u>	<u>\$ 2,815,992</u>	<u>\$ (8,443,042)</u>	<u>\$ 10,582,072</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term borrowings	\$ —	\$ 21,998	\$ 15,598	\$ 8,926	\$ —	\$ 46,522
Accounts payable	—	156,471	415,481	275,636	—	847,588
Accrued expenses and other current liabilities	100	145,314	827,213	319,447	(1,439)	1,290,635
Total current liabilities	100	323,783	1,258,292	604,009	(1,439)	2,184,745
Long-term Borrowings	—	4,570,931	62,892	589,691	—	5,223,514
Deferred Income Taxes and Other Noncurrent Liabilities	—	440,839	510,254	51,920	—	1,003,013
Intercompany Payable	—	—	4,619,489	1,400,741	(6,020,230)	—
Redeemable Noncontrolling Interest	—	—	9,794	—	—	9,794
Total Stockholders' Equity	2,161,006	537,357	1,714,385	169,631	(2,421,373)	2,161,006
	<u>\$ 2,161,106</u>	<u>\$ 5,872,910</u>	<u>\$ 8,175,106</u>	<u>\$ 2,815,992</u>	<u>\$ (8,443,042)</u>	<u>\$ 10,582,072</u>

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the three months ended March 31, 2017**
**(in thousands)**

	Aramark (Parent)	Issuers	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$ 259,026	\$ 2,435,422	\$ 927,180	\$ —	\$ 3,621,628
Costs and Expenses:						
Cost of services provided	—	237,137	2,124,643	864,416	—	3,226,196
Depreciation and amortization	—	4,182	106,774	14,336	—	125,292
Selling and general corporate expenses	—	38,947	35,308	4,465	—	78,720
Interest and other financing costs, net	—	92,467	(728)	5,892	—	97,631
Expense allocations	—	(66,808)	64,460	2,348	—	—
	—	305,925	2,330,457	891,457	—	3,527,839
Income (Loss) before Income Tax	—	(46,899)	104,965	35,723	—	93,789
Provision (Benefit) for Income Taxes	—	(9,387)	30,922	2,023	—	23,558
Equity in Net Income of Subsidiaries	70,151	—	—	—	(70,151)	—
Net income (loss)	70,151	(37,512)	74,043	33,700	(70,151)	70,231
Less: Net income attributable to noncontrolling interest	—	—	80	—	—	80
Net income (loss) attributable to Aramark shareholder	70,151	(37,512)	73,963	33,700	(70,151)	70,151
Other comprehensive income, net of tax	31,818	12,568	604	24,681	(37,853)	31,818
Comprehensive income (loss) attributable to Aramark stockholders	<u>\$ 101,969</u>	<u>\$ (24,944)</u>	<u>\$ 74,567</u>	<u>\$ 58,381</u>	<u>\$ (108,004)</u>	<u>\$ 101,969</u>



**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the six months ended March 31, 2017**
**(in thousands)**

	Aramark (Parent)	Issuers	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$ 511,405	\$ 4,963,878	\$ 1,881,728	\$ —	\$ 7,357,011
Costs and Expenses:						
Cost of services provided	—	465,949	4,322,293	1,737,284	—	6,525,526
Depreciation and amortization	—	8,563	208,956	34,299	—	251,818
Selling and general corporate expenses	—	67,314	67,789	9,089	—	144,192
Interest and other financing costs, net	—	153,820	(1,360)	10,848	—	163,308
Expense allocations	—	(142,827)	138,332	4,495	—	—
	—	552,819	4,736,010	1,796,015	—	7,084,844
Income (Loss) before Income Tax	—	(41,414)	227,868	85,713	—	272,167
Provision (Benefit) for Income Taxes	—	(7,910)	67,239	17,173	—	76,502
Equity in Net Income of Subsidiaries	195,490	—	—	—	(195,490)	—
Net income (loss)	195,490	(33,504)	160,629	68,540	(195,490)	195,665
Less: Net income attributable to noncontrolling interest	—	—	175	—	—	175
Net income (loss) attributable to Aramark shareholder	195,490	(33,504)	160,454	68,540	(195,490)	195,490
Other comprehensive income (loss), net of tax	7,136	38,035	(1,323)	(43,667)	6,955	7,136
Comprehensive income attributable to Aramark stockholders	\$ 202,626	\$ 4,531	\$ 159,131	\$ 24,873	\$ (188,535)	\$ 202,626

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended April 1, 2016

(in thousands)

	Aramark (Parent)	Aramark Services, Inc.	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$ 253,674	\$ 2,433,802	\$ 887,346	\$ —	\$ 3,574,822
Costs and Expenses:						
Cost of services provided	—	235,755	2,133,606	840,349	—	3,209,710
Depreciation and amortization	—	4,405	99,303	16,583	—	120,291
Selling and general corporate expenses	—	35,583	32,483	4,641	—	72,707
Interest and other financing costs	—	66,881	(711)	5,581	—	71,751
Expense allocations	—	(61,435)	44,928	16,507	—	—
	—	281,189	2,309,609	883,661	—	3,474,459
Income (Loss) before Income Tax	—	(27,515)	124,193	3,685	—	100,363
Provision (Benefit) for Income Taxes	—	(9,753)	42,545	1,074	—	33,866
Equity in Net Income of Subsidiaries	66,354	—	—	—	(66,354)	—
Net income (loss)	66,354	(17,762)	81,648	2,611	(66,354)	66,497
Less: Net income attributable to noncontrolling interest	—	—	143	—	—	143
Net income (loss) attributable to Aramark shareholder	66,354	(17,762)	81,505	2,611	(66,354)	66,354
Other comprehensive income (loss), net of tax	8,468	(18,326)	(1,720)	43,895	(23,849)	8,468
Comprehensive income (loss) attributable to Aramark stockholders	\$ 74,822	\$ (36,088)	\$ 79,785	\$ 46,506	\$ (90,203)	\$ 74,822

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**For the six months ended April 1, 2016**
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc.	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$ —	\$ 510,417	\$ 4,950,869	\$ 1,823,811	\$ —	\$ 7,285,097
Costs and Expenses:						
Cost of services provided	—	470,729	4,333,350	1,700,154	—	6,504,233
Depreciation and amortization	—	7,868	205,580	34,361	—	247,809
Selling and general corporate expenses	—	72,429	64,976	9,443	—	146,848
Interest and other financing costs	—	130,464	(1,160)	13,767	—	143,071
Expense allocations	—	(155,485)	142,479	13,006	—	—
	—	526,005	4,745,225	1,770,731	—	7,041,961
Income (Loss) before Income Tax	—	(15,588)	205,644	53,080	—	243,136
Provision (Benefit) for Income Taxes	—	(4,924)	69,319	18,808	—	83,203
Equity in Net Income of Subsidiaries	159,697	—	—	—	(159,697)	—
Net income (loss)	159,697	(10,664)	136,325	34,272	(159,697)	159,933
Less: Net income attributable to noncontrolling interest	—	—	236	—	—	236
Net income (loss) attributable to Aramark shareholder	159,697	(10,664)	136,089	34,272	(159,697)	159,697
Other comprehensive income (loss), net of tax	13,470	(8,441)	(3,282)	29,930	(18,207)	13,470
Comprehensive income (loss) attributable to Aramark stockholders	\$ 173,167	\$ (19,105)	\$ 132,807	\$ 64,202	\$ (177,904)	\$ 173,167

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the six months ended March 31, 2017**
**(in thousands)**

	Aramark (Parent)	Issuers	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ —	\$ 123,008	\$ 309,568	\$ 41,646	\$ (46,018)	\$ 428,204
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(11,198)	(170,314)	(33,625)	—	(215,137)
Disposals of property and equipment	—	80	3,675	1,376	—	5,131
Acquisitions of businesses, net of cash acquired	—	—	(66,692)	(825)	—	(67,517)
Other investing activities	—	(83,935)	1,280	84,177	—	1,522
Net cash used in investing activities	—	(95,053)	(232,051)	51,103	—	(276,001)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	3,099,709	—	455,363	—	3,555,072
Payments of long-term borrowings	—	(3,216,149)	(9,432)	(313,100)	—	(3,538,681)
Net change in funding under the Receivables Facility	—	—	—	32,000	—	32,000
Payments of dividends	—	(50,378)	—	—	—	(50,378)
Proceeds from issuance of common stock	—	11,319	—	—	—	11,319
Repurchase of stock	—	(100,000)	—	—	—	(100,000)
Other financing activities	—	(61,591)	(2,517)	(4,523)	—	(68,631)
Change in intercompany, net	—	279,707	(69,091)	(256,634)	46,018	—
Net cash provided by (used in) financing activities	—	(37,383)	(81,040)	(86,894)	46,018	(159,299)
Increase (decrease) in cash and cash equivalents	—	(9,428)	(3,523)	5,855	—	(7,096)
Cash and cash equivalents, beginning of period	5	47,850	31,344	73,381	—	152,580
Cash and cash equivalents, end of period	\$ 5	\$ 38,422	\$ 27,821	\$ 79,236	\$ —	\$ 145,484

**ARAMARK AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**For the six months ended April 1, 2016**
**(in thousands)**

	Aramark (Parent)	Aramark Services, Inc.	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ —	\$ 29,134	\$ 218,921	\$ (102,295)	\$ 105,707	\$ 251,467
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(10,715)	(198,294)	(28,824)	—	(237,833)
Disposals of property and equipment	—	—	4,000	—	—	4,000
Acquisitions of businesses, net of cash acquired	—	—	(232)	(57,864)	—	(58,096)
Other investing activities	—	(1,266)	3,620	241	—	2,595
Net cash used in investing activities	—	(11,981)	(190,906)	(86,447)	—	(289,334)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	393,969	—	559	—	394,528
Payments of long-term borrowings	—	(122,818)	(7,589)	(140,968)	—	(271,375)
Payments of dividends	—	(45,795)	—	—	—	(45,795)
Proceeds from issuance of common stock	—	16,524	—	—	—	16,524
Other financing activities	—	(28,262)	(2,087)	(358)	—	(30,707)
Change in intercompany, net	—	(224,992)	(28,880)	359,579	(105,707)	—
Net cash provided by (used in) financing activities	—	(11,374)	(38,556)	218,812	(105,707)	63,175
Increase (decrease) in cash and cash equivalents	—	5,779	(10,541)	30,070	—	25,308
Cash and cash equivalents, beginning of period	5	31,792	42,811	47,808	—	122,416
Cash and cash equivalents, end of period	\$ 5	\$ 37,571	\$ 32,270	\$ 77,878	\$ —	\$ 147,724

**Item 2.**

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

*The following discussion and analysis of our financial condition and results of operations for the three and six months ended March 31, 2017 and April 1, 2016 should be read in conjunction with Aramark's (the "Company", "we", "our" and "us") audited consolidated financial statements, and the notes to those statements for the fiscal year ended September 30, 2016 included in the Company's Form 10-K, filed with the Securities and Exchange Commission ("SEC") on November 23, 2016.*

*Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, opinions, expectations, anticipations, intentions and beliefs. Actual results and the timing of events could differ materially from those anticipated in those forward-looking statements as a result of a number of factors, including those set forth under the heading "Special Note About Forward-Looking Statements" and elsewhere in this Quarterly Report on Form 10-Q. In the following discussion and analysis of financial condition and results of operations, certain financial measures may be considered "non-GAAP financial measures" under SEC rules. These rules require supplemental explanation and reconciliation, which is provided elsewhere in this Quarterly Report on Form 10-Q.*

**Overview**

We are a leading global provider of food, facilities and uniform services. Our core market is North America, which is supplemented by an additional 17-country footprint. Through our established brand, broad geographic presence and employees, we anchor our business in our partnerships with thousands of education, healthcare, business and sports, leisure & corrections clients. Through these partnerships we serve millions of consumers including students, patients, employees, sports fans and guests worldwide. We operate our business in three reportable segments, Food and Support Services North America ("FSS North America"), Food and Support Services International ("FSS International") and Uniform and Career Apparel ("Uniform").

Our Food and Support Services operations focus on serving clients in five principal sectors: Business & Industry, Education, Healthcare, Sports, Leisure & Corrections and Facilities & Other. Our FSS International reportable segment provides a similar range of services as those provided to our FSS North America clients and operates in the same sectors although it is more heavily weighted towards Business & Industry.

**Seasonality**

Our sales and operating results have varied from quarter to quarter as a result of different factors. Historically, within our FSS North America segment, there has been a lower level of activity during our first and second fiscal quarters in operations that provide services to sports and leisure clients. This lower level of activity, historically, has been partially offset during our first and second fiscal quarters by the increased activity levels in our educational operations. Conversely, historically there has been a significant increase in the provision of services to sports and leisure clients during our third and fourth fiscal quarters, which is partially offset by the effect of summer recess at colleges, universities and schools in our educational operations.

**Foreign Currency Fluctuations**

The impact from foreign currency translation assumes constant foreign currency exchange rates based on the rates in effect for the prior year period being used in translation for the comparable current year period. We believe that providing the impact of fluctuations in foreign currency rates on certain financial results can facilitate analysis of period-to-period comparisons of our business performance.

**Fiscal Year**

Our fiscal year is the fifty-two or fifty-three week period which ends on the Friday nearest September 30th. The fiscal years ending September 29, 2017 and September 30, 2016 are each fifty-two week periods.

## Results of Operations

The following tables present an overview of our results on a consolidated and segment basis with the amount of and percentage change between periods for the three and six months ended March 31, 2017 and April 1, 2016 (dollars in millions).

	Three Months Ended		Change	
	March 31, 2017	April 1, 2016	\$	%
Sales	\$ 3,621.6	\$ 3,574.8	\$ 46.8	1 %
Costs and Expenses:				
Cost of services provided	3,226.2	3,209.7	16.5	1 %
Other operating expenses	204.0	193.0	11.0	6 %
	3,430.2	3,402.7	27.5	1 %
Operating income	191.4	172.1	19.3	11 %
Interest and Other Financing Costs, net	97.6	71.7	25.9	36 %
Income Before Income Taxes	93.8	100.4	(6.6)	(7)%
Provision for Income Taxes	23.6	33.9	(10.3)	(30)%
Net income	\$ 70.2	\$ 66.5	\$ 3.7	6 %

Sales by Segment <sup>(1)</sup>	Three Months Ended		Change	
	March 31, 2017	April 1, 2016	\$	%
FSS North America	\$ 2,559.5	\$ 2,520.2	\$ 39.3	2 %
FSS International	674.4	664.0	10.4	2 %
Uniform	387.7	390.6	(2.9)	(1)%
	\$ 3,621.6	\$ 3,574.8	\$ 46.8	1 %

Operating Income by Segment	Three Months Ended		Change	
	March 31, 2017	April 1, 2016	\$	%
FSS North America	\$ 152.0	\$ 137.2	14.8	11 %
FSS International	31.0	24.6	6.4	27 %
Uniform	45.5	43.7	1.8	4 %
Corporate	(37.1)	(33.4)	(3.7)	11 %
	\$ 191.4	\$ 172.1	\$ 19.3	11 %

(1) As a percentage of total sales, FSS North America represented 70%, FSS International represented 19% and Uniform represented 11% in both the three months ended March 31, 2017 and April 1, 2016.

	Six Months Ended		Change	
	March 31, 2017	April 1, 2016	\$	%
Sales	\$ 7,357.0	\$ 7,285.1	\$ 71.9	1 %
Costs and Expenses:				
Cost of services provided	6,525.5	6,504.2	21.3	— %
Other operating expenses	396.0	394.7	1.3	— %
	6,921.5	6,898.9	22.6	— %
Operating income	435.5	386.2	49.3	13 %
Interest and Other Financing Costs, net	163.3	143.1	20.2	14 %
Income Before Income Taxes	272.2	243.1	29.1	12 %
Provision for Income Taxes	76.5	83.2	(6.7)	(8)%
Net income	\$ 195.7	\$ 159.9	\$ 35.8	22 %

Sales by Segment <sup>(1)</sup>	Six Months Ended		Change	
	March 31, 2017	April 1, 2016	\$	%
FSS North America	\$ 5,222.3	\$ 5,142.9	\$ 79.4	2 %
FSS International	1,351.6	1,358.9	(7.3)	(1)%
Uniform	783.1	783.3	(0.2)	— %
	<u>\$ 7,357.0</u>	<u>\$ 7,285.1</u>	<u>\$ 71.9</u>	<u>1 %</u>

Operating Income by Segment	Six Months Ended		Change	
	March 31, 2017	April 1, 2016	\$	%
FSS North America	\$ 337.2	\$ 305.5	\$ 31.7	10 %
FSS International	62.8	54.6	8.2	15 %
Uniform	99.2	94.1	5.1	5 %
Corporate	(63.7)	(68.0)	4.3	(6)%
	<u>\$ 435.5</u>	<u>\$ 386.2</u>	<u>\$ 49.3</u>	<u>13 %</u>

(1) As a percentage of total sales, FSS North America represented 71% and 70%, FSS International represented 18% and 19% and Uniform represented 11% and 11% for the six months ended March 31, 2017 and April 1, 2016, respectively.

### Consolidated Overview

Sales were \$3.6 billion and \$7.4 billion for the three and six month periods of fiscal 2017, respectively, an increase of approximately 1% for both the three and six month periods of fiscal 2017 compared to the prior year periods. Sales for the three and six month periods of fiscal 2017 were primarily impacted by:

- growth in the Sports, Leisure & Corrections sector offset by a decrease in the Healthcare sector in the FSS North America segment; and
- growth in Ireland and Germany in the FSS International segment; and
- the negative impact of foreign currency translation (approximately \$22 million and \$64 million or -1% in both the consolidated results in each period, respectively).

Cost of services provided as a percentage of sales was 89% for the three month period of fiscal 2017 compared to 90% in the prior year period and 89% in both the six month periods of fiscal 2017 and fiscal 2016. The following table presents the percentages attributable to the components in cost of services provided for the three and six months ended March 31, 2017 and April 1, 2016.

Cost of services provided components	Three Months Ended		Six Months Ended	
	March 31, 2017	April 1, 2016	March 31, 2017	April 1, 2016
Food and support service costs	26%	27%	26%	28%
Personnel costs	48%	47%	47%	46%
Other direct costs	26%	26%	27%	26%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>



Operating income of \$191.4 million and \$435.5 million for the three and six months ended March 31, 2017 represented an increase of approximately 11% and 13% over the prior year periods, respectively. The increase in operating income for the three and six months ended March 31, 2017 was impacted by:

- profit growth across all of our reportable segments;
- a decrease in acquisition-related amortization expense in the FSS North America segment (approximately \$4.8 million and \$15.1 million, respectively); and
- a decrease in severance related costs (approximately \$8.0 million and \$7.1 million, respectively); which more than offset
- an increase in share-based compensation (approximately \$4.4 million and \$5.3 million respectively).

The three month period of fiscal 2017 was also negatively impacted by an increase in the loss related to the change in the fair value of certain gasoline and diesel agreements (approximately \$3.6 million). The six month period of fiscal 2017 was also positively impacted by income from our casualty insurance program (approximately \$6.5 million).

Interest and Other Financing Costs, net, for the three and six month periods of fiscal 2017 increased 36% and 14% when compared to the prior year periods, respectively. The increase in the three and six month period of fiscal 2017 was primarily due to charges of approximately \$30.0 million for the write-off of deferred financing costs, original issue discount, call premium and interest rate swap fair value adjustments related to refinancing activity during the second quarter of fiscal 2017, which was partially offset by the maturing of interest rate swaps in fiscal 2016.

The effective income tax rate for the three and six month periods of fiscal 2017 was 25.1% and 28.1%, respectively, compared to 33.7% and 34.2% in the prior periods, respectively. The decrease in the effective tax rate in both current year periods is primarily due to the \$5.9 million and \$12.2 million tax benefit recognized for the three and six months ended March 31, 2017, respectively, as a result of the adoption of the accounting standard update related to share-based payment transactions (see note 1 to the condensed consolidated financial statements) and from the impact of certain permanently reinvested foreign earnings for the three and six months ended March 31, 2017.

## Segment Results

### FSS North America Segment

The five sectors of the FSS North America reportable segment are Business & Industry, Education, Healthcare, Sports, Leisure & Corrections and Facilities & Other.

Sales for each of these sectors are summarized as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2017	April 1, 2016*	March 31, 2017	April 1, 2016*
Business & Industry	\$ 385.6	\$ 383.2	\$ 759.6	\$ 764.1
Education	869.9	862.2	1,791.9	1,764.1
Healthcare	317.9	345.5	639.2	686.7
Sports, Leisure & Corrections	468.6	405.4	999.2	879.0
Facilities & Other	517.5	523.9	1,032.4	1,049.0
	<u>\$ 2,559.5</u>	<u>\$ 2,520.2</u>	<u>\$ 5,222.3</u>	<u>\$ 5,142.9</u>

\*Prior year amounts have been restated to reflect current period classification due to an internal reorganization related to Facilities & Other beginning in fiscal 2017.

On an annual basis, the Healthcare and Education sectors generally have high-single digit operating income margins and the Business & Industry, Sports, Leisure & Corrections and Facilities & Other sectors generally have mid-single digit operating income margins.

FSS North America segment sales for both the three and six month periods of fiscal 2017 increased approximately 2% compared to the prior year periods.

Business & Industry sector sales increased approximately 1% for the three month period of fiscal 2017 due to net new business and declined approximately 1% for the six month period of fiscal 2017 due to net lost business. Education sector sales increased approximately 1% and 2% for the three and six month periods of fiscal 2017, respectively, due to an increase in base business. Healthcare sector sales declined approximately 8% and 7% for the three and six month periods of fiscal 2017, respectively, due to net lost business. Sports, Leisure & Corrections sector sales increased approximately 16% and 14% for the three and six month periods of fiscal 2017, respectively, due to net new business and base business growth across the sector.

Facilities & Other sector sales declined approximately 1% and 2% for the three and six month periods of fiscal 2017, respectively, due to net lost business.

Cost of services provided was \$2.3 billion for the three month periods of both fiscal 2017 and fiscal 2016 and \$4.7 billion and \$4.6 billion for the six month periods of fiscal 2017 and fiscal 2016, respectively. Cost of services provided as a percentage of sales was 90% and 89% for the three and six month periods of fiscal 2017, respectively, and 90% in both the three and six month periods of fiscal 2016.

Operating income for the three and six month periods of fiscal 2017 increased 11% and 10% as compared to the prior year periods, respectively. The increase in operating income for the three and six month periods of fiscal 2017 was impacted by:

- a decrease in acquisition-related amortization expense (approximately \$4.8 million and \$15.1 million, respectively); and
- productivity improvements in base business, specifically in our Business & Industry, Education and Sports, Leisure & Corrections sectors; partially offset by
- a profit decline in our Healthcare and Facilities & Other sectors.

The six month period of fiscal 2017 also includes income from our casualty insurance program (approximately \$4.0 million).

### ***FSS International Segment***

Sales in the FSS International segment for the three month period of fiscal 2017 increased 2% for the three month period of fiscal 2017 and decreased 1% for the six month period of fiscal 2017 compared to the prior year periods, respectively. The sales increase for the three month period of fiscal 2017 was impacted by:

- sales growth in Ireland, Germany and Korea partially offset by a sales decline in the U.K.; and
- the negative impact of foreign currency translation (approximately \$28 million or -4%).

The sales decrease for the six month period of fiscal 2017 was impacted by:

- the negative impact of foreign currency translation (approximately \$70 million or -5%); and
- a sales decline in the U.K. and South America; which was partially offset by
- sales growth in Ireland, Germany and Korea.

Cost of services provided was \$0.6 billion for the three month periods of both fiscal 2017 and fiscal 2016 and \$1.3 billion for the six month periods of both fiscal 2017 and fiscal 2016. Cost of services provided as a percentage of sales was 93% in both the three and six month periods of fiscal 2017 and 94% in both the three and six month periods of fiscal 2016.

Operating income for the three and six month periods of fiscal 2017 increased 27% and 15% compared to the prior year periods, respectively. The increase in operating income for the three and six month periods of fiscal 2017 was impacted by:

- productivity gains in base business, specifically in South America and China; and
- a decrease in severance related costs (approximately \$3.9 million and \$3.0 million, respectively); which more than offset
- the negative impact of foreign currency translation (approximately -5% and -2%, respectively).

### ***Uniform Segment***

Uniform segment sales decreased 1% for the three month period and were approximately equal for the six month period of fiscal 2017 compared to the prior year periods, respectively. The decrease for the three month period of fiscal 2017 is primarily the result of a decrease in base business.

Cost of services provided was \$0.3 billion for the three month periods of both fiscal 2017 and fiscal 2016 and \$0.6 billion for the six month periods of both fiscal 2017 and fiscal 2016. Cost of services provided as a percentage of sales was 79% and 80% in the three month periods of fiscal 2017 and fiscal 2016, respectively, and 79% in the six month periods of both fiscal 2017 and fiscal 2016.

Operating income for the three and six month periods of fiscal 2017 increased 4% and 5% compared to the prior year periods, respectively. The increase in both periods was due to capacity expansion projects that adversely impacted the prior year, a net gain from sale of property and prior year severance related costs of approximately \$2.5 million.

### ***Corporate***

Corporate expenses, those administrative expenses not allocated to the business segments, were \$37.1 million for the three month period of fiscal 2017 compared to \$33.4 million for the prior year period. The increase is primarily due to the impact of:

- a year-over-year increase in the loss related to the change in the fair value of certain gasoline and diesel agreements (approximately \$3.6 million); and
- an increase in share-based compensation expense (approximately \$4.4 million); partially offset by
- the prior year consulting costs related to our transformation initiatives (approximately \$3.1 million).

For the six month period of fiscal 2017, corporate expenses were \$63.7 million compared to \$68.0 million for the prior year period. The decrease is primarily due to the impact of:

- the prior year consulting costs related to our transformation initiatives (approximately \$6.5 million); and
- a year-over-year decrease in the loss related to the change in the fair value of certain gasoline and diesel agreements (approximately \$1.8 million); partially offset by
- an increase in share-based compensation expense (approximately \$5.3 million).

## Liquidity and Capital Resources

### Overview

Our principal sources of liquidity are cash generated from operating activities, funds from borrowings and existing cash on hand. As of March 31, 2017, we had \$145.5 million of cash and cash equivalents and approximately \$998.5 million of availability under our senior secured revolving credit facility. A significant portion of our cash and cash equivalents is held in mature, liquid markets where we have operations, primarily in the U.S. As of March 31, 2017, there was approximately \$551.6 million of outstanding foreign currency borrowings.

We believe that our cash and cash equivalents and the unused portion of our committed credit availability under the senior secured revolving credit facility will be adequate to meet anticipated cash requirements to fund working capital, capital spending, debt service obligations, refinancings, dividends and other cash needs. We will continue to seek to invest strategically but prudently in certain sectors and geographies. Repatriation of certain overseas funds can result in additional U.S. federal income tax payments. Undistributed earnings of certain foreign subsidiaries for which no deferred tax liability was recorded amounted to approximately \$64 million at March 31, 2017. Those earnings are considered to be indefinitely reinvested and, accordingly, no deferred income taxes have been provided thereon. As part of our ongoing liquidity assessments, we routinely monitor our cash flow (including the mix of domestic and international inflows and outflows) and the condition of the capital markets in order to be prepared to respond to changing conditions.

The table below summarizes our cash activity (in millions):

	Six Months Ended	
	March 31, 2017	April 1, 2016
Net cash provided by operating activities	\$ 428.2	\$ 251.5
Net cash used in investing activities	(276.0)	(289.3)
Net cash provided by (used in) financing activities	(159.3)	63.2

Reference to the Condensed Consolidated Statements of Cash Flows will facilitate understanding of the discussion that follows.

### Cash Flows Provided by Operating Activities

During the six month period of fiscal 2017, the increase in net income resulted from the higher operating results discussed above. The change in operating assets and liabilities was approximately \$140.7 million favorable compared to the prior year period, primarily due to the following:

- Prepayments were a larger source of cash in the current period due to the timing of prepayments made at the end of fiscal 2016 related to interest on the U.S. dollar denominated term loan, insurance premiums and taxes; and
- Accounts payable were less of a use of cash compared to the prior year period due to the timing of disbursements; partially offset by
- Accounts receivable were a greater use of cash compared to the prior year period due to timing of collections.

During the six month period of fiscal 2017, the Company received proceeds of approximately \$9.7 million related to our casualty insurance program from our loss experience being favorable related to a prior year. During the six month period of fiscal 2016, we received proceeds of \$5.7 million related to the termination of outstanding amortizing cross currency swap agreements. The "Other operating activities" caption reflects the adjustments to net income in the current year period related to certain financing related charges in connection with our refinancing activity.

### ***Cash Flows Used in Investing Activities***

The decrease in net cash flows used in investing activities between periods relates primarily to the timing of client contract investments partially offset by a higher level of spending for acquisitions.

### ***Cash Flows Provided by (Used in) Financing Activities***

During the second quarter of fiscal 2017, Aramark Services, Inc. issued \$600.0 million of 5.000% Senior Notes due 2025 and Aramark International Finance S.à.r.l. issued €325.0 million (\$351.5 million) of 3.125% Senior Notes due 2025 (collectively the "Senior Notes"). Also during the second quarter of fiscal 2017, we entered into a new credit agreement (the "Credit Agreement"), which resulted in the Company receiving proceeds of \$2,400.0 million in the aggregate of new U.S. term loans, new CAD133.4 million (\$100.2 million) of term loans denominated in Canadian dollars and ¥11,107.0 million (\$99.7 million) of term loans denominated in yen. The proceeds from the issuances of the Senior Notes and new Credit Agreement were used to repay all existing term loan facilities under the Company's existing senior secured credit facilities, redeem \$228.8 million of the 5.750% Senior Notes due 2020 and to pay related fees and expenses of approximately \$43.0 million, which are included in "Other financing activities" in the Condensed Consolidated Statements of Cash Flows. See note 5 to the Condensed Consolidated Financial Statements for a summary of the Company's borrowing activities during the quarter ended March 31, 2017.

During the six month period of fiscal 2016, Aramark Services, Inc. issued \$400.0 million of 5.125% Senior Notes due January 2024, repaid a U.S. dollar denominated term loan of a Canadian subsidiary in the amount of \$74.1 million and made an optional prepayment of outstanding term loans under our senior secured term loan facility due September 2019 of \$60.0 million.

During the second quarter of fiscal 2017, the Board of Directors authorized a new share repurchase program of up to \$250 million worth of Aramark common stock over the next two years, of which the Company repurchased approximately 2.8 million shares of its common stock for \$100.0 million in the period. We may utilize various methods to effect repurchases of its common stock under the repurchase program, which could include open market repurchases, privately negotiated transactions, block transactions, accelerated share repurchase or open market solicitations for shares, some of which may be effected through Rule 10b5-1 plans. Repurchases will be made at our discretion, based on ongoing assessments of the capital needs of the business, the market price of our common stock and general market conditions. The program may be suspended or discontinued at any time.

The "Other financing activities" also reflects a use of cash during the six month period of fiscal 2017 and fiscal 2016 primarily related to taxes paid by the Company when the Company withholds shares upon an employee's exercise or vesting of equity awards to cover income taxes (see note 1 to the condensed consolidated financial statements).

### ***Covenant Compliance***

The Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries to: incur additional indebtedness; issue preferred stock or provide guarantees; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends, make distributions or repurchase our capital stock; make investments, loans or advances; repay or repurchase any subordinated debt, except as scheduled or at maturity; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing our subordinated debt (or any indebtedness that refinances our subordinated debt); and fundamentally change our business. The indentures governing our senior notes contain similar provisions. As of March 31, 2017, we were in compliance with these covenants. Generally, the covenants of the Credit Agreement remain substantially consistent with the previous credit agreement.

As stated above, the Credit Agreement and the indentures governing our senior notes contain provisions that restrict our ability to pay dividends and repurchase stock (collectively, "Restricted Payments"). In addition to customary exceptions, the Credit Agreement and indentures permit Restricted Payments in the aggregate up to an amount that increases quarterly by 50% of our Consolidated Net Income, as such term is defined in these debt agreements, subject to being in compliance with the interest coverage ratio described below.

Under the Credit Agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests and covenants. The indentures governing our senior notes also require us to comply with certain financial ratios in order to take certain actions. Our continued ability to meet those financial ratios, tests and covenants can be affected by events beyond our control, and there can be no assurance that we will meet those ratios, tests and covenants.

These financial ratios, tests and covenants involve the calculation of certain measures that we refer to in this discussion as "Covenant Adjusted EBITDA." Covenant Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. Covenant Adjusted EBITDA is defined as net income (loss) of Aramark Services, Inc. and its restricted subsidiaries plus interest and other financing costs, net, provision (benefit) for income taxes, and depreciation and amortization, further adjusted to give effect to adjustments required in calculating covenant ratios and compliance under our Credit Agreement and the indentures governing our senior notes.

Our presentation of these measures has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. You should not consider these measures as alternatives to net income or operating income determined in accordance with U.S. GAAP. Covenant Adjusted EBITDA, as presented by us, may not be comparable to other similarly titled measures of other companies because not all companies use identical calculations.

The following is a reconciliation of net income attributable to Aramark Services, Inc. stockholder, which is a U.S. GAAP measure of Aramark Services, Inc.'s operating results, to Covenant Adjusted EBITDA as defined in our debt agreements. The terms and related calculations are defined in the Credit Agreement and the indentures governing our senior notes. Covenant Adjusted EBITDA is a measure of Aramark Services, Inc. and its restricted subsidiaries only and does not include the results of Aramark.

(in millions)	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended	Twelve Months Ended
	March 31, 2017	December 30, 2016	September 30, 2016	July 1, 2016	March 31, 2017
Net income attributable to Aramark Services, Inc. stockholder	\$ 70.2	\$ 125.3	\$ 83.3	\$ 44.8	\$ 323.6
Interest and other financing costs, net	97.6	65.7	68.4	103.8	335.5
Provision for income taxes	23.6	52.9	38.8	20.7	136.0
Depreciation and amortization	125.3	126.5	125.6	122.4	499.8
Share-based compensation expense <sup>(1)</sup>	18.5	16.2	13.4	14.2	62.3
Pro forma EBITDA for equity method investees <sup>(2)</sup>	2.3	5.6	3.1	2.3	13.3
Pro forma EBITDA for certain transactions <sup>(3)</sup>	0.3	(0.3)	0.5	1.9	2.4
Other <sup>(4)</sup>	2.9	(3.5)	24.9	(3.7)	20.6
Covenant Adjusted EBITDA	<u>\$ 340.7</u>	<u>\$ 388.4</u>	<u>\$ 358.0</u>	<u>\$ 306.4</u>	<u>\$ 1,393.5</u>

- Represents share-based compensation expense resulting from the application of accounting for stock options, restricted stock units, performance stock, performance stock units, and deferred stock unit awards (see note 8 to the condensed consolidated financial statements).
- Represents our estimated share of EBITDA, primarily from our AIM Services Co., Ltd. equity method investment, not already reflected in our Covenant Adjusted EBITDA. EBITDA for this equity method investee is calculated in a manner consistent with consolidated Covenant Adjusted EBITDA but does not represent cash distributions received from this investee.
- Represents the annualizing of net EBITDA from acquisitions made during the period.
- Other includes the following for the twelve months ended March 31, 2017: organizational streamlining initiatives (\$18.8 million), the impact of the change in fair value related to certain gasoline and diesel agreements (\$10.2 million gain), expenses related to acquisition costs (\$4.0 million), property and other asset write-downs associated with the sale of a building (\$5.1 million), asset write-offs (\$5.0 million) and other miscellaneous expenses.

Our covenant requirements and actual ratios for the twelve months ended March 31, 2017 are as follows:

	Covenant Requirements	Actual Ratios
Maximum Consolidated Secured Debt Ratio <sup>(1)</sup>	5.125x	2.03x
Interest Coverage Ratio (Fixed Charge Coverage Ratio) <sup>(2)</sup>	2.000x	5.04x

- Our Credit Agreement requires us to maintain a maximum Consolidated Secured Debt Ratio, defined as consolidated total indebtedness secured by a lien to Covenant Adjusted EBITDA, of 5.125x. Consolidated total indebtedness secured by a lien is defined in the Credit Agreement as total indebtedness outstanding under the Credit Agreement, capital leases, advances under the Receivables Facility and any other indebtedness secured by a lien reduced by the amount of cash and cash equivalents on our balance sheet that is free and clear of any lien. Non-compliance with the maximum Consolidated Secured Debt Ratio could result in the requirement to immediately repay all amounts outstanding under our Credit Agreement, which, if our revolving credit facility lenders failed to waive any such default, would also constitute a default under the indentures governing our senior notes.
- Our Credit Agreement establishes an incurrence-based minimum Interest Coverage Ratio, defined as Covenant Adjusted EBITDA to consolidated interest expense, the achievement of which is a condition for us to incur additional indebtedness and to make certain restricted payments. If we do not maintain this minimum Interest Coverage Ratio calculated on a pro forma basis for any such additional indebtedness or restricted payments, we could be prohibited from

being able to incur additional indebtedness, other than the incremental capacity provided for under the Credit Agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions. The minimum Interest Coverage Ratio is 2.00x for the term of the Credit Agreement. The indentures governing our senior notes include a similar requirement which is referred to as a Fixed Charge Coverage Ratio.

The Company and its subsidiaries and affiliates may from time to time, in their sole discretion, purchase, repay, redeem or retire any of our outstanding debt securities (including any publicly issued debt securities), in privately negotiated or open market transactions, by tender offer or otherwise, or extend or refinance any of our outstanding indebtedness.

Our business activities do not include the use of unconsolidated special purpose entities, and there are no significant business transactions that have not been reflected in the accompanying financial statements. We are self-insured for a limited portion of the risk retained under our general liability and workers' compensation arrangements. Self-insurance reserves are recorded based on actuarial analyses.

During the second quarter of fiscal 2017, the Company had a material change to its debt structure (see note 5 to the condensed consolidated financial statements). As a result of this material change in debt structure, the following table summarizes our estimated future obligations for debt repayments and estimated interest payments as of March 31, 2017 (dollars in thousands):

Contractual Obligations as of March 31, 2017	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term borrowings <sup>(1)</sup>	\$ 5,256,089	\$ 64,303	\$ 431,508	\$ 760,341	\$ 3,999,937
Capital lease obligations	72,211	15,265	34,773	22,173	—
Estimated interest payments <sup>(2)</sup>	1,348,000	199,000	378,200	354,600	416,200
	<u>\$ 6,676,300</u>	<u>\$ 278,568</u>	<u>\$ 844,481</u>	<u>\$ 1,137,114</u>	<u>\$ 4,416,137</u>

- (1) Excludes the \$50.3 million reduction to long-term borrowings from debt discounts and deferred financing fees and the increase of \$16.3 million from the unamortized premium on the 2024 Notes.
- (2) These amounts represent future interest payments related to our existing debt obligations based on fixed and variable interest rates specified in the associated debt agreements. Payments related to variable debt are based on applicable rates at March 31, 2017 plus the specified margin in the associated debt agreements for each period presented. The amounts provided relate only to existing debt obligations and do not assume the refinancing or replacement of such debt. The average debt balance for each fiscal year from 2017 through 2022 is \$4,939.1 million, \$4,897.1 million, \$4,839.9 million, \$4,767.5 million, \$4,675.1 million and \$4,390.0 million, respectively. The average interest rate (after giving effect to interest rate swaps) for each fiscal year from 2017 through 2022 is 2.74%, 3.24%, 3.52%, 3.69%, 3.80% and 3.87%, respectively (see note 5 to the condensed consolidated financial statements for the terms and maturities of existing debt obligations).

### Critical Accounting Policies and Estimates

Our significant accounting policies are described in the notes to the consolidated financial statements included in our Form 10-K filed with the SEC on November 23, 2016. As described in such notes, the Company recognizes sales in the period in which services are provided pursuant to the terms of our contractual relationships with our clients. Sales from direct marketing activities are recognized upon shipment. For a more complete discussion of the critical accounting policies and estimates that we have identified in the preparation of our condensed consolidated financial statements, please refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K filed with the SEC on November 23, 2016.

Effective for the first quarter of fiscal 2017, the earnings since the beginning of the fiscal year of certain of the Company's foreign subsidiaries are intended to be indefinitely reinvested in operations outside the U.S. and, therefore, U.S. taxes have not been recorded on those earnings.

In preparing our financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets, liabilities, sales and expenses. These estimates and assumptions are most significant where they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change, and where they can have a material impact on our financial condition and operating performance. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

Critical accounting estimates and the related assumptions are evaluated periodically as conditions warrant, and changes to such estimates are recorded as new information or changed conditions require.

## New Accounting Standard Updates

See note 1 to the condensed consolidated financial statements for a full description of recent accounting standard updates, including the expected dates of adoption.

## Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to the impact of interest rate changes and manage this exposure through the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps. We do not enter into contracts for trading purposes and do not use leveraged instruments. The information below summarizes our market risks associated with debt obligations as of March 31, 2017. Fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods (see notes 5 and 12 to the condensed consolidated financial statements). The table presents principal cash flows and related interest rates by contractual fiscal year of maturity. Variable interest rates disclosed represent the weighted-average rates of the portfolio at March 31, 2017. The Company's market risk associated with its interest rate swaps has not materially changed from September 30, 2016 (see note 6 to the condensed consolidated financial statements).

As of March 31, 2017	(US\$ equivalent in millions)							Total	Fair Value
	Expected Fiscal Year of Maturity								
	2017 - 2018	2019	2020	2021	2022	Thereafter			
<b>Debt:</b>									
Fixed rate	\$ 29	\$ 15	\$ 12	\$ 9	\$ 7	\$ 2,346	\$ 2,418	\$ 2,490	
Average interest rate	5.0%	5.0%	5.0%	5.0%	5.0%	4.7%	4.7%		
Variable rate	\$ 93	\$ 347	\$ 103	\$ 113	\$ 600	\$ 1,654	\$ 2,910	\$ 2,929	
Average interest rate	3.2%	1.8%	2.8%	2.7%	2.6%	3.0%	2.7%		

## Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosures. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. No change in the Company's internal control over financial reporting occurred during the Company's second quarter of fiscal 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**PART II**

**Item 1. Legal Proceedings**

Our business is subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of water wastes and other substances. We engage in informal settlement discussions with federal, state, local and foreign authorities regarding allegations of violations of environmental laws in connection with our operations or businesses conducted by our predecessors or companies that we have acquired, the aggregate amount of which and related remediation costs we do not believe should have a material adverse effect on our financial condition or results of operations.

From time to time, the Company and its subsidiaries are a party to various legal actions, proceedings and investigations involving claims incidental to the conduct of their business, including actions by clients, consumers, employees, government entities and third parties, including under federal, state, international, national, provincial and local employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy and security laws and alcohol licensing and service laws, or alleging negligence and/or breaches of contractual and other obligations. Based on information currently available, advice of counsel, available insurance coverage, established reserves and other resources, the Company does not believe that any such actions, proceedings or investigations are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or cash flows.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors disclosed in Part I, Item 1A of the Form 10-K for the fiscal year ended September 30, 2016 and filed with the SEC on November 23, 2016.

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

c) Issuer Purchases of Equity Securities

The following table provides information about the Company's share repurchase activity during the second fiscal quarter:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
Month 1 December 31, 2016 - January 27, 2017	N/A	N/A	N/A	\$ 250,000,000
Month 2 January 28, 2017 - February 24, 2017	2,393,692 <sup>(2)</sup>	\$ 36.19	2,393,692	\$ 150,000,000 <sup>(2)</sup>
Month 3 February 25, 2017 - March 31, 2017	369,666 <sup>(2)</sup>	\$ 36.19	369,666	\$ 150,000,000 <sup>(2)</sup>
Total	<u>2,763,358</u>	<u>\$ 36.19</u>	<u>2,763,358</u>	<u>\$ 150,000,000</u>

(1) On February 7, 2017, we announced a share repurchase program allowing us to repurchase up to \$250.0 million of our common stock, expiring in February 2019. We may utilize various methods to effect repurchases of our common stock under the repurchase program, which could include open market repurchases, privately negotiated transactions, block transactions, accelerated share repurchase or open market solicitations for shares, some of which may be effected through Rule 10b5-1 plans. Repurchases will be made at our discretion, based on ongoing assessments of the capital needs of the business, the market price of our common stock and general market conditions. The program may be suspended or discontinued at any time.

(2) Effected pursuant to an accelerated share repurchase agreement entered into in February 2017 with a final settlement in March 2017.



**Item 6. Exhibits**

Required exhibits are listed in the Index to Exhibits and are incorporated herein by reference.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 9, 2017.

Aramark

By:

/s/ BRIAN PRESSLER

Name:

**Brian Pressler**

Title:

**Senior Vice President and Chief Accounting Officer (Principal  
Accounting Officer  
and Authorized Signatory)**

## Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Aramark (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on December 16, 2013, pursuant to the Exchange Act (file number 001-36223)).
3.2	Certificate of Ownership and Merger (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
3.3	Amended and Restated By-laws of Aramark (incorporated by reference to Exhibit 3.2 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
4.1	Indenture, dated as of March 22, 2017, among Aramark Services, Inc., as issuer, Aramark, as parent guarantor, the subsidiary guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of Aramark's Current Report on Form 8-K filed with the SEC on March 28, 2017, pursuant to the Exchange Act (file number 001-36223)).
4.2	Indenture, dated as of March 27, 2017, among Aramark International Finance S.à r.l., as issuer, Aramark, as parent guarantor, Aramark Services, Inc., the subsidiary guarantors named therein, The Bank of New York Mellon, as trustee and registrar, and The Bank of New York Mellon, London Branch, as paying agent and transfer agent (incorporated by reference to Exhibit 4.2 of Aramark's Current Report on Form 8-K filed with the SEC on March 28, 2017, pursuant to the Exchange Act (file number 001-36223)).
10.1	Credit Agreement, dated as of March 28, 2017, among Aramark Services, Inc., Aramark Intermediate HoldCo Corporation, ARAMARK Canada Ltd., ARAMARK Investments Limited, ARAMARK Ireland Holdings Limited, ARAMARK Regional Treasury Europe, Designated Activity Company, ARAMARK Holdings GmbH & Co. KG, Aramark International Finance S.à r.l., each subsidiary of the U.S. Borrower that from time to time becomes a party thereto, the financial institutions from time to time party thereto, the issuing banks named therein, JPMorgan Chase Bank, N.A., as administrative agent for the lenders and collateral agent for the secured parties thereunder (incorporated by reference to Exhibit 10.1 of Aramark's Current Report on Form 8-K/A filed with the SEC on March 29, 2017, pursuant to the Exchange Act (file number 001-36223)).
10.2	U.S. Pledge and Security Agreement, dated as of March 28, 2017, among Aramark Intermediate HoldCo Corporation, Aramark Services, Inc., the Subsidiary Parties from time to time party thereto and JPMorgan Chase Bank, N.A., as collateral agent.
31.1	Certification of Eric Foss, Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Stephen P. Bramlage Jr., Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification of Eric Foss, Chief Executive Officer, and Stephen P. Bramlage Jr., Chief Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Aramark's Quarterly Report on Form 10-Q for the period ended March 31, 2017 formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of March 31, 2017 and September 30, 2016; (ii) Condensed Consolidated Statements of Income for the three and six months ended March 31, 2017 and April 1, 2016; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2017 and April 1, 2016; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended March 31, 2017 and April 1, 2016; and (v) Notes to Condensed Consolidated Financial Statements.

## U.S. PLEDGE AND SECURITY AGREEMENT

THIS U.S. PLEDGE AND SECURITY AGREEMENT (as it may be amended or modified from time to time, this "Agreement") is entered into as of March 28, 2017 by and among Aramark Intermediate Holdco Corporation, a Delaware corporation ("Holdings"), Aramark Services, Inc., a Delaware corporation (the "U.S. Borrower"), the Subsidiary Parties (as defined below) from time to time party hereto and JPMorgan Chase Bank, N.A., in its capacity as collateral agent for the Secured Parties (as defined below) (in such capacity, the "Agent").

### PRELIMINARY STATEMENT

Reference is hereby made to the Credit Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the U.S. Borrower, Holdings, the Foreign Borrowers party thereto, each subsidiary of the U.S. Borrower that, from time to time, becomes a party thereto, the Lenders, JPMorgan Chase Bank, N.A., as the Agent and the other parties thereto.

Pursuant to the Credit Agreement, the Grantors are entering into this Agreement in order to induce the Lenders and Issuing Banks to enter into and extend credit to the Borrowers under the Credit Agreement and to secure the Secured Obligations.

ACCORDINGLY, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS

Section 1.1. Terms Defined in Credit Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

Section 1.2. Terms Defined in UCC. Terms defined in the UCC that are not otherwise defined in this Agreement are used herein as defined in the UCC.

Section 1.3. Definitions of Certain Terms Used Herein. As used in this Agreement, in addition to the terms defined in the preamble and Preliminary Statement above, the following terms shall have the following meanings:

"Account" shall have the meaning set forth in Article 9 of the UCC.

"Article" means a numbered article of this Agreement, unless another document is specifically referenced.

"Bankruptcy Proceeding" means, with respect to any Person, a general assignment by such Person for the benefit of its creditors, or the institution by or against such Person of any proceeding seeking relief as debtor, or seeking to adjudicate such Person as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of such Person or its debts, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property.

“Certificated Security” shall have the meaning set forth in Article 8 of the UCC.

“Chattel Paper” shall have the meaning set forth in Article 9 of the UCC.

“Collateral” shall have the meaning set forth in Article II.

“Commercial Tort Claim” shall have the meaning set forth in Article 9 of the UCC.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Copyrights” means, with respect to any Person, all of such Person’s right, title, and interest in and to the following: (a) all United States copyrights, rights and interests in copyrights and works protectable by copyright, United States copyright registrations, and United States copyright applications; (b) all renewals in the United States of any of the foregoing; (c) all income, royalties, damages, and payments now or hereafter due and/or payable under any of the foregoing, including, without limitation, damages or payments for past or future infringements for any of the foregoing; and (d) the right to sue for past, present, and future infringements of any of the foregoing.

“Credit Agreement” has the meaning set forth in the Preliminary Statement.

“Deposit Account” shall have the meaning set forth in Article 9 of the UCC.

“Document” shall have the meaning set forth in Article 9 of the UCC.

“Equipment” shall have the meaning set forth in Article 9 of the UCC.

“Excluded Assets” means

(a) more than 65% of the issued and outstanding voting Equity Interests of any Foreign Subsidiary that is a CFC;

(b) more than 65% of the issued and outstanding voting Equity Interests of any FSHCO;

(c) any leases, licenses, contracts, rights or other agreements contained within the Collateral to which any Grantor is a party or any of its rights or interests are subject thereto to the extent and solely to the extent that the proximate result of the grant of such security interest shall be to (1) constitute or result in the abandonment, invalidation or unenforceability of any right, title or interest of such Grantor therein, (2) create a situation under which such Grantor shall be deemed to have breached or terminated pursuant to the terms of, or defaulted under, or a termination right shall arise under any such Collateral; and in each case under clauses (1) and (2) above such abandonment, invalidation, unenforceability, breach, termination or default would not be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Uniform Commercial Code (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law or principles or equity or (3) violate any material provision of law applicable to such Grantor or lease, license, contract, right or other agreement; provided, however, that the Excluded Assets shall not include, and such security interest shall attach immediately at such time as the condition causing such abandonment, invalidation, unenforceability, breach, termination, default, termination right or violation shall be remedied and to the extent severable, shall attach

immediately to, any portion of such lease, license, contract, right or agreement that does not result in any of the consequences specified in (1), (2) or (3) above;

(d) assets subject to any Lien permitted under paragraph (h), (i) or (q) (solely as such paragraph (q) relates to Indebtedness permitted to be incurred pursuant to Section 6.01(b)(vi), (b)(xxi) and (b)(xxii) of the Credit Agreement) of the definition of "Permitted Liens" in the Credit Agreement securing Indebtedness incurred to finance the acquisition of such assets or assumed in connection with the acquisition of such assets and not created in contemplation of such acquisition, in each case to the extent and for so long as the terms of such Indebtedness prohibit creation of a security interest in such assets hereunder; provided that immediately upon repayment of all Indebtedness secured by such Lien, such Grantor shall be deemed to have granted a security interest hereunder in all the rights, title and interests with respect to such assets;

(e) Equity Interest in Unrestricted Subsidiaries;

(f) Equity Interests in (i) AIM, ARAKOR Co. Ltd., Bright China Services Industries Limited, Beijing Golden Collar Company Limited and Beijing Golden Hours Company Limited, (ii) any Person that is not a Restricted Subsidiary (or any Restricted Subsidiary that is not a Wholly-Owned Restricted Subsidiary solely to the extent of any restriction that existed on the Closing Date or on the date such non-Wholly-Owned Restricted Subsidiary became a Restricted Subsidiary), in each case, to the extent a grant of a security interest in such Equity Interests would be in contravention of any Contractual Obligation (including pursuant to any Organization Documents of such Person) of such Grantor or such Person not created in contemplation of this provision (it being understood that, for purposes hereof, the terms of any Contractual Obligation shall be deemed contravened if the grant of such security interest would (1) constitute or result in the abandonment, invalidation or unenforceability of any right, title or interest, (2) create a situation under which such Grantor or Person shall be deemed to have breached the terms or defaulted, (3) constitute or result in termination or give rise to a termination right or (4) require the consent of any Person (other than the U.S. Borrower or any of its Subsidiaries, or the Agent or the Lenders in their respective capacities as such) which has not been obtained, in each case of the foregoing clauses (1) through (4), under the security, agreement, instrument or other undertaking giving rise to such Contractual Obligation) or (iii) any Receivables Subsidiary;

(g) Equipment to the extent and for so long as the grant of a security interest by any Grantor in such Equipment hereunder would be in contravention of any Contractual Obligations under any operating, construction, service, supply or other agreement to which such Grantor is a party or by which such Equipment is bound; provided that (i) such Contractual Obligation is not created in contemplation of this provision, (ii) such Contractual Obligation prohibits the encumbrance of solely the Equipment that is utilized in, or is the subject of, the primary performance of such agreement and such Equipment is located at client facilities, (iii) the applicable Grantor shall have used its commercially reasonable efforts to exclude such prohibition on the encumbrance of such Equipment from such agreement and (iv) such contravention would not be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law or principles of equity (it being understood that, for purposes hereof, the terms of any Contractual Obligation shall be deemed contravened if the grant of such security interest would (1) constitute or result in the abandonment, invalidation or unenforceability of any right, title or interest, (2) create a situation under which such Grantor or Person shall be deemed to have breached the terms or defaulted, (3) constitute or result in termination or give rise to a termination right or (4) require the consent of any Person (other than the U.S. Borrower or any of its Subsidiaries, or the Agent or

the Lenders in their respective capacities as such) which has not been obtained, in each case of the foregoing clauses (1) through (4), under the agreement, instrument or other undertaking giving rise to such Contractual Obligation);

(h) assets to the extent (and only to the extent) and for so long as the grant of a security interest by any Grantor in such assets hereunder would violate any material provision of law applicable to such Grantor or such assets; and

(i) any intent-to-use trademark application solely to the extent that and solely during the period in which the grant of such security interest would impair the validity or enforceability, or result in the cancellation, of such intent-to-use trademark application under federal law; and

(j) any real property (or improvements thereon) located in an area designated as a special “flood hazard area” in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency).

“Exhibit” refers to a specific exhibit to this Agreement, unless another document is specifically referenced.

“Fixture” shall have the meaning set forth in Article 9 of the UCC.

“General Intangible” shall have the meaning set forth in Article 9 of the UCC.

“Goods” shall have the meaning set forth in Article 9 of the UCC.

“Grantors” means Holdings, the U.S. Borrower and the Subsidiary Parties.

“Instrument” shall have the meaning set forth in Article 9 of the UCC.

“Inventory” shall have the meaning set forth in Article 9 of the UCC.

“Investment Property” shall have the meaning set forth in Article 9 of the UCC.

“Letter-of-Credit Right” shall have the meaning set forth in Article 9 of the UCC.

“Licenses” means, with respect to any Grantor, all of such Grantor’s right, title, and interest in and to (a) any and all licensing agreements or similar arrangements in and to its owned (1) Patents, (2) Copyrights, or (3) Trademarks, (b) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future breaches thereof, and (c) all rights to sue for past, present, and future breaches thereof.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Patents” means, with respect to any Person, all of such Person’s right, title, and interest in and to: (a) any and all United States patents and United States patent applications; (b) all inventions and improvements described and claimed therein; (c) all United States reissues, divisions, continuations, renewals, extensions, and continuations-in-part thereof; (d) all income, royalties, damages, claims, and payments now or hereafter due or payable under and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof; and (e) all rights to sue for past, present, and future infringements thereof.

“Perfection Certificate” means a certificate substantially in the form of Exhibit B completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by a Responsible Officer of the U.S. Borrower.

“Pledged Collateral” means all Equity Interests, Instruments, Securities and other Investment Property owned by any Grantor, other than any Equity Interests, Instruments, Securities or Investment Property that is an Excluded Asset (for so long and to the extent such exclusion is applicable), whether or not physically delivered to the Agent pursuant to this Agreement that constitute Collateral.

“Proceeds” shall have the meaning set forth in Article 9 of the UCC.

“Receivables” means the Accounts, Chattel Paper, Documents, Investment Property, Instruments and any other rights or claims to receive money that are General Intangibles or that are otherwise included as Collateral.

“Required Secured Parties” means the “Required Lenders” as defined in the Credit Agreement (with any loans under the Credit Agreement and unused commitments or deposits thereunder held by the U.S. Borrower or any of its Affiliates being excluded for such purpose).

“Section” means a numbered section of this Agreement, unless another document is specifically referenced.

“Secured Parties” means (a) the Lenders and the Issuing Bank, (b) the Agent, (c) each counterparty to any Hedge Agreement or a Cash Management Agreement with the U.S. Borrower or any of its Subsidiaries the obligations under which constitute Secured Hedge Obligations or Secured Cash Management Obligations and (d) the successors and assigns of each of the foregoing.

“Security” shall have the meaning set forth in Article 8 of the UCC.

“Stock Rights” means all dividends, instruments or other distributions and any other right or property which any Grantor shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any Equity Interest constituting Collateral, any right to receive an Equity Interest constituting Collateral and any right to receive earnings, in which such Grantor now has or hereafter acquires any right, issued by an issuer of such Equity Interest.

“Subsidiary Parties” means (a) each Subsidiary of the U.S. Borrower listed on the signature page hereto, and (b) each other Domestic Subsidiary that becomes a party to this Agreement as a Subsidiary Party after the date hereof, in accordance with Section 11.14 herein and Section 5.11 of the Credit Agreement.

“Supporting Obligation” shall have the meaning set forth in Article 9 of the UCC.



“Trademarks” means, with respect to any Person, all of such Person’s right, title, and interest in and to the following:

(a) all United States trademarks (including service marks), trade names, trade dress, and trade styles and the United States registrations and applications for registration thereof and the goodwill of the business symbolized by the foregoing; (b) all renewals in the United States of the foregoing; (c) all income, royalties, damages, and payments now or hereafter due or payable with respect thereto, including, without limitation, damages, claims, and payments for past and future infringements thereof; and (d) all rights to sue for past, present, and future infringements of the foregoing, including the right to settle suits involving claims and demands for royalties owing.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that, at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of the Agent’s security interest in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term “UCC” shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## **ARTICLE II GRANT OF SECURITY INTEREST**

Each Grantor hereby pledges, assigns and grants to the Agent for the benefit of the Secured Parties, a security interest in all of its right, title and interest in, to and under all personal property and other assets, whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor (including under any trade name or derivations thereof), and regardless of where located (all of which are collectively referred to as the “Collateral”), including:

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Copyrights, Patents and Trademarks;
- (iv) all Documents;
- (v) all Equipment;
- (vi) all Fixtures;
- (vii) all General Intangibles;
- (viii) all Goods;
- (ix) all Instruments;
- (x) all Inventory;
- (xi) all Investment Property;
- (xii) all cash or cash equivalents;

(xiii) all Letter-of-Credit Rights and Supporting Obligations;

(xiv) all Deposit Accounts with any bank or other financial institution;

(xv) all Commercial Tort Claims as specified from time to time in Schedule 8 of the Perfection Certificate, the schedules to any instrument in the form of Exhibit C executed by any New Subsidiary or in a writing delivered to the Agent pursuant to Section 4.7; and

(xvi) all accessions to, substitutions for and replacements, Proceeds (including Stock Rights), insurance proceeds and products of the foregoing, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto and any General Intangibles at any time evidencing or relating to any of the foregoing;

to secure the prompt and complete payment and performance of the Secured Obligations.

Notwithstanding the foregoing or anything herein to the contrary, in no event shall the “Collateral” include or the security interest attach to any Excluded Asset.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES**

The Grantors, jointly and severally, represent and warrant to the Agent, for the benefit of the Secured Parties, that as of the Closing Date:

Section 3.1. Title, Perfection and Priority. Each Grantor has good and valid rights in, or the power to transfer the Collateral and title to, the Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens except Permitted Liens, and has full power and authority to grant to the Agent the security interest in such Collateral pursuant hereto. When financing statements have been filed in the appropriate offices against such Grantor in the locations listed on Exhibit A, the Agent will have a perfected first priority security interest in that Collateral in which a security interest may be perfected by filing under the Uniform Commercial Code in effect in the applicable jurisdiction, subject only to Permitted Liens.

Section 3.2. Type and Jurisdiction of Organization, Organizational and Identification Numbers. The type of entity of each Grantor, its jurisdiction of organization, and its federal tax payer identification number are set forth on Schedule 1 to the Perfection Certificate.

Section 3.3. Principal Location. The location of each Grantor’s place of business (if it has only one) or its chief executive office (if it has more than one place of business), is disclosed on Schedule 1(a) or Schedule 2, as applicable, to the Perfection Certificate.

Section 3.4. [Reserved].

Section 3.5. [Reserved].

Section 3.6. Exact Names. The name in which each Grantor has executed this Agreement is the exact legal name as it appears in such Grantor’s organizational documents, as amended, as filed with such Grantor’s jurisdiction of organization. No Grantor has, during the past five years, been known by or used any other name (including the legal name of any other business or organization to which such Grantor

became the successor by merger, consolidation, acquisition, change in form or otherwise) except as disclosed in Schedule 1(b) to the Perfection Certificate.

Section 3.7. Instruments and Chattel Paper. Schedule 6 to the Perfection Certificate lists all Instruments and Chattel Paper with an amount of principal outstanding in excess of \$10,000,000 (other than checks to be deposited in the ordinary course of business and leases for goods entered into by the relevant Grantor in the ordinary course of business constituting Chattel Paper) of each Grantor. Subject to Section 5.12 of the Credit Agreement, all Instruments and Chattel Paper listed on Schedule 6 to the Perfection Certificate have been delivered to the Agent. Subject to Section 5.12 of the Credit Agreement, the Agent will have a perfected first priority security interest in the Collateral listed on Schedule 6 to the Perfection Certificate, subject only to Permitted Liens.

Section 3.8. [Reserved].

Section 3.9. Intellectual Property. No Grantor has any interest in, or title to, any Patent or Trademark registration issued by or application filed with the United States Patent & Trademark Office or Copyright registration issued by or application filed with the United States Copyright Office except as set forth on Schedule 7 to the Perfection Certificate. This Agreement is effective to create a valid and continuing Lien under the UCC and the laws of the United States and, upon filing of appropriate financing statements in the offices listed on Exhibit A and this Agreement (or a short form hereof) with the United States Copyright Office and the United States Patent and Trademark Office, perfected first priority security interests, subject to Permitted Liens, under the UCC and the laws of the United States in favor of the Agent for the benefit of the Secured Parties on the Patents, Trademarks and Copyrights of the Grantors, (i) such perfected security interests will be enforceable as such as against any and all creditors of and purchasers from the Grantors and (ii) all action necessary or desirable under the UCC and the laws of the United States to protect and perfect the Agent's Lien on the Patents, Trademarks or Copyrights of the Grantors shall have been duly taken.

Section 3.10. [Reserved].

Section 3.11. Pledged Collateral.

(a) Schedule 5 to the Perfection Certificate sets forth a complete and accurate list of all of the Equity Interests in each Restricted Subsidiary and all of the Equity Interests in each other Person (which schedule specifies which Certificated Securities and certificates representing Equity Interests are being excluded from the delivery requirements of Section 4.3 due to the Equity Interests in such Person not exceeding \$10,000,000) constituting Pledged Collateral (other than publicly traded stock) and the percentage of the total issued and outstanding Equity Interests of the issuer represented thereby. Each Grantor is the direct, sole beneficial owner and sole holder of record of the Pledged Collateral listed on Schedule 5 to the Perfection Certificate as being owned by it, free and clear of any Liens, except for the security interest granted to the Agent for the benefit of the Secured Parties hereunder and Permitted Liens. Each Grantor further represents and warrants that (i) all Pledged Collateral constituting an Equity Interest has been (to the extent such concepts are relevant with respect to such Pledged Collateral) duly authorized and validly issued by the issuer thereof and are fully paid and non-assessable, and (ii) with respect to any certificates delivered to the Agent representing an Equity Interest, either such certificates are Securities as defined in Article 8 of the UCC as a result of actions by the issuer or otherwise, or, if such certificates are not Securities, such Grantor has so informed the Agent so that the Agent may take steps to perfect its security interest therein as a General Intangible.

(b) (i) None of the Pledged Collateral has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject, (ii) none of the Pledged Collateral is or will be subject to any option, right of first refusal, shareholders agreement, charter or by-law provisions or contractual restriction of any nature that might prohibit, impair, delay or otherwise affect the pledge of such Pledged Collateral hereunder, the sale or disposition thereof pursuant hereto or the exercise by the Agent of rights and remedies hereunder, and (iii) no consent, approval, authorization, or other action by, and no giving of notice, filing with, any governmental authority or any other Person is required for the pledge by the Grantors of the Pledged Collateral pursuant to this Agreement or for the execution, delivery and performance of this Agreement by the Grantors, or for the exercise by the Agent of the voting or other rights provided for in this Agreement or for the remedies in respect of the Pledged Collateral pursuant to this Agreement, except as may be required in connection with (x) such disposition by laws affecting the offering and sale of securities generally and (y) any Pledged Collateral in a Foreign Subsidiary of the U.S. Borrower or in a Person not organized under the laws of the United States of America, any state thereof or the District of Columbia.

Section 3.12. Commercial Tort Claims. As of the date hereof, no Grantor holds any Commercial Tort Claims having a value in excess of \$10,000,000 for which such Grantor has filed a complaint in a court of competent jurisdiction, except as indicated on Schedule 8 of the Perfection Certificate.

Section 3.13. Perfection Certificate. The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein is correct and complete in all material respects as of the date hereof.

## **ARTICLE IV COVENANTS**

From the date hereof, and thereafter until this Agreement is terminated, each Grantor agrees that:

### Section 4.1. General.

(a) Collateral Records. Each Grantor will maintain complete and accurate books and records as is consistent with its practices as of the date hereof in all material respects with respect to the Collateral, and subject to Section 5.06 of the Credit Agreement and Section 5.2 of this Agreement, furnish to the Agent such reports relating to the Collateral as the Agent shall from time to time reasonably request.

(b) Authorization to File Financing Statements; Ratification. Each Grantor hereby authorizes the Agent to file, and if requested will deliver to the Agent, all financing statements and other documents and take such other actions as may from time to time be requested by the Agent in order to maintain a first priority (subject to Permitted Liens) perfected security interest in the Collateral. Any financing statement filed by the Agent may be filed in any filing office in any applicable UCC jurisdiction and may (i) indicate the Collateral (1) as all assets of the applicable Grantor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC of such jurisdiction, or (2) by any other description which reasonably approximates the description contained in this Agreement, and (ii) contain any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (A) whether the Grantor is an organization and the type of organization and (B) in the case of a financing statement filed as a fixture filing, a sufficient description

of real property to which the Collateral relates. Each Grantor also agrees to furnish any such information to the Agent promptly upon request.

(c) Further Assurances. Each Grantor will, if reasonably requested by the Agent, but not more frequently than once per year unless an Event of Default has occurred and is continuing, furnish to the Agent statements and schedules further identifying and describing the Collateral and such other reports and information in connection with the Collateral as the Agent may reasonably request, all in such detail as the Agent may reasonably specify. Each Grantor also agrees, if requested by the Agent, to take any and all actions necessary to defend title to the Collateral against all persons and to defend the security interest of the Agent in the Collateral and the priority thereof against any Lien other than Permitted Liens. Notwithstanding anything to the contrary contained herein (i) no Grantor shall be required to perfect the security interest granted herein by any means other than by (a) filing of financing statements pursuant to the UCC, (b) filings at the United States Patent and Trademark Office and the United States Copyright Office with respect to registrations and applications for Patents, Trademarks and Copyrights, (c) delivery to the Agent to be held in its possession of Collateral consisting of tangible Chattel Paper (other than leases for goods entered into by the relevant Grantor in the ordinary course of business constituting Chattel Paper) and Instruments (other than checks to be deposited in the ordinary course of business) and in each case of Chattel Paper and Instruments, with an amount of principal outstanding in excess of \$10,000,000, (d) delivery of Certificated Securities and certificates representing Equity Interests included in the Collateral and (e) the actions specified in Section 4.4 and Section 4.7.

(d) [Reserved]

(e) [Reserved]

(f) Other Financing Statements. No Grantor will authorize the filing of any financing statement naming it as debtor covering all or any portion of the Collateral, except to cover security interests that are Permitted Liens. Each Grantor acknowledges that it is not authorized to file any financing statement naming the Agent as secured party and any Grantor as debtor or amendment or termination statement with respect to any such financing statement without the prior written consent of the Agent, subject to such Grantor's rights under Section 9-509(d)(2) of the UCC.

(g) Change of Name, Etc. Each Grantor agrees to furnish to the Agent prompt written notice (which notice shall in any event be given within 30 days of the applicable change or such longer time as the Agent may reasonably agree) of any change in: (i) such Grantor's legal name; (ii) the location of such Grantor's chief executive office or its principal place of business; or (iii) such Grantor's organizational legal entity designation or jurisdiction of incorporation or formation. Each Grantor agrees upon any change referred to in the preceding sentence to effect all filings under the Uniform Commercial Code or other applicable law that are required in order for the Agent to continue at all times following such change to have a valid, legal and perfected, first priority security interest (subject to Permitted Liens that have priority by operation of applicable law) in the Collateral for its benefit and the benefit of the other Secured Parties.

#### Section 4.2. Receivables.

(a) Certain Agreements on Receivables. Except as permitted by the Credit Agreement, no Grantor will make or agree to make any discount, credit, rebate or other reduction in the original amount owing on a Receivable or accept in satisfaction of a Receivable less than the original amount thereof, except that, prior to the occurrence and continuation of an Event of Default, any Grantor may

reduce the amount of Accounts, whether from the sale of Inventory or otherwise, in accordance with its present policies and in the ordinary course of business.

(b) Collection of Receivables. Except as otherwise provided in this Agreement, each Grantor will collect and enforce, in accordance with its present policies and in the ordinary course of business, all amounts due or hereafter due to such Grantor under the Receivables.

Section 4.3. Delivery of Instruments, Certificated Securities and Chattel Paper. Subject to Section 4.1(c) of this Agreement and Section 5.12 of the Credit Agreement, each Grantor will (a) deliver to the Agent immediately upon execution of this Agreement the originals of all Chattel Paper (other than any leases for goods entered into by the relevant Grantor in the ordinary course of business constituting Chattel Paper), Certificated Securities, certificates representing Equity Interests and Instruments constituting Collateral (if any then exist), in each case, with an amount of principal outstanding or fair market value in excess of \$10,000,000 and in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank and (b) hold in trust for the Agent and deliver to the Agent any Chattel Paper, Certificated Securities, certificates representing Equity Interests and Instruments constituting Collateral, in each case, with an amount of principal outstanding or fair market value in excess of \$10,000,000 and in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank (x) with respect to such Chattel Paper, Certificated Securities, certificates representing Equity Interests and Instruments received after the date hereof promptly following receipt (and in any event within 30 days of receipt or such longer time as the Agent may reasonably agree) and (y) with respect to such Chattel Paper, Certificated Securities, certificates representing Equity Interests and Instruments held as of the date hereof promptly following the date on which the amount of principal outstanding or fair market value exceeds \$10,000,000 (and in any event within 30 days of such date or such longer time as the Agent may reasonably agree); provided that, notwithstanding the foregoing, the Grantors shall not be required to deliver the Equity Interests issued by ARAMONT Company Ltd.

Section 4.4. Uncertificated Pledged Collateral. The Grantors will permit the Agent from time to time after the occurrence and during the continuance of any Event of Default, to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of Pledged Collateral constituting Capital Stock with respect to which a Grantor owns more than 50% of the Capital Stock of the issuer of such Pledged Collateral to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of Pledged Collateral not represented by certificates and all rollovers and replacements therefor to reflect the security interest of the Agent granted pursuant to this Agreement. After the occurrence and during the continuance of any Event of Default, upon request by the Agent, the Grantors will take any actions reasonably necessary to cause the issuers of uncertificated securities which are Pledged Collateral constituting Capital Stock with respect to which a Grantor owns more than 50% of the Capital Stock of the issuer of such Pledged Collateral to enter into agreements or other instruments to allow the Agent to have and retain "control" under the UCC over such Pledged Collateral. In the case of each Grantor which is an issuer of Pledged Collateral, such Grantor agrees, after the occurrence and during the continuance of any Event of Default, (i) to be bound by the terms of this Agreement relating to the Pledged Collateral issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) promptly to note on its books the security interests granted to the Agent, (iii) that it will comply with instructions of the Agent with respect to the applicable Pledged Collateral (including all Equity Interests of such issuer) without further consent by such Grantor, and (iv) agrees to notify the Agent upon obtaining knowledge of any interest in favor of any Person in the applicable Pledged Collateral that is materially adverse to the interest of the Agent therein.

Section 4.5. Pledged Collateral.

(a) Registration in Nominee Name; Denominations. The Agent, on behalf of the Secured Parties, shall hold certificated Pledged Collateral delivered to it pursuant to this Agreement in the name of the applicable Grantor, endorsed or assigned in blank or in favor of the Agent, but following the occurrence and during the continuance of an Event of Default shall have the right (in its sole and absolute discretion) to hold such Pledged Collateral in its own name as pledgee, or in the name of its nominee (as pledgee or as sub-agent). Each Grantor will promptly give to the Agent copies of any notices or other communications received by it with respect to Pledged Collateral registered in the name of such Grantor. Following the occurrence and during the continuance of an Event of Default, the Agent shall at all times have the right to exchange the certificates representing such Pledged Collateral for certificates of smaller or larger denominations for any purpose consistent with this Agreement.

(b) [Reserved]

(c) Exercise of Rights in Pledged Collateral.

(i) Without in any way limiting the foregoing and subject to clause (ii) below, each Grantor shall have the right to exercise all voting rights or other rights relating to the Pledged Collateral for all purposes not inconsistent with this Agreement and the other Loan Documents; provided, however, that no vote or other right shall be exercised or action taken which would reasonably be expected to have the effect of materially and adversely impairing the rights of the Agent in respect of the Pledged Collateral.

(ii) Each Grantor will permit the Agent or its nominee at any time after the occurrence and during the continuance of an Event of Default, without notice, to exercise all voting rights or other rights relating to Pledged Collateral, including, without limitation, exchange, subscription or any other rights, privileges, or options pertaining to any Equity Interest or Investment Property constituting Pledged Collateral as if it were the absolute owner thereof.

(iii) Prior to the occurrence and continuance of an Event of Default and a notice thereof from the Agent suspending the Grantors' rights to do any of the following, each Grantor shall be entitled to receive and retain any and all dividends, interest, principal and other distributions paid on or distributed in respect of the Pledged Collateral to the extent and only to the extent that such dividends, interest, principal and other distributions are permitted by, and otherwise paid or distributed in accordance with, the terms and conditions of the Loan Documents and applicable law. After the occurrence and during the continuance of an Event of Default and after a notice thereof from Agent as contemplated by the first sentence of this paragraph, all dividends, interest, principal and other distributions paid on or distributed in respect of the Pledged Collateral shall be paid directly to the Agent. The immediately preceding sentence shall not apply to dividends between or among the Grantors only of property subject to a perfected security interest under this Agreement; provided that the U.S. Borrower notifies the Agent in writing, specifically referring to this Section 4.5 at the time of such dividend and takes any actions the Agent reasonably specifies to ensure the continuance of its perfected security interest in such property under this Agreement.

Section 4.6. Intellectual Property.

(a) Upon the occurrence and during the continuance of an Event of Default, each Grantor will use commercially reasonable efforts to obtain all consents and approvals necessary or

appropriate for the assignment to or for the benefit of the Agent of any material License held by such Grantor and to enforce the security interests granted hereunder.

(b) Each Grantor shall notify the Agent promptly if it knows or reasonably expects that any application or registration for any Patent, Trademark or Copyright (now or hereafter existing) material to the conduct of such Grantor's business may unintentionally become abandoned or dedicated, or of any material adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding such Grantor's ownership of any such Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(c) In the event that any Grantor, either directly or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent, Trademark or Copyright material, to the conduct of such Grantor's business with the United States Patent and Trademark Office or the United States Copyright Office, no later than the next required date for delivery of financial statements pursuant to Section 5.01(a) of the Credit Agreement, (x) the U.S. Borrower shall notify the Agent thereof and (y) such Grantor shall execute and deliver and file with the United States Copyright Office and the United States Patent and Trademark Office, as applicable, security agreements or other instruments that are necessary to evidence the Agent's security interest in such Patent, Trademark or Copyright registration or application, and the General Intangibles of such Grantor relating thereto or represented thereby. As soon as practicable upon each such filing and recording, such Grantor shall deliver to the Agent true and correct copies of the relevant documents, instruments and receipts evidencing such filing and recording.

(d) Each Grantor shall take all actions reasonably necessary to maintain and pursue each material application, to obtain the relevant registration and to maintain the registration of each of the Patents, Trademarks and Copyrights registrations and applications (now or hereafter existing) material to the conduct of such Grantor's business, except in cases where such Grantor reasonably decides to abandon, allow to lapse or expire any Patent, Trademark or Copyright registration or application or not to take any such actions against third parties.

(e) In the event any Grantor becomes aware of any infringement, misappropriation or dilution of any of such Grantor's Patents, Trademarks or Copyrights, such Grantor shall, unless it shall reasonably determine that a Patent, Trademark or Copyright is not material to the conduct of its business, promptly notify the Agent thereof and shall, if consistent with good business judgment, promptly sue for infringement, misappropriation or dilution of such Patent, Trademark or Copyright and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as are appropriate under the circumstances to protect such Patent, Trademark or Copyright.

Section 4.7. Commercial Tort Claims. Each Grantor shall promptly notify the Agent of any Commercial Tort Claim having a value in excess of \$10,000,000 acquired by it for which such Grantor has filed a complaint in a court of competent jurisdiction and, unless the Agent otherwise consents, such Grantor shall grant to the Agent a first priority security interest in such Commercial Tort Claim, subject to Permitted Liens.

Section 4.8. [Reserved]

Section 4.9. No Interference. Each Grantor agrees that it will not interfere with any right, power and remedy of the Agent provided for in this Agreement or now or hereafter existing at law or in equity or



by statute or otherwise, or the exercise or beginning of the exercise by the Agent of any one or more of such rights, powers or remedies.

Section 4.10. Insurance. The Grantors shall cause all insurance policies required under Section 5.10 of the Credit Agreement to name the Agent (for the benefit of the Secured Parties) as an additional insured or as loss payee, as applicable, and to contain loss payable clauses or mortgagee clauses, through endorsements in form and substance satisfactory to the Agent, and shall use commercially reasonable efforts to ensure that such endorsements provide that: (i) all proceeds thereunder with respect to any Collateral shall be payable to the Agent; (ii) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy; and (iii) such policy and loss payable or mortgagee clauses may be canceled, amended, or terminated only upon at least thirty (30) days prior written notice given to the Agent.

## **ARTICLE V REMEDIES**

### Section 5.1. Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default, the Agent may exercise any or all of the following rights and remedies:

(i) those rights and remedies provided in this Agreement, the Credit Agreement or any other Loan Document; provided that this Section 5.1(a) shall not be understood to limit any rights available to the Agent or the Lenders prior to an Event of Default;

(ii) those rights and remedies available to a secured party under the UCC (whether or not the UCC applies to the affected Collateral) or under any other applicable law (including, without limitation, any law governing the exercise of a bank's right of setoff or bankers' Lien) when a debtor is in default under a security agreement;

(iii) [Reserved]

(iv) without notice (except as specifically provided in Section 11.2 or elsewhere herein), demand or advertisement of any kind to any Grantor or any other Person, enter the premises of any Grantor where any Collateral is located (through self-help and without judicial process) to collect, receive, assemble, process, appropriate, sell, lease, assign, grant an option or options to purchase or otherwise dispose of, deliver, or realize upon, the Collateral or any part thereof in one or more parcels at public or private sale or sales (which sales may be adjourned or continued from time to time with or without notice and may take place at such Grantor's premises or elsewhere), for cash, on credit or for future delivery without assumption of any credit risk, and upon such other terms as the Agent may deem commercially reasonable; and

(v) concurrently with written notice to the Grantors, transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon and to otherwise act with respect to the Pledged Collateral as though the Agent was the outright owner thereof.

(b) Each Grantor acknowledges and agrees that the compliance by the Agent, on behalf of the Secured Parties, with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

(c) The Agent shall have the right upon any public sale or sales and, to the extent permitted by law, upon any private sale or sales, to purchase for the benefit of the Agent and the Secured Parties, the whole or any part of the Collateral so sold, free of any right of equity redemption in favor of any Grantor, which equity redemption each Grantor hereby expressly releases.

(d) Until the Agent is able to effect a sale, lease, transfer or other disposition of Collateral, the Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or the value of the Collateral, or for any other purpose deemed appropriate by the Agent. The Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of the Agent's remedies (for the benefit of the Agent and Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment.

(e) Notwithstanding the foregoing, neither the Agent nor the Secured Parties shall be required to (i) make any demand upon, or pursue or exhaust any of their rights or remedies against, the Grantors, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefor or any direct or indirect guarantee thereof, (ii) marshal the Collateral or any guarantee of the Obligations or to resort to the Collateral or any such guarantee in any particular order, or (iii) effect a public sale of any Collateral.

(f) Each Grantor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof. Each Grantor also acknowledges that any private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. The Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit any Grantor or the issuer of the Pledged Collateral to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if any Grantor and the issuer would agree to do so (it being acknowledged and agreed that no Grantor shall have any obligation hereunder to do so).

Section 5.2. Grantor's Obligations Upon Default. Upon the request of the Agent after the occurrence and during the continuance of an Event of Default, each Grantor will:

(a) upon reasonable advance notice, assemble and make available to the Agent the Collateral and all books and records relating thereto at any place or places reasonably specified by the Agent, whether at such Grantor's premises or elsewhere; and

(b) permit the Agent, by the Agent's representatives and agents, to enter, occupy and use any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral or the books and records relating thereto, or both, to remove all or any part of the Collateral or the books and records relating thereto, or both, and to conduct sales of the Collateral, without any obligation to pay any Grantor for such use and occupancy.

Section 5.3. Grant of Intellectual Property License. For the purpose of enabling the Agent to exercise the rights and remedies under this Article V at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby (a) grants to the Agent, for the benefit of the Agent and the Secured Parties, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or, to the extent permitted under the relevant license, sublicense any intellectual property rights now owned or hereafter acquired by such Grantor, wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof and (b) irrevocably agrees that, at any time and from time to time following the occurrence and during the continuance of an Event of Default, the Agent may sell any Grantor's Inventory directly to any Person, including without limitation Persons who have previously purchased any Grantor's Inventory from such Grantor and in connection with any such sale or other enforcement of the Agent's rights under this Agreement, may (subject to any restrictions contained in applicable third party licenses entered into by a Grantor) sell Inventory which bears any Trademark owned by or licensed to any Grantor and any Inventory that is covered by any Copyright owned by or licensed to such Grantor and the Agent may finish any work in process and affix any relevant Trademark owned by or licensed to any Grantor and sell such Inventory as provided herein. The use of the license granted pursuant to clause (a) of the preceding sentence by the Agent may be exercised, at the option of the Agent, only upon the occurrence and during the continuance of an Event of Default; provided, however, that any license, sublicense or other transaction entered into by the Agent in accordance herewith shall be binding upon each Grantor notwithstanding any subsequent cure of an Event of Default.

Section 5.4. Application of Proceeds. The Agent shall apply the proceeds of any collection, sale, foreclosure or other realization upon any Collateral, as well as any Collateral consisting of cash, in accordance with Section 2.16(a) of the Credit Agreement.

Except as otherwise provided herein, the Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of Collateral by the Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Agent or such officer or be answerable in any way for the misapplication thereof.

**ARTICLE VI**  
**[Reserved]**

**ARTICLE VII**  
**[Reserved]**

**ARTICLE VIII**  
**RELATIONSHIP AMONG SECURED PARTIES**

Section 8.1. Restrictions on Actions. Each Secured Party agrees that, so long as any Secured Obligations are outstanding, the provisions of this Agreement and the Credit Agreement shall provide the exclusive method by which any Secured Party may individually exercise rights and remedies hereunder and under the other Collateral Documents in respect of the Collateral. Therefore, each Secured Party shall, for the mutual benefit of all Secured Parties, except as otherwise permitted under this Agreement or the Credit Agreement:

(a) refrain from taking or filing any action, judicial or otherwise, to enforce any rights or pursue any remedy hereunder and under any other Collateral Document, except for delivering notices hereunder; and

(b) refrain from exercising any rights or remedies hereunder or under any other Collateral Document that have or may have arisen or which may arise as a result of an Event of Default;

provided, however, that nothing contained in this Article VIII shall prevent any Secured Party from (i) imposing a default rate of interest in accordance with the Credit Agreement, (ii) accelerating the maturity of any Secured Obligations, (iii) raising any defenses in any action in which it has been made a party defendant or has been joined as a third party, except that the Agent may direct and control any defense directly relating to the Collateral or any one or more of the Collateral Documents, which shall be governed by the provisions of this Agreement or (iv) exercising any right of setoff, recoupment or similar right, in each case in accordance with the Credit Agreement; provided, further that all such rights and remedies may be exercised at any time by the Agent or Required Secured Parties. This Section 8.1 shall be solely for the benefit of the Agent and the Secured Parties.

Section 8.2. Cooperation; Accountings. Each of the Secured Parties will, upon the reasonable request of the Agent, from time to time execute and deliver or cause to be executed and delivered such further instruments, and do and cause to be done such further acts, as may be necessary or proper to carry out more effectively the provisions of this Agreement. The Secured Parties agree to provide to each other upon reasonable request a statement of all payments received in respect of any Secured Obligations.

Section 8.3. Secured Parties; Other Collateral. The Secured Parties agree that all of the provisions of this Article VIII and Article IX shall apply to any and all properties, assets and rights of the Grantors and their Affiliates in which the Agent at any time acquires a security interest or Lien pursuant hereto or to any other Collateral Document, including, without limitation, real property or rights in, on or over real property, notwithstanding any provision to the contrary in any mortgage, leasehold mortgage or other document purporting to grant or perfect any Lien in favor of the Secured Parties or any of them or the Agent for the benefit of the Secured Parties or any of them.

Section 8.4. Secured Cash Management Obligations and Secured Hedge Obligations. By accepting the benefits of this Agreement, each holder of Secured Cash Management Obligations and Secured Hedge Obligations agrees that it shall not have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as an Agent or a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Agreement or the other Loan Documents to the contrary, the Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Secured Cash Management Obligations or Secured Hedge Obligations unless the Agent has received written notice of such Secured Obligations.

## **ARTICLE IX CONCERNING THE AGENT**

Section 9.1. Appointment of Agent. By accepting the benefits of this Agreement, each of the Secured Parties appoints JPMorgan Chase Bank, N.A. to act, and JPMorgan Chase Bank, N.A. agrees to act, as Agent for the Secured Parties pursuant to the terms of this Agreement and the other Collateral Documents and to execute and enter into this Agreement and the other Collateral Documents and all other instruments relating to this Agreement and the other Collateral Documents and (a) to take actions on its

behalf that are expressly permitted under the provisions of this Agreement and the other Loan Documents and all other instruments or agreements relating hereto or thereto and (b) to exercise such powers and perform such duties as are, in each case, expressly delegated to the Agent by the terms hereof and thereof. By acceptance of the benefits of this Agreement, each Secured Party that is not a party to this Agreement shall be deemed to have consented to the appointment and authorization set forth in the immediately preceding sentence. **THE AGENT HAS CONSENTED TO SERVE AS AGENT HEREUNDER ON THE EXPRESS UNDERSTANDING, AND THE SECURED PARTIES, BY ACCEPTING THE BENEFITS OF THIS AGREEMENT, SHALL BE DEEMED TO HAVE AGREED, THAT THE AGENT SHALL HAVE NO DUTY AND SHALL OWE NO OBLIGATION OR RESPONSIBILITY (FIDUCIARY OR OTHERWISE), REGARDLESS OF WHETHER AN EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING, TO THE SECURED PARTIES, OTHER THAN THE DUTY TO PERFORM ITS EXPRESS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER COLLATERAL DOCUMENTS IN ACCORDANCE WITH THEIR RESPECTIVE TERMS, SUBJECT IN ALL EVENTS TO THE PROVISIONS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS LIMITING THE RESPONSIBILITY OR LIABILITY OF THE AGENT HEREUNDER.**

Section 9.2. Limitations on Responsibility of Agent. The Agent shall not be responsible for or have any duty to ascertain or inquire as to (i) any statement, warranty or representation made herein or in connection herewith or in or in connection with any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith or with any other Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any other Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Agent or (vi) the creation, perfection or priority of any Lien purported to be created by the Collateral Documents or the existence, value or the sufficiency of any Collateral. Neither the Agent nor any officer, agent or representative thereof shall be personally liable for any action taken or omitted to be taken by any such Person in connection with this Agreement except if such action or omission has been determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Person. The Agent may execute any of the powers granted to it under this Agreement and perform any duty hereunder either directly or by or through sub-agents or attorneys-in-fact, and shall not be responsible for the negligence (including gross negligence) or misconduct (including wilful misconduct) of any sub-agents or attorneys-in-fact selected by it with the care that a prudent person in similar circumstances would have employed in such selection. The Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Affiliates. The exculpatory provisions set forth in this Article IX and in the other Loan Documents shall apply to any such sub-agent and to the Affiliates of the Agent and any such sub-agent and their respective activities in connection with this Agreement.

Section 9.3. Reliance by Agent; Indemnity Against Liabilities, etc.

(a) Whenever in the performance of its duties under this Agreement the Agent shall deem it necessary or desirable that a matter be proved or established with respect to the Grantors or any other Person in connection with the taking, suffering or omitting of any action hereunder by the Agent, such matter may be conclusively deemed to be proved or established by a certificate executed by an officer of such Person, and the Agent shall have no liability with respect to any action taken, suffered or omitted in reliance thereon.

(b) The Agent shall be fully protected in relying upon any resolution, statement, certificate, instrument, opinion, report, notice (including any notice of an Event of Default or of the cure or waiver thereof), request, consent, order or other paper or document or oral conversation (including, telephone conversations) which it in good faith believes to be genuine and correct and to have been signed, presented or made by the proper party. The Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any notice, certificate or opinion furnished to the Agent in connection with this Agreement.

(c) The Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until written notice thereof is given to the Agent by the U.S. Borrower or a Lender. The Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person.

Section 9.4. Exercise of Remedies. The remedies of the Agent hereunder and under the other Collateral Documents shall include, but not be limited to, the disposition of the Collateral by foreclosure or other sale and the exercising of all remedies of a secured lender under the UCC, bankruptcy laws or similar laws of any applicable jurisdiction.

Section 9.5. Cooperation. To the extent the exercise of the rights, powers and remedies of the Agent in accordance with this Agreement requires that any action be taken by any Secured Party, such Secured Party shall take such action and cooperate with the Agent to ensure that the rights, powers and remedies of all Secured Parties are exercised in full.

Section 9.6. Authorized Investments. Any and all funds held by the Agent in its capacity as Agent, whether pursuant to any provision hereof or of any other Collateral Document or otherwise, may, in the Agent's sole discretion, be invested by the Agent in cash equivalents. Any interest earned on such funds shall be disbursed in accordance with Section 5.4. The Agent may hold any such funds in a common interest bearing account. To the extent that the interest rate payable with respect to any such account varies over time, the Agent may use an average interest rate in making the interest allocations among the respective Secured Parties. The Agent shall have no duty to invest any such funds or to select investments which provide a maximum return. In the absence of gross negligence or wilful misconduct, the Agent shall not be responsible for any investment losses in respect of any funds invested in accordance with this Section.

Section 9.7. Bankruptcy Proceedings. The following provisions shall apply during any Bankruptcy Proceeding of any Grantor:

(a) The Agent shall represent all Secured Parties in connection with all matters directly relating to the Collateral, including, without limitation, any use, sale or lease of Collateral, use of cash collateral, request for relief from the automatic stay and request for adequate protection.

(b) Each Secured Party shall be free to act independently on any issue not affecting the Collateral. Each Secured Party shall give prior notice to the Agent of any such action that could materially affect the rights or interests of the Agent or the other Secured Parties to the extent that such notice is reasonably practicable. If such prior notice is not given, such Secured Party shall give prompt notice following any action taken hereunder.

(c) Any proceeds of the Collateral received by any Secured Party as a result of, or during, any Bankruptcy Proceeding will be delivered promptly to the Agent for distribution in accordance with Section 5.4.

**ARTICLE X**  
**ACCOUNT VERIFICATION; ATTORNEY IN FACT; PROXY**

Section 10.1. Account Verification. The Agent may at any time and from time to time following the occurrence and during the continuance of an Event of Default, in the Agent's own name, in the name of a nominee of the Agent, or in the name of any Grantor, upon reasonable advance notice to the applicable Grantor, communicate (by mail, telephone, facsimile or otherwise) with the Account Debtors of such Grantor, parties to contracts with such Grantor and obligors in respect of Instruments of such Grantor to verify with such Persons, to the Agent's satisfaction, the existence, amount, terms of, and any other matter relating to, Accounts, Instruments, Chattel Paper, payment intangibles and/or other Receivables that are Collateral.

Section 10.2. Authorization for the Agent to Take Certain Action.

(a) Each Grantor irrevocably authorizes the Agent and appoints the Agent as its attorney in fact (i) at any time and from time to time in the sole discretion of the Agent (1) to execute on behalf of such Grantor as debtor and to file financing statements necessary in the Agent's reasonable discretion to perfect and to maintain the perfection and priority of the Agent's security interest in the Collateral, (2) to file any other financing statement or amendment of a financing statement (which would not add new collateral or add a debtor) in such offices as the Agent in its reasonable discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the Collateral, (3) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Pledged Collateral in connection with the exercise of the Agent's rights under Section 4.4, and (4) to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for Permitted Liens); (ii) at any time following the occurrence and during the continuance of an Event of Default, (1) to endorse and collect any cash proceeds of the Collateral and to apply the proceeds of any Collateral received by the Agent to the Secured Obligations as provided herein or in any other Loan Document, (2) to demand payment or enforce payment of the Receivables in the name of the Agent or any Grantor and to endorse any and all checks, drafts, and other instruments for the payment of money relating to the Receivables, (3) to sign any Grantor's name on any invoice or bill of lading relating to the Receivables, drafts against any Account Debtor of such Grantor, assignments and verifications of Receivables, (4) to exercise all of any Grantor's rights and remedies with respect to the collection of the Receivables and any other Collateral, (5) to settle, adjust, compromise, extend or renew the Receivables (including, without limitation, making, settling and adjusting claims in respect of Collateral under policies of insurance and making all determinations and decisions with respect thereto), (6) to settle, adjust or compromise any legal proceedings brought to collect Receivables, (7) to prepare, file and sign any Grantor's name on a proof of claim in bankruptcy or similar document against any Account Debtor of such Grantor, (8) to prepare, file and sign any Grantor's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Receivables, (9) to change the address for delivery of mail addressed to any Grantor to such address as the Agent may designate and to receive, open and dispose of all mail addressed to such Grantor; and (iii) to do all other acts and things necessary to carry out the terms of this Agreement; and each Grantor agrees to reimburse the Agent on demand for any reasonable payment made or any reasonable documented expense incurred by the Agent in connection with any of the foregoing in accordance with Section 11.13; provided that this authorization shall not relieve any Grantor of any of its obligations under this Agreement or any other Loan Document.

(b) All acts of said attorney or designee are hereby ratified and approved by the Grantors. The powers conferred on the Agent, for the benefit of the Agent and Secured Parties, under this Section 10.2 are solely to protect the Agent's interests in the Collateral and shall not impose any duty upon the Agent or any Secured Party to exercise any such powers.

Section 10.3. PROXY. EACH GRANTOR HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS THE AGENT AS ITS PROXY AND ATTORNEY-IN-FACT (AS SET FORTH IN SECTION 10.2 ABOVE) WITH RESPECT TO THE PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE SUCH PLEDGED COLLATERAL, WITH FULL POWER OF SUBSTITUTION TO DO SO. IN ADDITION TO THE RIGHT TO VOTE ANY SUCH PLEDGED COLLATERAL, THE APPOINTMENT OF THE AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF SUCH PLEDGED COLLATERAL WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY SUCH PLEDGED COLLATERAL ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF SUCH PLEDGED COLLATERAL OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE AND DURING THE CONTINUANCE OF AN EVENT OF DEFAULT (PROVIDED THAT AGENT SHALL PROVIDE SUCH GRANTOR WITH NOTICE THEREOF PRIOR TO, TO THE EVENT REASONABLY PRACTICABLE, OR OTHERWISE PROMPTLY AFTER, EXERCISING SUCH RIGHTS).

Section 10.4. NATURE OF APPOINTMENT; LIMITATION OF DUTY. THE APPOINTMENT OF THE AGENT AS PROXY AND ATTORNEY-IN-FACT IN THIS ARTICLE X IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE DATE ON WHICH THIS AGREEMENT IS TERMINATED IN ACCORDANCE WITH SECTION 11.16. NOTWITHSTANDING ANYTHING CONTAINED HEREIN, NEITHER THE AGENT, NOR ANY SECURED PARTY, NOR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL HAVE ANY DUTY TO EXERCISE ANY RIGHT OR POWER GRANTED HEREUNDER OR OTHERWISE OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO, EXCEPT TO THE EXTENT SUCH DAMAGES ARE ATTRIBUTABLE TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION; PROVIDED THAT, IN NO EVENT SHALL THEY BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

## **ARTICLE XI GENERAL PROVISIONS**

Section 11.1. Notice. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy to the addressees or telecopy numbers set forth in the Credit Agreement.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto (and for this purpose a notice to the U.S. Borrower shall be deemed to be a notice to each Grantor). All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given (x) on the date of receipt if delivered by hand, overnight courier service or mailed by certified or



registered mail, or (y) when sent and receipt has been confirmed by telephone if sent by telecopy, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 11.1 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 11.1. Notices and other communications may also be delivered by Electronic Systems to the extent permitted by Section 9.01 of the Credit Agreement.

Section 11.2. Waivers. Each Grantor hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Collateral may be made. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to the Grantors, addressed as set forth in Section 11.1, at least ten (10) days prior to (i) the date of any such public sale or (ii) the time after which any such private sale or other disposition may be made. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against the Agent or any Secured Party arising out of the repossession, retention or sale of the Collateral, except such as arise solely out of the gross negligence or willful misconduct of the Agent or such Secured Party as finally determined by a court of competent jurisdiction. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Agent or any Secured Party, any valuation, stay, appraisal, extension, moratorium, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise. Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral.

Section 11.3. Limitation on Agent's and Secured Party's Duty with Respect to the Collateral. The Agent shall have no obligation to clean-up or otherwise prepare the Collateral for sale. The Agent shall use reasonable care with respect to the Pledged Collateral in its possession. The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equivalent to that which the Agent, in its individual capacity, accords its own property consisting of similar instruments or interests. Neither the Agent nor any Secured Party shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of the Agent or such Secured Party, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. To the extent that applicable law imposes duties on the Agent to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it would be commercially reasonable for the Agent (i) to fail to incur expenses deemed significant by the Agent to prepare Collateral for disposition or otherwise to transform raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iii) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (iv) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (v) to contact other Persons, whether or not in the same business as the Grantor, for expressions of interest in acquiring all or any portion of such Collateral, (vi) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (vii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (viii) to dispose of assets in wholesale rather than retail markets, (ix) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (x) to purchase insurance or credit enhancements

to insure the Agent against risks of loss, collection or disposition of Collateral or to provide to the Agent a guaranteed return from the collection or disposition of Collateral, or (xi) to the extent deemed appropriate by the Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Agent in the collection or disposition of any of the Collateral. Each Grantor acknowledges that the purpose of this Section 11.3 is to provide non-exhaustive indications of what actions or omissions by the Agent would be commercially reasonable in the Agent's exercise of remedies against the Collateral and that other actions or omissions by the Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 11.3. Without limitation upon the foregoing, nothing contained in this Section 11.3 shall be construed to grant any rights to any Grantor or to impose any duties on the Agent that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section 11.3.

Section 11.4. Compromises and Collection of Collateral. Each Grantor and the Agent recognize that setoffs, counterclaims, defenses and other claims may be asserted by obligors with respect to certain of the Receivables, that certain of the Receivables may be or become uncollectible in whole or in part and that the expense and probability of success in litigating a disputed Receivable may exceed the amount that reasonably may be expected to be recovered with respect to a Receivable. In view of the foregoing, each Grantor agrees that the Agent may at any time and from time to time, if an Event of Default has occurred and is continuing, compromise with the obligor on any Receivable, accept in full payment of any Receivable such amount as the Agent in its sole discretion shall determine or abandon any Receivable, and any such action by the Agent shall be commercially reasonable so long as the Agent acts in good faith based on information known to it at the time it takes any such action.

Section 11.5. Agent's Performance of Grantor Obligations. Without having any obligation to do so, the Agent may perform or pay any obligation which any Grantor has agreed to perform or pay under this Agreement and the Grantor shall reimburse the Agent for any amounts paid by the Agent pursuant to this Section 11.5. Each Grantor's obligation to reimburse the Agent pursuant to the preceding sentence shall be an Obligation payable on demand.

Section 11.6. Specific Performance of Certain Covenants. The Grantor acknowledges and agrees that a breach of any of the covenants contained in Sections 4.3, 4.4, 4.5, 4.6, 4.7, 4.10, or 5.2, will cause irreparable injury to the Agent and the Secured Parties, that the Agent and the Secured Parties have no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of the Agent or the Secured Parties to seek and obtain specific performance of other obligations of any Grantor contained in this Agreement, that the covenants of such Grantor contained in the Sections referred to in this Section 11.6 shall be specifically enforceable against such Grantor.

Section 11.7. Unauthorized Dispositions. Notwithstanding any course of dealing between any Grantor and the Agent or other conduct of the Agent, no authorization to sell, lease or transfer or otherwise dispose of the Collateral other than as permitted by the Credit Agreement shall be binding upon the Agent or the Secured Parties unless such authorization is in writing signed by the Agent with any consent of the Lenders required by the Credit Agreement.

Section 11.8. No Waiver; Amendments; Cumulative Remedies. No delay or omission of the Agent to exercise any right or remedy granted under this Agreement shall impair such right or remedy or be construed to be a waiver of any default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless in writing signed by the Agent with the concurrence or at the direction of the Lenders required under Section 9.02 of the Credit Agreement and then only to the

extent in such writing specifically set forth. All rights and remedies contained in this Agreement or by law afforded shall be cumulative and all shall be available to the Agent until the Secured Obligations have been paid in full.

Section 11.9. Limitation by Law; Severability of Provisions. All rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law that may be controlling and to be limited to the extent necessary so that they shall not render this Agreement invalid, unenforceable or not entitled to be recorded or registered, in whole or in part. Any provision in any this Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Agreement are declared to be severable.

Section 11.10. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of its Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

Section 11.11. Benefit of Agreement. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of each Grantor and the Agent and their respective successors and permitted assigns (including all Persons who become bound as a debtor to this Agreement), except that no Grantor shall have the right to assign its rights or delegate its obligations under this Agreement or any interest herein, without the prior written consent of the Agent, unless permitted by the Credit Agreement. No sales of participations, assignments, transfers, or other dispositions of any agreement governing the Secured Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to the Agent, for the benefit of the Agent and the Secured Parties, hereunder.

Section 11.12. Survival of Representations. All representations and warranties of each Grantor contained in this Agreement shall survive the execution and delivery of this Agreement.

Section 11.13. Taxes and Expenses. Each Grantor jointly and severally agrees to pay any taxes payable or ruled payable by Federal or State authority in respect of this Agreement, together with interest and penalties, if any. Each Grantor jointly and severally agrees to reimburse the Agent for any and reasonable documented out-of-pocket expenses paid or incurred by the Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Agreement and in the administration, collection, preservation or sale of the Collateral. Any and all costs and expenses incurred by any Grantor in the performance of actions required pursuant to the terms hereof shall be borne solely by such Grantor. The obligation of each Grantor under this Section 11.13 shall be subject to the same limitations as the obligation of the U.S. Borrower under Section 9.03 of the Credit Agreement and the obligation of such Grantor under Section 2.15 (including Section 2.15(d)) of the Credit Agreement.

Section 11.14. Additional Subsidiaries. Each Domestic Subsidiary of the U.S. Borrower that is required pursuant to Section 5.11 of the Credit Agreement to become a Grantor hereunder, shall, upon execution and delivery by the Agent and such Domestic Subsidiary of an instrument in the form of Exhibit C hereto, become a Subsidiary Party hereunder with the same force and effect as if originally named as a Subsidiary Party herein. The execution and delivery of any such instrument shall not require the consent of any other Person. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Person as a party to this Agreement.

Section 11.15. Headings. The title of and section headings in this Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Agreement.

Section 11.16. Termination and Release.

(a) This Agreement shall continue in effect until the Discharge of Obligations has occurred.

(b) A Subsidiary Party shall automatically be released from its obligations hereunder and the security interests created hereunder in the Collateral of such Subsidiary Party shall be automatically released upon the consummation of any transaction permitted pursuant to the Credit Agreement as a result of which such Subsidiary Party ceases to be a Subsidiary Guarantor.

(c) Upon any sale, lease, transfer or other disposition by any Grantor of any Collateral that is permitted under the Credit Agreement to any Person that is not another Grantor or, upon the effectiveness of any written consent to the release of the security interest granted hereby in any Collateral pursuant to Section 9.02(b) of the Credit Agreement, the security interest in such Collateral shall be automatically released.

(d) In connection with any termination or release pursuant to paragraph (a), (b) or (c) above, the Agent shall promptly execute and deliver to any Grantor, at such Grantor's expense, all UCC termination statements and similar documents that such Grantor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 11.16 shall be without recourse to or representation or warranty by the Agent or any Secured Party. Without limiting the provisions of Section 11.13, the U.S. Borrower shall reimburse the Agent upon demand for all reasonable and documented costs and out of pocket expenses, including the reasonable fees, charges and expenses of counsel, incurred by it in connection with any action contemplated by this Section 11.16(d).

Section 11.17. Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding between each Grantor and the Agent relating to the Collateral and supersedes all prior agreements and understandings between any Grantor and the Agent relating to the Collateral.

Section 11.18. **CHOICE OF LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.**

Section 11.19. **CONSENT TO JURISDICTION. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF ANY U.S. FEDERAL OR NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN, NEW YORK, NEW YORK IN ANY**

**ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT or any other loan document, OR FOR THE RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction. Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in this Section 11.19. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.**

**Section 11.20. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.20.**

Section 11.21. Indemnity. Each Grantor hereby agrees to indemnify the Agent, and its Related Party (each an "Indemnitee"), from and against any and all losses, claims, damages, penalties, liabilities, and related expenses imposed on, incurred by or asserted against any Indemnitee arising out of , in connection with, or as a result of this Agreement, or the ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including any claim for Patent, Trademark or Copyright infringement) in accordance with this Agreement, except to the extent such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

Section 11.22. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart

Section 11.23. Mortgages. In the case of a conflict between this Agreement and the Mortgages with respect to Collateral that is real property (including Fixtures), the Mortgages shall govern. In all other conflicts between this Agreement and the Mortgages, this Agreement shall govern.

[Signature Pages Follow]

IN WITNESS WHEREOF, each Grantor and the Agent have executed this Agreement as of the date first above written.

ARAMARK SERVICES, INC.

By: /s/ James J. Tarangelo

Name: James J. Tarangelo

Title: Vice President and Treasurer

ARAMARK INTERMEDIATE HOLDCO CORPORATION

By: /s/ James J. Tarangelo

Name: James J. Tarangelo

Title: Vice President and Treasurer

ARAMARK AVIATION SERVICES LIMITED PARTNERSHIP

By: ARAMARK SMMS, LLC, its General Partner

By: ARAMARK SERVICES, INC., its sole member

By: /s/ James J. Tarangelo

Name: James J. Tarangelo

Title: Vice President and Treasurer

ARAMARK MANAGEMENT SERVICES LIMITED PARTNERSHIP

By: ARAMARK SMMS, LLC, its General Partner

By: ARAMARK SERVICES, INC., its sole member

By: /s/ James J. Tarangelo

Name: James J. Tarangelo

Title: Vice President and Treasurer

EACH OF THE SUBSIDIARY GUARANTORS LISTED ON SCHEDULE I  
HERETO

By: /s/ James J. Tarangelo

Name: James J. Tarangelo

Title: Treasurer



Accepted and Agreed:

JPMORGAN CHASE BANK, N.A.,

as Agent

By: /s/ Tony Yung

Name: Tony Yung

Title: Executive Director

SCHEDULE I

<b>Subsidiary Guarantor</b>	<b>Jurisdiction</b>
L&N Uniform Supply, LLC	California
Lake Tahoe Cruises, LLC	California
Old Time Coffee Co.	California
Paradise Hornblower, LLC	California
1st & Fresh, LLC	Delaware
Aramark Asia Management, LLC	Delaware
Aramark Aviation Services Limited Partnership	Delaware
Aramark Business & Industry, LLC	Delaware
Aramark Business Center, LLC	Delaware
Aramark Business Facilities, LLC	Delaware
Aramark Campus, LLC	Delaware
Aramark Cleanroom Services (Puerto Rico), Inc.	Delaware
Aramark Cleanroom Services, LLC	Delaware
Aramark Confection, LLC	Delaware
Aramark Construction and Energy Services, LLC	Delaware
Aramark Construction Services, Inc.	Delaware
Aramark Correctional Services, LLC	Delaware
Aramark Educational Group, LLC	Delaware
Aramark Educational Services, LLC	Delaware
Aramark Entertainment, LLC	Delaware
Aramark Facility Services, LLC	Delaware
Aramark FHC Business Services, LLC	Delaware
Aramark FHC Campus Services, LLC	Delaware
Aramark FHC Correctional Services, LLC	Delaware
Aramark FHC Healthcare Support Services, LLC	Delaware
Aramark FHC Refreshment Services, LLC	Delaware
Aramark FHC School Support Services, LLC	Delaware
Aramark FHC Services, LLC	Delaware
Aramark FHC Sports and Entertainment Services, LLC	Delaware
Aramark FHC, LLC	Delaware
Aramark Food and Support Services Group, Inc.	Delaware
Aramark Food Service, LLC	Delaware
Aramark FSM, LLC	Delaware
Aramark Global, Inc.	Delaware
Aramark Healthcare Support Services of the Virgin Islands, Inc.	Delaware
Aramark Healthcare Support Services, LLC	Delaware
Aramark Healthcare Technologies, LLC	Delaware
Aramark Industrial Services, LLC	Delaware
Aramark Japan, LLC	Delaware
Aramark Management Services Limited Partnership	Delaware
Aramark Management, LLC	Delaware
Aramark Organizational Services, LLC	Delaware
Aramark Processing, LLC	Delaware
Aramark Rail Services, LLC	Delaware
Aramark RBI, Inc.	Delaware
Aramark Refreshment Group, Inc.	Delaware
Aramark Refreshment Services of Tampa, LLC	Delaware

	Aramark Refreshment Services, LLC	Delaware
	Aramark Schools Facilities, LLC	Delaware
	Aramark Schools, LLC	Delaware
	Aramark SCM, Inc.	Delaware
	Aramark Senior Living Services, LLC	Delaware
	Aramark Senior Notes Company, LLC	Delaware
	Aramark Services of Puerto Rico, Inc.	Delaware
	Aramark SM Management Services, Inc.	Delaware
	Aramark SMMS LLC	Delaware
	Aramark SMMS Real Estate LLC	Delaware
	Aramark Sports and Entertainment Group, LLC	Delaware
	Aramark Sports and Entertainment Services, LLC	Delaware
	Aramark Sports Facilities, LLC	Delaware
	Aramark Sports, LLC	Delaware
	Aramark Togwotee, LLC	Delaware
	Aramark Trademark Services, Inc.	Delaware
	Aramark U.S. Offshore Services, LLC	Delaware
	Aramark Uniform & Career Apparel Group, Inc.	Delaware
	Aramark Uniform & Career Apparel, LLC	Delaware
	Aramark Uniform Manufacturing Company	Delaware
	Aramark Uniform Services (Matchpoint) LLC	Delaware
	Aramark Uniform Services (Rochester) LLC	Delaware
	Aramark Uniform Services (Syracuse) LLC	Delaware
	Aramark Uniform Services (Texas) LLC	Delaware
	Aramark Uniform Services (West Adams) LLC	Delaware
	Aramark Venue Services, Inc.	Delaware
	Aramark WTC, LLC	Delaware
	Aramark/HMS, LLC	Delaware
	Canyonlands Rafting Hospitality, LLC	Delaware
	D.G. Maren II, Inc.	Delaware
	Delsac VIII, Inc.	Delaware
	Filterfresh Coffee Service, LLC	Delaware
	Filterfresh Franchise Group, LLC	Delaware
	Fine Host Holdings, LLC	Delaware
	Harrison Conference Associates, LLC	Delaware
	Harry M. Stevens, LLC	Delaware
	HPSI Purchasing Services LLC	Delaware
	Institutional Processing Services LLC	Delaware
	Landy Textile Rental Services, LLC	Delaware
	Lifeworks Restaurant Group, LLC	Delaware
	New Aramark LLC	Delaware
	Yosemite Hospitality, LLC	Delaware
	American Snack & Beverage, LLC	Florida
	Aramark Distribution Services, Inc.	Illinois
	Aramark FHC Kansas, Inc.	Kansas
	Aramark Services of Kansas, Inc.	Kansas
	Restaura, Inc.	Michigan
	Travel Systems, LLC	Nevada
	Harry M. Stevens Inc. of New Jersey.	New Jersey
	Aramark Technical Services North Carolina, Inc.	North Carolina

	Harrison Conference Services of North Carolina, LLC	North Carolina
	Aramark American Food Services, LLC	Ohio
	Aramark Consumer Discount Company	Pennsylvania
	Harry M. Stevens Inc. of Penn	Pennsylvania
	MyAssistant, Inc.	Pennsylvania
	Aramark Business Dining Services of Texas, LLC	Texas
	Aramark Educational Services of Texas, LLC	Texas
	Aramark Food Service of Texas, LLC	Texas
	Aramark Sports and Entertainment Services of Texas, LLC	Texas
	Brand Coffee Service, Inc.	Texas
	Aramark Educational Services of Vermont, Inc.	Vermont
	Overall Laundry Services, Inc.	Washington
	Aramark Capital Asset Services, LLC	Wisconsin

## CERTIFICATIONS

I, Eric J. Foss, Chairman, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aramark for the quarter ended March 31, 2017;
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(s) 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(s) 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 9, 2017

/s/ ERIC J. FOSS

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**Eric J. Foss**

**Chairman, President and Chief Executive Officer**

## CERTIFICATIONS

I, Stephen P. Bramlage, Jr., Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aramark for the quarter ended March 31, 2017;
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(s) 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(s) 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 9, 2017

/s/ STEPHEN P. BRAMLAGE, JR.

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**Stephen P. Bramlage, Jr.**  
**Executive Vice President and**  
**Chief Financial Officer**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aramark (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Eric J. Foss, Chairman, President and Chief Executive Officer of the Company, and Stephen P. Bramlage, Jr., Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on each of our knowledge:

- (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 9, 2017

/s/ ERIC J. FOSS

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**Eric J. Foss**

**Chairman, President and Chief Executive Officer**

/s/ STEPHEN P. BRAMLAGE, JR.

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**Stephen P. Bramlage, Jr.**

**Executive Vice President and Chief Financial Officer**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.